

Highlights

- Sales amounted to USD 158 million, corresponding to 9% USD growth and 6% organic growth. Sales for 1H 2018 amounted to USD 300 million, corresponding to 9% USD growth and 4% organic growth.
- Net profit in Q2 2018 amounted to USD 20 million or 12% of sales, an increase of 49% from Q2 2017. Diluted EPS growth amounted to 51% in the quarter. Net profit for 1H 2018 amounted to USD 30 million or 10% of sales, an increase of 28% from 1H 2017.
- The prosthetics segment grew 7% in Q2 2018 and the B&S segment grew 4%. Growth in both business segments can be attributed to a strong sales performance of high-end innovative products.
- Gross profit in Q2 2018 amounted to USD 99 million or 63% of sales, an increase from the comparable period in Q2 2017 where gross profit amounted to 62% of sales. The increase is driven by positive impact from a change in product mix. Gross profit for 1H 2018 amounted to USD 188 million or 63% of sales.
- EBITDA in Q2 2018 amounted to USD 32 million or 20% of sales, compared to an EBITDA before special items of 19% in Q2 2017, an increase of 15% from Q2 2017. The increase in EBITDA margin can be traced to positive impact from changes in product mix and scalability in operations. Currency movements impacted the EBITDA margin positively by approx. 40 basis points. EBITDA for 1H 2018 amounted to USD 52 million or 17% of sales.
- Cash generated by operations in Q2 2018 amounted to USD 23 million or 15% of sales. Cash generated by operations for 1H 2018 amounted to USD 29 million or 10% of sales.
- Financial guidance for the full year 2018 is unchanged at 4-5% organic growth, ~19% EBITDA margin before special items, ~4% CAPEX of sales, and an effective tax rate in the range of 23-24%.
- Össur acquired 690,022 of own shares for approximately USD 3 million in Q2 2018. In the 1H 2018, Össur acquired 3,431,463 of own shares for approximately USD 16 million.

Jon Sigurdsson, President & CEO, comments:

"After a slow start of the year, the second quarter came in as expected with strong sales and profitability. Our high-end innovative products performed well in both business segments, which include lower- and upper-extremity bionics in prosthetics and our osteoarthritis solutions in bracing and supports. The performance in EMEA and APAC was strong, but growth in the Americas was soft for bracing and supports. Increased profitability in the quarter is driven by scalability from strong sales growth and positive change in product mix."

Key financials and guidance

USD million	1H 2018	1H 2017	Q2 2018	Q2 2017	Guidance FY 2018
Net sales	300	276	158	145	
Sales growth, LCY	4%	11%	6%	6%	4-5%
Sales growth, organic	4%	5%	6%	3%	4-5%
EBITDA margin (before special items)	17%	17%	20%	19%	~19%
CAPEX as % of sales	5%	3%	5%	3%	~4%
Effective tax rate	23%	26%	23%	25%	23-24%

		1H	1H	Q2	Q2	FY	FY	FY	FY
USD million		2018	2017	2018	2017	2017	2016	2015	2014
						2013			
Income statement									
Net sales		300	276	158	145	569	521	483	509
Gross profit		188	171	99	89	355	328	303	323
Operating expenses (excl. other income)		148	137	73	70	280	256	226	237
EBITDA		52	45	32	24	97	94	97	104
EBITDA adjusted		52	47	32	27	103	98	99	104
EBIT		40	34	26	19	75	72	77	86
Net profit		30	23	20	13	58	51	51	59
Sales growth									
Sales growth USD	%	9	9	9	4	9	8	(5)	17
Organic growth in LCY	%	4	5	6	3	5	4	5	5
Currency effect	%	5	(2)	3	(2)	1	(1)	(10)	(1)
Acquired/divested business	%	0	6	0	3	4	5	1	13
Balance sheet									
Total assets		795	773	795	773	793	746	653	678
Equity		500	468	500	468	500	467	463	442
Net interest-bearing debt (NIBD)		134	146	134	146	121	119	58	93
Cash flow									
Cash generated by operations		29	33	23	23	90	88	84	98
Free cash flow		5	16	9	13	55	42	42	68
Key ratios									
Gross profit margin	%	63	62	63	62	62	63	63	63
EBIT margin	%	13	12	17	13	13	14	16	17
EBITDA margin	%	17	16	20	17	17	18	20	20
EBITDA margin before special items	%	17	17	20	19	18	19	20	20
Equity ratio	%	63	61	63	61	63	63	71	65
NIBD to EBITDA before special items*		1.3	1.5	1.3	1.5	1.2	1.2	0.6	0.9
Effective tax rate	%	23	26	23	25	16	25	25	24
Return on equity *	%	13	11	13	11	12	11	11	13
CAPEX / net sales	%	5.3	3.0	4.8	3.4	3.4	4.7	4.9	3.3
Market									
Market value of equity		1876	2,113	1,876	2,113	1,871	1,582	1,546	1,311
Number of shares in millions		431	437	431	437	437	443	446	454
Diluted EPS in US cents		7.0	5.4	4.6	3.1	13.3	11.6	11.5	13.1
Diluted cash EPS in US cents		9.7	7.9	6.0	4.3	18.5	16.5	16.0	17.2

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

Management's report

Sales performance

Sales in the first six months (1H) of 2018 amounted to USD 300 million compared to USD 276 million in 1H 2017, corresponding to 4% organic growth. Sales in the second quarter (Q2) of 2018 amounted to USD 158 million compared to USD 145 million in Q2 2017, corresponding to 9% USD growth and 6% organic growth.

Due to the appreciation of a few major operational currencies against the USD, mainly the EUR, currency movements in Q2 2018 impacted sales growth positively compared to Q2 2017 by USD 5 million which corresponds to a positive 3%-points effect on USD growth rate.¹

Sales by regions

USD million	1H 2018	% of sales	USD growth	LCY growth	Organic growth	Q2 2018	% of sales	USD growth	LCY growth	Organic growth
EMEA	154	51%	11%	3%	3%	81	51%	12%	7%	7%
Americas	122	41%	4%	1%	1%	65	41%	4%	2%	2%
APAC	24	8%	22%	19%	19%	12	8%	21%	19%	19%
Total	300	100%	9%	4%	4%	158	100%	9%	6%	6%

Sales by segments

USD million	1H 2018	% of sales	USD growth	LCY growth	Organic growth	Q2 2018	% of sales	USD growth	LCY growth	Organic growth
Bracing and supports	149	50%	7%	1%	1%	79	50%	8%	4%	4%
Prosthetics	150	50%	10%	5%	5%	79	50%	10%	7%	7%
Other	1	0%	-	-	-	0	0%	-	-	-
Total	300	100%	9%	4%	4%	158	100%	9%	6%	6%

Bracing and supports

Bracing and supports (B&S) sales in 1H 2018 amounted to USD 149 million and grew by 1% organically. B&S sales in Q2 2018 amounted to USD 79 million and grew organically by 4%.

High-end innovative products such as the Unloader solutions continued to be the main growth driver of the segment globally. In EMEA the same trend can be observed where our high-end solutions grew in all major market regions while our soft goods solutions had a slow quarter. The main reasons being slow sales in Compression Therapy in France and rationalization of a limited number of products in selected markets. In the Americas, performance in Canada continues to be strong while the soft goods sales in the US declined slightly. Slow sales growth in the US can mainly be traced to delays in new product launches which were expected to be launched late last year but have now been launched in the first half of 2018 in addition to lower sales to a few large distributors. The expectation is that sales growth in the second half of the year will be stronger in the Americas, supported by recent product launches. As in Q1 2018, our own distribution companies in the US are performing well. In APAC we continue to see excellent results with growth across all major product segments and regions, especially Australia and Japan.

Össur unveiled the Formfit® Pro line of 3D knitted supports at the OT World Congress held in Leipzig, Germany in May. The new product range is designed for athletes and includes the Össur Formfit Pro Knee OA, a unique

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 quarterly sales from last year to provide the impact on growth.

support designed to unload the knee compartment and enhance the sense of movement for early or mild osteoarthritis.

Prosthetics

Prosthetics sales in 1H 2018 amounted to USD 150 million and grew by 5% organically. Prosthetics sales in Q2 2018 amounted to USD 79 million and organic sales growth amounted to 7%.

High-end innovative products such as lower and upper extremity bionics continued to deliver good growth in the segment globally. Furthermore, the new versions of the Pro-Flex feet which were launched in 2017 have performed strongly in 2018 and we see a good performance across the remainder of the product portfolio. In EMEA, growth was good across most major market regions after a soft beginning of the year. In Americas we had good performance in both Canada and the US. APAC had excellent sales growth with a strong performance in Australia, China, and Korea.

Sales of bionic products accounted for 22% of prosthetics component sales in the quarter, compared to 21% in Q2 2017.

The Interagency Workgroup convened by Medicare in the US in 2015 to publish a "Consensus Document" summarizing current lower limb prosthetic care best practices and identifying clinical evidence gaps has published its findings. Please see the section "Other matters" for further information.

Össur introduced in Q2 2018 a new Pro-Flex® LP Align prosthetic foot, which features heel height adjustability. Historically, lower limb amputees have had to sacrifice the functionality of their prosthesis for heel height. Pro-Flex LP Align features a tool-free, user-controlled heel height adjustability, enabling users to change from sneakers to heels, as desired throughout the day.

Gross profit

Gross profit in 1H 2018 amounted to USD 188 million or 63% of sales compared to USD 171 million or 62% of sales in 1H 2017. Gross profit in Q2 2018 amounted to USD 99 million or 63% of sales, compared to USD 89 million or 62% of sales in Q2 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 bracing & supports.
- The comparable quarter in Q2 2017 was impacted by temporary cost increases in smaller manufacturing locations.
- About 50 basis points positive impact from currency movements (40 basis points when hedged).

Operating expenses

Operating expenses in 1H 2018 amounted to USD 147 million or 49% of sales compared to USD 137 million or 50% of sales in 1H 2017. Operating expenses in Q2 2018 amounted to USD 73 million or 46% of sales compared to 70 million or 48% of sales in Q2 2017. Operating expenses increased by 4% in local currency in Q2 2018 when excluding special items from the comparable quarter:

- Sales & marketing (S&M) expenses increased by 4% in local currency and amounted to 32% of sales. Growth is mainly due to investments in sales efforts in new business development and emerging markets.
- Research & development (R&D) expenses increased by 9% in local currency and amounted to 5% of sales. Growth is mainly due to investments in projects for high-end products, such as Bionic Bracing, with similar growth expected for the remainder of the year.

- General & administrative (G&A) expenses increased by 3% in local currency when excluding special items from the comparable quarter and amounted to 9% of sales.

Efficiency initiatives

In September 2017, Össur announced efficiency initiatives in the areas of manufacturing, distribution, and sourcing to further increase scalability and profitability. The program is on track as previously communicated. As in the first quarter of the year, additional investments were made in various manufacturing equipment and good progress has been made in several categories relating to initiatives within strategic sourcing. The west coast distribution facility in the US has now been closed and moved to our Mexico manufacturing facility where savings are already beginning to materialize from the initiative.

EBITDA

EBITDA in 1H 2018 amounted to USD 52 million or 17% of sales compared to an EBITDA before special items of USD 47 million or 17% of sales in 1H 2017. Currency movements affected the EBITDA margin in 1H 2018 positively by about 20 basis points when unhedged (approx. 10 basis points net of hedge).

EBITDA in Q2 2018 amounted to USD 32 million or 20% of sales compared to an EBITDA before special items of USD 27 million or 19% of sales in Q2 2017, which corresponds to 15% growth measured in local currency. Currency movements affected the EBITDA margin in Q2 2018 positively by about 60 basis points when unhedged (approx. 40 basis points net of hedge).

Financial items, income tax and net profit

Financial items

Net financial expenses in 1H 2018 amounted to USD 3.2 million compared to USD 2.6 million in 1H 2017. Net financial expenses in Q2 2018 amounted to USD 1.7 million compared to USD 1.4 million in Q2 2017, where the net exchange rate difference was negative by USD 0.7 million compared to a negative USD 0.6 million in Q2 2017.

Share in net profit / (loss) of associated companies

Share in net profit / (loss) of associated companies in 1H 2018 amounted to USD 2.1 million compared to USD 0.1 million in 1H 2017. Share in net profit / (loss) of associated companies in Q2 2018 amounted to USD 1.1 million compared to USD 0.1 million in Q2 2017. The profit represents Össur's share in net profit of the Company's minority holdings and this level of profit is expected going forward, however subject to some fluctuations between quarters.

Income tax

Income tax in 1H 2018 amounted to USD 9 million, corresponding to 23% effective tax rate, compared to USD 8 million and 26% effective tax rate in 1H 2017. Income tax amounted to USD 6 million in Q2 2018, corresponding to 23% effective tax rate, compared to USD 4 million and 25% effective tax rate in Q2 2017. Lower effective tax rate in 2018 compared to 2017 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.

Net profit

Net profit in 1H 2018 amounted to USD 30 million or 10% of sales, compared to USD 23 million or 8% of sales in 1H 2017, an increase of 28% from 1H 2017. Net profit in Q2 2018 amounted to USD 20 million or 12% of sales, compared to USD 13 million or 9% of sales in Q2 2017, an increase of 49% from Q2 2017. Diluted earnings per share in Q2 2018 amounted to 4.6 US cents compared to 3.1 US cents in Q2 2017, an increase of 51% from Q2 2017.

Cash flow

Cash generated by operations

Cash generated by operations in 1H 2018 amounted to USD 29 million or 10% of sales, compared to USD 33 million or 12% of sales in 1H 2017. Cash generated by operations in Q2 2018 amounted to USD 23 million or 15% of sales, compared to USD 23 million or 16% of sales in Q2 2017. Changes in net working capital in the quarter negatively impacted cash generated by operations, partly due to a temporary increase in inventory related to the efficiency initiatives.

Capital expenditures

Capital expenditure in 1H 2018 amounted to USD 16 million or 5.3% of sales, compared to USD 8 million or 3.0% of sales in 1H 2017. Capital expenditures in Q2 2018 amounted to USD 8 million or 4.8% of sales, compared to USD 5 million or 3.4% of sales in Q2 2017. As in the first quarter of the year, capital expenditures were relatively high due to investments related to the efficiency initiatives in addition to various investments in leasehold improvements and integration of a new CRM software. Capital expenditures are expected to be lower in the second half of the year.

Capital structure

Net-interest bearing debt

Net interest-bearing debt at the end of 1H 2018 amounted to USD 134 million compared to USD 121 million at year-end 2017. Changes in debt levels are mostly due to our share buyback program, dividends, and changes in currency rates. Net interest-bearing debt to EBITDA corresponded to 1.3x at the end of Q2 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 3,431,463 of own shares for approximately USD 16 million. Össur acquired 690,022 of own shares for approximately USD 3 million in Q2 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 the end of 1H 2018, Össur held 5,416,177 treasury shares.

Financial guidance for 2018

Guidance

	Guidance FY 2018 (current)	Guidance FY 2018 (as per April)	Guidance FY 2018 (as per February)
Sales growth, LCY	4-5%	4-5%	4-5%
Sales growth, organic	4-5%	4-5%	4-5%
EBITDA margin (before special items)	~19%	~19%	~19%
CAPEX as % of sales	~4%	~4%	~4%
Effective tax rate	23-24%	23-24%	23-24%

No changes have been made to the financial guidance for FY 2018.

At current foreign exchange rates, keeping all other factors constant, EBITDA margin is expected to be modestly positively impacted in 2018 when compared to 2017. 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 2018.

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 4 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 3.0-3.4 million when unhedged. The same movement in the ISK/USD is estimated to have an annual impact the EBITDA in the range of USD 2.2-2.6 million when unhedged. Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.

Currency overview

USD	EUR	ISK
Average exchange rate 2017	1.1294	0.0094
Average exchange rate Q1 2018	1.2301	0.0099
Average exchange rate Q2 2018	1.1928	0.0097
Closing rate 24 July 2018	1.1687	0.0094
Estimated average exchange rate for 2018*	1.1901	0.0096
Change in estimated exchange rate 2018 compared with last year's average	5%	2%

*Estimated average exchange rate is calculated as the average exchange rates of 1H 2018 combined with the closing rates at 24 July 2018 for Q3 and Q4 2018.

Other matters

Lower limb prosthesis "Consensus Document" published

The Interagency Workgroup convened by Medicare in the US in 2015 to publish a "Consensus Document" summarizing current lower limb prosthetic care best practices and identifying clinical evidence gaps has published its findings. It should be emphasized that the Consensus Document is not a rule that will be implemented, rather it is a series of findings and recommendations that could influence reimbursement in the US. Commentary from Össur's regulatory experts about the document can be found on the Össur Americas regional website under resources and Össur R&R, which is an information page about reimbursement and regulatory news & analysis in the US. <https://www.ossur.com/resources/ossur-r-r>

MedPAC recommends that off the shelf (OTS) braces be included in a future round of competitive bidding

The Medicare Payment Advisory Commission, a nonpartisan legislative agency that provides Congress with policy advice about the Medicare program, released its annual report to Congress in the quarter. It includes a section that focuses in significant part on orthotic devices where it recommended that OTS braces be included in a future round of competitive bidding. However, it also specifically floated the possibility of exempting physicians, orthotists, hospitals, and other providers from the competitive bidding process. Whether OTS orthoses will be included in competitive bidding is still highly uncertain or to what extent it would impact Össur's product sales.

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 in China. Initially, Össur's products were included in the first versions of the lists but in 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 duties.

New IFRS Standards

A new IFRS standard, IFRS 16, will be effective on 1 January 2019, with a permission for early adoption. The EU has endorsed the standard. More details and an assessment from the management on the standard can be found in note 34.2 in the full year 2017 Consolidated Financial Statements which can be found as part of our 2017 Annual Report.

Financial calendar and upcoming events & conferences

Q2 2018 conference call details

Össur will host a conference call on Thursday 26 July 2018 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.

Financial calendar

Interim Report Q3 2018	25 October 2018
Interim Report Q4 2018 and Consolidated Financial Statements for FY 2018	5 February 2019
Annual General Meeting	7 March 2019

Meet with us

Goldman Sachs 15th Annual European Medtech and Healthcare Conference (UK)	5 September 2018
Dansk Aktionærforening's InvestorDagen (DK)	18 September 2018
HSBC Healthcare Day 2018 (GE)	12 November 2018
Jefferies London Healthcare Conference (UK)	15 November 2018
Nordea Tech & Medtech/Life Science Seminar (SE)	26-27 November 2018
DNB Nordic-American Life Science Conference (US:NY)	29 November 2018
Danske Bank Winter Seminar (DK)	4 December 2018
SEB Nordic Seminar (DK)	7-9 January 2019

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 2018 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 299.8 million and the net profit amounted to USD 30.0 million. Össur's Consolidated total assets amounted to USD 795.9 million at the end of period, liabilities were USD 296.4 million, and equity was USD 499.5 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 30 June 2018 and operating performance of the period ended 30 June 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 30 June 2018 and confirm them by means of their signatures.

Reykjavík, 26 July 2018

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	1H 2018	1H 2017	Q2 2018	Q2 2017
Net sales	3	299,843	275,931	158,215	144,925
Cost of goods sold		(112,260)	(105,091)	(59,112)	(55,774)
Gross profit		187,583	170,840	99,103	89,151
Other income / (expenses)		77	(8)	121	(41)
Sales and marketing expenses		(100,012)	(91,890)	(50,256)	(46,879)
Research and development expenses		(16,566)	(14,237)	(8,437)	(7,383)
General and administrative expenses		(30,993)	(30,751)	(14,414)	(15,889)
Earnings before interest and tax (EBIT)		40,089	33,954	26,117	18,959
Financial income		863	972	402	506
Financial expenses		(2,823)	(2,536)	(1,386)	(1,247)
Net exchange rate difference		(1,221)	(1,023)	(671)	(640)
Net financial income / (expenses)	5	(3,181)	(2,587)	(1,655)	(1,381)
Share in net profit / (loss) of associated companies		2,121	100	1,081	86
Earnings before tax (EBT)		39,029	31,467	25,543	17,664
Income tax		(9,048)	(8,089)	(5,842)	(4,455)
Net profit		29,981	23,378	19,701	13,209
Attributable to:					
Owners of the Company		29,874	23,357	19,694	13,057
Non-controlling interests		107	21	7	152
		29,981	23,378	19,701	13,209
Earnings per share	6				
Basic earnings per share (US cent)		7.0	5.4	4.6	3.1
Diluted earnings per share (US cent)		7.0	5.4	4.6	3.1

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	1H 2018	1H 2017	Q2 2018	Q2 2017
Net profit		29,981	23,378	19,701	13,209
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		1,066	0	(20)	0
Exchange differences on translating foreign operations		(8,647)	13,007	(13,986)	9,587
Income tax relating to components of other comprehensive income		(843)	490	(876)	493
Other comprehensive income, net of income tax		(8,424)	13,497	(14,882)	10,080
Total comprehensive income		21,557	36,875	4,819	23,289
Attributable to:					
Owners of the Company		21,497	36,854	4,819	23,137
Non-controlling interests		60	21	0	152
		21,557	36,875	4,819	23,289

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.6.2018	31.12.2017
Property, plant and equipment	7	58,694	55,981
Goodwill	8	406,881	414,663
Other intangible assets	9	45,206	45,013
Investment in associates		13,568	14,740
Other financial assets		7,063	7,119
Deferred tax assets		18,931	23,322
Non-current assets		550,343	560,838
Inventories		87,505	82,291
Accounts receivables		100,436	93,058
Other assets		19,442	19,577
Bank balances and cash	10	38,132	37,272
Current assets		245,515	232,198
Total assets		795,858	793,036

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	30.6.2018	31.12.2017
Issued capital and share premium		102,749	113,524
Reserves		(41,110)	(32,936)
Retained earnings		437,291	419,334
Equity attributable to owners of the Company		498,930	499,922
Non-controlling interest		585	539
Total equity		499,515	500,461
Borrowings		172,313	133,487
Deferred tax liabilities		20,919	22,308
Provisions		6,749	6,716
Other financial liabilities		4,040	3,222
Non-current liabilities		204,021	165,733
Borrowings		101	25,198
Accounts payable		24,085	23,448
Taxes payable		10,077	10,116
Provisions		3,937	4,314
Accrued salaries and related expenses		33,741	35,185
Other liabilities		20,381	28,581
Current liabilities		92,322	126,842
Total equity and liabilities		795,858	793,036

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	1H 2018	1H 2017	Q2 2018	Q2 2017
Earnings before interests and tax (EBIT)		40,089	33,954	26,117	18,959
Depreciation and amortization	7, 9	11,596	10,917	5,765	5,481
Loss (profit) on disposal of assets		(4)	18	(2)	11
Change in provisions		(262)	304	(8)	1,751
Change in inventories		(6,826)	(2,778)	(2,093)	1,431
Change in receivables		(12,453)	(8,698)	(11,533)	(9,250)
Change in payables		(2,715)	(603)	5,172	5,066
Cash generated by operations		29,425	33,114	23,418	23,449
Interest received		884	848	621	492
Interest paid		(2,865)	(2,433)	(1,981)	(1,322)
Income tax paid		(6,483)	(7,560)	(4,988)	(4,221)
Net cash provided by operating activities		20,961	23,969	17,070	18,398
Purchase of fixed and intangible assets	7, 9	(16,013)	(8,350)	(7,662)	(4,983)
Proceeds from sale of fixed assets		36	1	18	0
Acquisition of subsidiaries		(1,017)	(1,419)	(1,017)	(715)
Changes in financial assets		3,262	2,426	(2)	285
Cash flows to investing activities		(13,732)	(7,342)	(8,663)	(5,413)
Proceeds from long-term borrowings		55,051	0	55,051	0
Repayments of long-term borrowings		(25,495)	(24,512)	0	198
Changes in revolving credit facility		(10,873)	45,709	(61,871)	(7,024)
Payment of dividends		(9,184)	(7,340)	0	0
Increase in subsidiaries that does not affect control		(530)	0	0	225
Change in treasury shares		(13,203)	(29,380)	(2,432)	(4,583)
Cash flows to financing activities		(4,234)	(15,523)	(9,252)	(11,184)
Net change in cash		2,995	1,104	(845)	1,801
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(1,186)	1,797	(2,005)	1,351
Other items held in foreign currencies		(949)	601	(879)	674
Cash at beginning of period		37,272	35,091	41,861	34,767
Cash at end of period		38,132	38,593	38,132	38,593

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							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
Balance at 1 January 2018	4,849	108,675	1,267	2,968	(718)	(36,453)	419,334	499,922	539	500,461
Net profit							29,874	29,874	107	29,981
Change in cash flow hedges					1,066			1,066		1,066
Translation difference of shares in foreign operations						(9,490)		(9,490)		(9,490)
Total comprehensive income for the period	0	0	0	0	1,066	(9,490)	29,874	21,450	107	21,557
Payment of dividends							(9,184)	(9,184)		(9,184)
Share option charge for the period				686				686		686
Share option vested during the period				(436)				(436)		(436)
Change in non-controlling interests							(337)	(337)	(61)	(398)
Sale of treasury shares		5,167					(2,396)	2,771		2,771
Purchase of treasury shares	(26)	(15,916)						(15,942)		(15,942)
Balance at 30 June 2018	4,823	97,926	1,267	3,218	348	(45,943)	437,291	498,930	585	499,515

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 2017. 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 2017.

2. Quarterly statements

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net sales	158,215	141,628	153,791	138,899	144,925
Cost of goods sold	(59,112)	(53,148)	(56,909)	(51,832)	(55,774)
Gross profit	99,103	88,480	96,882	87,067	89,151
Gross profit margin	63%	62%	63%	63%	62%
Other income / (expenses)	121	(44)	(10)	(21)	(41)
Sales and marketing expenses	(50,256)	(49,756)	(49,696)	(45,762)	(46,879)
Research and development expenses	(8,437)	(8,129)	(7,006)	(7,667)	(7,383)
General and administrative expenses	(14,414)	(16,579)	(15,623)	(17,298)	(15,889)
EBIT	26,117	13,972	24,547	16,319	18,959
Net financial income / (expenses)	(984)	(976)	(620)	(964)	(741)
Net exchange rate difference	(671)	(550)	(1,603)	(461)	(640)
Share in profit / (loss) of associated companies	1,081	1,040	(31)	88	86
EBT	25,543	13,486	22,293	14,982	17,664
Income tax	(5,842)	(3,206)	843	(3,835)	(4,455)
Net profit	19,701	10,280	23,136	11,147	13,209
EBITDA	31,882	19,803	30,438	22,066	24,440
EBITDA margin	20%	14%	20%	16%	17%
EBITDA before special items	31,882	19,803	30,438	25,066	27,020
EBITDA margin before special items	20%	14%	20%	18%	19%

3. Net sales

	1H 2018	1H 2017	Q2 2018	Q2 2017
Specified according to geographical segments:				
EMEA	154,180	136,858	81,160	71,566
Americas	121,953	119,709	64,806	63,263
APAC	23,710	19,364	12,249	10,096
	299,843	275,931	158,215	144,925
Specified according to product lines:				
Bracing and Supports	149,056	139,791	78,639	73,030
Prosthetics	149,852	135,680	79,135	71,686
Other products	935	460	441	209
	299,843	275,931	158,215	144,925

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	1H 2018			Q2 2018		
	LCY	USD	%	LCY	USD	%
Sales						
USD	113,106	113,106	38%	60,345	60,345	38%
EUR	72,872	88,228	29%	37,913	45,225	29%
ISK	101,436	992	0%	53,714	520	0%
Nordic curr. (SEK, NOK, DKK)		43,361	15%		24,587	16%
Other (GBP, AUD, CAD & Other)		54,156	18%		27,538	17%
		299,843	100%		158,215	100%
COGS and OPEX						
USD	92,110	92,110	36%	47,982	47,982	36%
EUR	50,458	61,131	24%	24,721	29,472	22%
ISK	3,398,355	33,295	13%	1,712,124	16,608	13%
Nordic curr. (SEK, NOK, DKK)		41,585	16%		22,570	17%
Other (GBP, MXN, CAD & Other)		31,633	12%		15,466	12%
		259,754	100%		132,098	100%

	1H 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%

5. Financial income / (expenses)

	1H 2018	1H 2017	Q2 2018	Q2 2017
Interests on bank deposits	613	691	331	346
Other financial income	250	281	71	160
Financial income	863	972	402	506
Interests on loans	(1,733)	(1,573)	(834)	(774)
Other financial expenses	(1,090)	(963)	(552)	(473)
Financial expenses	(2,823)	(2,536)	(1,386)	(1,247)
Net exchange rate differences	(1,221)	(1,023)	(671)	(640)
Net financial income / (expenses)	(3,181)	(2,587)	(1,655)	(1,381)

Notes to the Consolidated Financial Statements

6. Earnings per share

	1H 2018	1H 2017	Q2 2018	Q2 2017
Net profit	29,981	23,378	19,701	13,209
Total weighted average number of ordinary shares (in thousands)	426,421	432,720	425,646	430,220
Total weighted average number of shares including potential shares (in thousands)	427,167	434,420	426,292	431,934
Basic earnings per share (US cent)	7.0	5.4	4.6	3.1
Diluted earnings per share (US cent)	7.0	5.4	4.6	3.1
Cash earnings per share	9.8	7.9	6.0	4.3
Diluted cash earnings per share	9.7	7.9	6.0	4.3

7. 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	145,897
Additions	22	4,091	5,106	1,734	10,953
Acquired on acquisition of subsidiary	0	44	45	1	90
Exchange rate differences	(401)	(1,297)	(663)	(306)	(2,667)
Eliminated on disposal	0	(79)	(1)	(2)	(82)
At 30 June 2018	12,764	87,713	38,758	14,956	154,191
Depreciation					
At 1 January	9,381	51,981	19,814	8,739	89,915
Charge for the period	199	4,168	1,954	1,160	7,481
Exchange rate differences	(271)	(1,048)	(293)	(236)	(1,848)
Eliminated on disposal	0	(48)	(1)	(2)	(51)
At 30 June 2018	9,309	55,053	21,474	9,661	95,497
At 30 June 2018	3,455	32,660	17,284	5,295	58,694

Depreciation classified by functional category:	1H 2018	1H 2017	Q2 2018	Q2 2017
Cost of goods sold	4,498	3,943	2,134	2,013
Sales and marketing expenses	1,171	910	601	417
Research and development expenses	427	389	166	194
General and administrative expenses	1,385	1,356	865	707
	7,481	6,598	3,766	3,331

8. Goodwill

	30.6.2018	31.12.2017
At 1 January	414,663	394,123
Arising on acquisition of subsidiaries	441	0
Purchase price allocation	0	2,076
Exchange rate differences	(8,223)	18,464
At end of period	406,881	414,663

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

	30.6.2018	31.12.2017
Americas	234,217	235,673
EMEA	155,872	161,329
APAC	16,792	17,661
	406,881	414,663

Notes to the Consolidated Financial Statements

9. 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	1,874	1,938
Additions - internally generated	0	0	0	3,122	3,122
Acquired on acquisition of subsidiary	0	0	0	137	137
Exchange rate differences	(1,165)	(302)	(452)	(297)	(2,216)
At 30 June 2018	36,482	14,273	14,001	43,686	108,442
Amortization					
At 1 January	30,287	2,787	596	26,778	60,448
Charge for the period	1,204	409	13	2,489	4,115
Exchange rate differences	(988)	(55)	(73)	(211)	(1,327)
At 30 June 2018	30,503	3,141	536	29,056	63,236
At 30 June 2018	5,979	11,132	13,465	14,630	45,206

Amortization classified by functional category:	1H 2018	1H 2017	Q2 2018	Q2 2017
Cost of goods sold	562	632	299	316
Sales and marketing expenses	2,051	2,220	982	1,097
Research and development expenses	596	500	296	248
General and administrative expenses	906	967	422	489
	4,115	4,319	1,999	2,150

10. Bank balances and cash

	30.6.2018	31.12.2017
Bank accounts	34,981	33,584
Bankers draft received	3,036	3,536
Cash and other cash equivalents	115	152
	38,132	37,272

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	1,583,000	2015/2016/2018	2018/2019/2021	21.9/25.9/27.7	24.1/25.8/28.0
Members of executive management (4 persons)	555,000	2015	2018	19.4/21.9	19.0/24.1
Members of executive management (5 persons)	975,000	2016	2019	22.4/26.8	23.0/26.9
Members of executive management (3 persons)	675,000	2017	2020	25.0	26.1
Members of executive management (5 persons)	550,000	2018	2021	28.54/27.7	26.68/28.0
	4,338,000				
Issued to management team:					
Thirteen managers	731,000	2015	2018	19.4/23.9	19.0/24.1
Fourteen managers	900,000	2016	2019	22.4 - 26.8	23.0 - 26.9
Seven managers	300,000	2017	2020	25,0 - 30,1	26,1 - 29,9
Eight managers	386,400	2018	2021	28.5/27.5	26.7/28.3
	2,317,400				
Total issued option contracts	6,655,400				

Notes to the Consolidated Financial Statements

Movements in share options during the period:

	30.6.2018		31.12.2017	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	6,150,000	23.8	5,300,000	23.2
Granted during period	1,269,400	28.1	975,000	26.9
Forfeited during period	(50,000)	21.9	(125,000)	24.3
Exercised during period	(714,000)	19.8		
Outstanding at end of period	6,655,400	25.1	6,150,000	23.8

Estimated remaining cost due to the share option contracts is USD 2.1 million. An expense of USD 0.7 million (2017: USD 0.7 million) is recognized in the Income Statement for the period. Exercise period of the share options contracts is 2018-2021.