

Highlights

- Sales growth of 18% in local currency in Q2 2019 and organic sales growth of 7%. Sales growth of 19% in local currency in 1H 2019 and organic sales growth of 7%.
- The prosthetics segment grew 11% organic and the B&S segment grew 1% organic. Strong growth in prosthetics is attributed to good sales of high-end solutions and recently launched products.
- Gross profit margin in Q2 2019 was 64% compared to 63% in the comparable quarter. Gross profit margin in 1H 2019 was 64% compared to 63% in the comparable period. The increase is driven by positive impact from changes in product mix, savings from the ongoing efficiency initiatives, and scalability in manufacturing.
- EBITDA margin was 24% in Q2 2019. EBITDA margin excluding the impact of IFRS 16 was 21% in Q2 2019 compared to 20% in the comparable quarter. EBITDA margin in 1H 2019 was 21%. EBITDA margin excluding impact of IFRS16 was 18% in 1H 2019 compared to 17% in 1H 2018. Higher EBITDA margin is a result of changes in product mix, savings from the ongoing efficiency initiatives, scalability, and currency movements.
- Net profit in Q2 2019 grew by 15% and amounted to 13% of sales. Growth in diluted EPS amounted to 15%. Net profit in 1H 2019 grew by 23% and amounted to 11% of sales.
- Cash generated by operations amounted to 18% of sales in Q2 2019 compared to 15% of sales in the comparable quarter last year. Cash generated by operations amounted to 14% of sales in 1H 2019.
- Össur acquired 1,106,220 of own shares through the ongoing share buyback program for USD 6 million in Q2 2019. In 1H 2019, Össur acquired 2,091,584 of own shares for USD 11 million.
- Össur has signed an agreement to acquire College Park Industries, a global provider of lower and upper limb prostheses and supporting devices. Closing is expected later in 2019.
- With strong sales growth in the first half of the year, the financial guidance for organic growth has been upgraded to 5-6% (previous 4-5%). The financial guidance for the full year 2019 is therefore 5-6% 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 are pleased to close the first half of the year with strong sales growth and an excellent performance in the prosthetics segment. Growth drivers include our high-end solutions and recently launched products such as the new PROPRIO FOOT® which was fully launched in the market in the first quarter of the year. In line with strong sales growth, we are upgrading our guidance for organic growth to 5-6% for the full year. Profitability increased in the first half of the year with favorable changes in product mix, additional savings from the ongoing efficiency initiatives, and scalability. We recently signed an agreement to acquire College Park Industries, a global provider of lower and upper limb prostheses, and expect to close the transaction later in 2019."

Key financials and guidance

USD million	1H 2019	1H 2018	Q2 2019	Q2 2018	Guidance 2019
Net sales	339	300	179	158	
Sales growth, organic	7%	4%	7%	6%	5-6%
EBITDA margin, before special items	21%	17%	24%	20%	~23%*
CAPEX as % of sales	4%	5%	4%	5%	4-5%
Effective tax rate	24%	23%	24%	23%	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%.

USD million	1H 2019	1H 2018	Q2 2019	Q2 2018	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Income statement									
Net sales	339	300	179	158	613	569	521	483	509
Gross profit	218	188	115	99	387	355	328	303	323
Operating expenses (excl. other income)	166	148	83	73	304	280	256	226	237
EBITDA	72	52	42	32	107	97	94	97	104
EBITDA before special items	72	52	42	32	115	103	98	99	104
EBIT	51	40	32	26	79	75	72	77	86
Net profit	37	30	23	20	80	58	51	51	59
Sales growth									
Sales growth USD	% 13	9	13	9	8	9	8	(5)	17
Organic growth	% 7	4	7	6	5	5	4	5	5
Currency effect	% (6)	5	(5)	3	1	0	(1)	(11)	(1)
Acquired/divested business	% 12	0	11	0	2	4	5	1	13
Balance sheet									
Total assets	1,021	795	1,021	795	914	793	746	653	678
Equity	552	500	552	500	538	500	467	463	442
Net interest-bearing debt (NIBD)**	288	134	288	134	180	121	119	58	93
Cash flow									
Cash generated by operations	48	29	32	23	92	90	88	84	98
Free cash flow	19	5	15	9	39	55	42	42	68
Key ratios									
Gross profit margin	% 64	63	64	63	63	62	63	63	63
EBIT margin	% 15	13	18	17	13	13	14	16	17
EBITDA margin	% 21	17	24	20	18	17	18	20	20
EBITDA margin before special items	% 21	17	24	20	19	18	19	20	20
Equity ratio	% 54	63	54	63	59	63	63	71	65
NIBD to EBITDA**	2.1	1.3	2.1	1.3	1.6	1.2	1.2	0.6	0.9
Effective tax rate	% 24	23	24	23	18	16	25	25	24
Return on equity*	% 17	13	17	13	15	12	11	11	13
CAPEX / net sales	% 4.4	5.3	4.5	4.8	5.0	3.4	4.7	4.9	3.3
Market									
Market value of equity	2,482	1,876	2,482	1,876	2,055	1,871	1,582	1,546	1,311
Number of shares in millions	425	431	425	431	431	437	443	446	454
Diluted EPS in US cents	8.6	7.0	5.3	4.6	18.7	13.3	11.6	11.5	13.1

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

** Effects due to the implementation of IFRS 16 are included in Q1 2019. Excluding the impact of IFRS 16, NIBD is USD 191 million and NIBD to EBITDA is 1.5.

Note: The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Management's report

Sales performance

Sales in the first six months (1H) of 2019 amounted to USD 339 million compared to USD 300 million in 1H 2018, corresponding to 7% organic growth, 19% growth including acquisitions (local currency growth) and 13% reported growth. Sales in Q2 2019 amounted to USD 179 million compared to USD 158 million in Q2 2018, corresponding to 7% organic growth, 18% growth including acquisitions (local currency growth) and 13% reported growth.

Currency movements in Q2 2019 impacted sales growth negatively compared to Q2 2018 by USD 6 million, which corresponds to a negative 5%-points effect on the reported growth rate.

Sales by regions

USD million	1H 2019	Organic growth	Acq. / div.	Curr. effect	USD growth	Q2 2019	Organic growth	Acq. / div.	Curr. effect	USD growth
EMEA	155	5%	+3%	-8%	0%	80	3%	+3%	-7%	-1%
Americas	158	7%	+24%	-1%	30%	85	8%	+23%	-1%	31%
APAC	26	18%	-	-7%	11%	14	21%	-	-7%	14%
Total	339	7%	+12%	-6%	13%	179	7%	+11%	-5%	13%

Sales by segments

USD million	1H 2019	Organic growth	Acq. / div.	Curr. effect	USD growth	Q2 2019	Organic growth	Acq. / div.	Curr. effect	USD growth
Prosthetics	186	11%	+19%	-6%	23%	99	11%	+18%	-5%	24%
Bracing and supports	153	3%	+5%	-5%	3%	80	1%	+5%	-4%	2%
Other	0	-	-	-	-	0	-	-	-	-
Total	339	7%	+12%	-6%	13%	179	7%	+11%	-5%	13%

Prosthetics

Prosthetics sales in Q2 2019 amounted to USD 99 million and grew by 11% organic.

Growth was strong in all market regions, which 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®. In EMEA, growth was good across all main market regions, and the growth in the Americas can be attributed to a good performance in both US and Canada. In APAC we see a strong growth in market regions such as China and Australia and sales in emerging markets are developing well.

Sales of bionic products accounted for 24% of prosthetics component sales in the quarter compared to 22% in the comparable quarter last year. The increase can be attributed to strong sales in bionics.

Bracing and supports

Bracing and supports (B&S) sales in Q2 2019 amounted to USD 80 million and grew by 1% organic.

Growth in EMEA was negatively impacted by a competitive market environment for compression therapy products in France. Growth in other EMEA markets was good. Sales in the US market were slow in the quarter, but our own distribution companies continue to perform well after their restructuring was finalized at the end of 2017. Growth in APAC was mainly driven by a strong performance in China, Japan, and Australia.

In Q2, an addition to the Miami J® range of spinal products was launched with the introduction of the Miami TLSO™. Also launched in the quarter was the latest in Össur's range of OA braces, the Unloader One® X which is designed to be effortless to wear and easy to use.

Gross profit

Gross profit in 1H 2019 amounted to USD 218 million or 64% of sales compared to USD 188 million or 63% in 1H 2018. Gross profit in Q2 2019 amounted to USD 115 million or 64% of sales compared to USD 99 million or 63% of sales in Q2 2018. Items impacting gross profit margin in the quarter were:

- Positive impact from changes in product mix, driven by strong growth in prosthetics
- Savings from the ongoing efficiency initiatives, which are focused on moving selected parts of manufacturing activities to low cost countries, sourcing and distribution
- Scalability in the global consolidated manufacturing platform
- Neutral impact from currency movements

Operating expenses

Operating expenses

Operating expenses amounted to USD 166 million or 49% of sales in 1H 2019 compared to USD 147 million or 49% of sales in 1H 2018. Operating expenses amounted to USD 83 million or 46% of sales in Q2 2019 compared to USD 73 million or 46% of sales in Q2 2018. Items impacting operating expenses in the quarter were:

- Sales & marketing (S&M) expenses increased by 17% and amounted to 33% of sales. Growth is mainly due to acquisitions as well as investments in sales efforts in new business development.
- Research & development (R&D) expenses were flat between quarters and amounted to 5% of sales. R&D costs are expected to grow faster than organic sales in the full year.
- General & administrative (G&A) expenses increased by 10% and amounted to 9% of sales. The increase in G&A cost is mainly related to the acquisitions.

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 small part of the value currently 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 distribution, manufacturing, and sourcing, to further increase scalability and profitability. The program is on track and Össur targets savings of USD 6 million in 2019, translating to an additional USD 3 million in savings compared to the realized savings in 2018.

EBITDA

EBITDA in 1H 2019 amounted to USD 72 million or 21% of sales. EBITDA excluding the impact of IFRS 16 amounted to USD 62 million or 18% of sales in 1H 2019 compared to an EBITDA of USD 52 million or 17% of sales in 1H 2018. Currency movements affected the EBITDA margin in 1H 2019 positively by about 90 basis points net of hedge.

EBITDA in Q2 2019 amounted to USD 42 million or 24% of sales. EBITDA excluding the impact of IFRS 16 amounted to USD 37 million or 21% of sales in Q2 2019 compared to an EBITDA of USD 32 million or 20% of sales in Q2 2018. Currency movements affected the EBITDA margin in Q2 2019 positively by about 90 basis points net of hedge.

It should be noted that with the recent acquisitions, seasonality has increased in the Össur business where Q2 and Q4 are expected to be the strongest quarters in terms of sales and profitability.

As previously communicated, special items in the amount of USD 6 million related to the ongoing efficiency initiatives will be expensed in Q3 2019.

Financial items, income tax and net profit

Financial items

Net financial expenses in 1H 2019 amounted to USD 3.4 million compared to USD 3.2 million in 1H 2018. Net financial expenses in Q2 2019 amounted to USD 2.1 million compared to USD 1.7 million in Q2 2018, with neutral impact from exchange rate differences in Q2 2019 compared to a negative USD 0.7 million impact in Q2 2018.

Income tax

Income tax amounted to USD 11 million in 1H 2019, corresponding to 24% effective tax rate, compared to an income tax of USD 9 million in 1H 2018, corresponding to an effective tax rate of 23%. Income tax amounted to USD 7 million in Q2 2019, corresponding to 24% effective tax rate, compared to an income tax of USD 6 million in Q2 2018, corresponding to an effective tax rate of 23%.

Net profit

Net profit in 1H 2019 amounted to USD 37 million or 11% of sales, compared to USD 30 million or 10% of sales in 1H 2018, an increase of 23% in the period. Net profit in Q2 2019 amounted to USD 23 million or 13% of sales, compared to USD 20 million or 12% of sales in Q2 2018, an increase of 15% in the period. Diluted earnings per share in Q2 2019 amounted to 5.3 US cents compared to 4.6 US cents in Q2 2018, an increase of 15% in the period.

Cash flow

Cash generated by operations

Cash generated by operations in 1H 2019 amounted to USD 48 million or 14% of sales, compared to USD 29 million or 10% of sales in 1H 2018. Cash generated by operations in Q2 2019 amounted to USD 32 million or 18% of sales, compared to USD 23 million or 15% of sales in Q2 2018.

Capital expenditures

Capital expenditures in 1H 2019 amounted to USD 15 million or 4% of sales, compared to USD 16 million or 5% of sales in 1H 2018. Capital expenditures in Q2 2019 amounted to USD 8 million or 4% of sales, compared to USD 8 million or 5% of sales in 1H 2018. CAPEX includes investments related to the ongoing efficiency initiatives in addition to an integration of a new CRM software.

Capital structure

Net-interest bearing debt

Net interest-bearing debt at the end of Q2 2019 amounted to USD 288 million compared to USD 180 million at year-end 2018. Changes in debt levels are mostly due to the implementation of IFRS 16 where lease liabilities are now included as part of net interest-bearing debt. Net interest-bearing debt excluding the impact of IFRS 16 is USD 188 million. Other items impacting the debt level include the recent acquisitions, the share buyback program, dividends, and changes in currency rates. Net interest-bearing debt to EBITDA corresponded to 2.1x at the end of Q2 2019 but excluding the impact of IFRS 16 the ratio was 1.5x. The ratio is therefore 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 excluding the impact of IFRS 16.

Share buybacks

Since the beginning of 2019, Össur has purchased 2,091,584 of own shares for approximately USD 11 million. 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 quarter-end, Össur held 1,716,584 treasury shares.

Financial guidance for 2019

Guidance

	Guidance FY 2019 (current)	Guidance FY 2019 (as per April)	Guidance FY 2019 (as per February)
Sales growth, organic	5-6%	4-5%	4-5%
EBITDA margin, before special items*	~23%	~23%	~23%
CAPEX as % of sales	4-5%	4-5%	4-5%
Effective tax rate	23-24%	23-24%	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%.

Growth in prosthetics has been strong in the first half of the year with 11% organic growth. The strong performance can be attributed to a good momentum in sales of high-end innovation solutions and good market acceptance of recently launched products, such as the Pro-Flex® LP Align and the new bionic PROPRIO FOOT®. Growth in prosthetics is therefore estimated to be above estimates for market growth in 2019. Growth in B&S is still expected to be in line with estimated market growth in 2019. As such, the financial guidance for organic growth has been upgraded to 5-6% (previous 4-5%).

The financial guidance assumes the prevailing economic outlook in key markets and no major fluctuations in the rates of major operating currencies from their closing rates on 24 July 2019.

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 on 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 EBITDA in the range of USD 2.7-3.0 million when unhedged.¹ Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.

¹ The sensitivity analysis does not consider the implementation of IFRS 16 which affects the recognition and measurement of the consolidated financial statements.

Currency overview

USD	EUR	ISK
Average exchange rate 2018	1.1816	0.0093
Average exchange rate Q1 2019	1.1358	0.0083
Average exchange rate Q2 2019	1.1241	0.0082
Closing rate 24 July 2019	1.1149	0.0082
Estimated average exchange rate for 2019*	1.1224	0.0082
Change in estimated exchange rate 2019 compared with last year's average	-5%	-12%

* Estimated average exchange rate is calculated as the exchange rate of Q1 2019 and Q2 2019 combined with the closing rates at 24 July 2019 for the remainder of the year.

Other matters

Össur acquires College Park Industries

Össur has signed an agreement to acquire College Park Industries, a global provider of lower and upper limb prostheses and supporting services. College Park has over 140 employees and is headquartered in Detroit, USA. Total sales amounted to USD 22 million in 2018. College Park will largely remain independent and continue to diligently serve its customer base, while allowing the combined entity to achieve strategic efficiencies. Össur is committed to growing the College Park brand over the coming years both in the United States and international markets. Together, both companies will be well positioned to enhance their offerings in both lower and upper limb prosthetics. With this acquisition Össur hopes to support College Park's focus on providing prosthetic solutions to the lower active population, and further strengthen its established presence in the upper limb arena.

The transaction will be financed through existing loan facilities and does not affect the existing share buyback program. Closing is expected later in 2019 and is subject to closing conditions and regulatory review. College Park's financials will become part of Össur's consolidated statements after closing.

Össur Capital Markets Day in 2019

Össur invites financial analysts, institutional investors, lenders and financial media to a Capital Markets Day in Copenhagen on 24 September 2019. The Capital Markets Day is hosted by Jon Sigurdsson, President & CEO, along with key members of the management team. Further details on the Capital Markets Day, including the agenda and location, will become available at www.ossur.com/investors in due time.

Financial calendar and upcoming events & conferences

Q2 2019 conference call details

Össur will host a conference call on 25 July 2019 at **9:00 CET / 7:00 GMT / 3:00 EDT**. To participate in the call please dial: Europe: + 45 35 44 55 77, +44 (0) 333 300 0804 or +46 (0) 8 566 426 51, The United States: + 1 631 913 1422, Iceland: +354 800 7437. The PIN CODE to access the call is 57380500#. A webcast can be followed on the Össur website: www.ossur.com/investors.

Financial calendar

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

Goldman Sachs 16 th Annual European Medtech and Healthcare Conference (UK)	4-5 September 2019
Össur Capital Markets Day (DK)	24 September 2019
ABGSC Small & Midcap Seminar (DK)	25 September 2019
Danske Bank Winter Seminar (DK)	4 December 2019
DNB Nordic American Life Science conference (US)	5 December 2019
SEB Nordic Seminar (DK)	7-8 January 2020

For further information

Contact details

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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, President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 June 2019 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 339.1 million and the net profit amounted to USD 36.7 million. Össur's Consolidated total assets amounted to USD 1021.4 million at the end of period, liabilities were USD 469.0 million, and equity was USD 552.4 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 2019 and operating performance of the period ended 30 June 2019.

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 2019 and confirm them by means of their signatures.

Reykjavík, 25 July 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	1H 2019	1H 2018 *	Q2 2019	Q2 2018 *
Net sales	4	339.134	299.843	179.063	158.215
Cost of goods sold		(121.470)	(112.260)	(64.277)	(59.112)
Gross profit		217.664	187.583	114.786	99.103
Other income / (expenses)		167	77	123	121
Sales and marketing expenses		(116.052)	(100.012)	(58.852)	(50.256)
Research and development expenses		(16.360)	(16.566)	(8.453)	(8.437)
General and administrative expenses		(33.984)	(30.993)	(15.907)	(14.414)
Earnings before interest and tax (EBIT)		51.435	40.089	31.697	26.117
Financial income		875	863	350	402
Financial expenses		(5.220)	(2.823)	(2.455)	(1.386)
Net exchange rate difference		937	(1.221)	22	(671)
Net financial income / (expenses)		(3.408)	(3.181)	(2.083)	(1.655)
Effects of associates		139	2.121	26	1.081
Earnings before tax (EBT)		48.166	39.029	29.640	25.543
Income tax		(11.438)	(9.048)	(7.024)	(5.842)
Net profit		36.728	29.981	22.616	19.701
Attributable to:					
Owners of the Company		35.111	29.874	21.639	19.694
Non-controlling interests		1.617	107	977	7
Net profit		36.728	29.981	22.616	19.701
Earnings per share					
Earnings per share (US cent)		8,7	7,0	5,3	4,6
Diluted earnings per share (US cent)		8,6	7,0	5,3	4,6

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Comprehensive Income

All amounts in USD '000	1H 2019	1H 2018 *	Q2 2019	Q2 2018 *
Net profit	36.728	29.981	22.616	19.701
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	(16)	1.066	221	(20)
Exchange differences on translating foreign operations	(742)	(8.647)	(137)	(13.986)
Income tax relating to components of other comprehensive income	(194)	(843)	348	(876)
Other comprehensive income, net of income tax	(952)	(8.424)	432	(14.882)
Total comprehensive income	35.776	21.557	23.048	4.819
Attributable to:				
Owners of the Company	34.159	21.497	22.071	4.819
Non-controlling interests	1.617	60	977	0
Total comprehensive income	35.776	21.557	23.048	4.819

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.6.2019	31.12.2018 *
Property, plant and equipment	6	64.053	63.032
Right of use assets	7	91.156	0
Goodwill	8	502.794	500.842
Other intangible assets	9	52.387	49.110
Investment in associates		6.072	5.998
Other financial assets		2.651	2.727
Deferred tax assets		24.200	17.839
Non-current assets		743.313	639.548
Inventories		110.741	95.863
Accounts receivables		107.495	103.923
Other assets		22.783	18.515
Bank balances and cash equivalents		37.062	55.706
Current assets		278.081	274.007
Total assets		1.021.394	913.555

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	30.6.2019	31.12.2018 *
Issued capital and share premium		90.558	93.767
Reserves		(48.083)	(46.396)
Retained earnings		505.784	487.090
Equity attributable to owners of the Company		548.259	534.461
Non-controlling interest		4.091	3.076
Total equity		552.350	537.537
Borrowings		212.341	222.049
Lease liabilities	2, 10	83.336	0
Deferred tax liabilities		26.938	22.906
Provisions		8.527	7.596
Other financial liabilities		6.564	5.903
Non-current liabilities		337.706	258.454
Borrowings		13.165	13.434
Lease liabilities	2, 10	16.319	0
Accounts payable		25.655	28.142
Taxes payable		9.951	6.156
Provisions		4.352	6.103
Accrued salaries and related expenses		40.070	39.037
Other liabilities		21.826	24.692
Current liabilities		131.338	117.564
Total equity and liabilities		1.021.394	913.555

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	1H 2019	1H 2018 *	Q2 2019	Q2 2018 *
Earnings before interests and tax (EBIT)		51.435	40.089	31.697	26.117
Depreciation and amortization	6, 7,9	20.808	11.596	10.579	5.765
Loss / (gain) on disposal of assets		5	(4)	5	(2)
Change in provisions		(144)	(262)	2.689	(8)
Change in inventories		(14.247)	(6.826)	(4.226)	(2.093)
Change in receivables		(7.262)	(12.453)	(11.098)	(11.533)
Change in payables		(2.269)	(2.715)	2.254	5.172
Cash generated by operations		48.326	29.425	31.900	23.418
Interest received		820	884	294	621
Interest paid		(5.144)	(2.865)	(2.334)	(1.981)
Income tax paid		(8.158)	(6.483)	(4.741)	(4.988)
Net cash provided by operating activities		35.844	20.961	25.119	17.070
Purchase of fixed and intangible assets	6, 9	(14.801)	(16.013)	(7.979)	(7.662)
Proceeds from sale of fixed assets		26	36	19	18
Acquisition of subsidiaries, net of cash in acquired entities		(5.934)	(1.017)	(3.066)	(1.017)
Dividend received		59	0	59	0
Changes in financial assets		58	3.262	24	(2)
Cash flows to investing activities		(20.592)	(13.732)	(10.943)	(8.663)
Proceeds from long-term borrowings		45	55.051	45	55.051
Repayments of long-term borrowings		(10.071)	(25.495)	(5.997)	0
Changes in revolving credit facility		(7.878)	(10.873)	(249)	(61.871)
Payment of dividends		(9.058)	(9.184)	0	0
Increase in subsidiaries that does not affect control		(258)	(530)	0	0
Dividends from subsidiaries paid to non-controlling interests		(820)	0	0	0
Change in treasury shares		(5.518)	(13.203)	(4.385)	(2.432)
Cash flows from / (to) financing activities		(33.558)	(4.234)	(10.586)	(9.252)
Net change in cash		(18.306)	2.995	3.590	(845)
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(187)	(1.186)	338	(2.005)
Other items held in foreign currencies		(151)	(949)	418	(879)
Cash at beginning of period		55.706	37.272	32.716	41.861
Cash at end of period		37.062	38.132	37.062	38.132

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 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
Balance at 1 January 2019	4.811	88.956	1.267	3.285	(627)	(50.321)	487.090	534.461	3.076	537.537
Effect of implementation of IFRS 16							(6.046)	(6.046)		(6.046)
Adjusted balance at 1 January 2019	4.811	88.956	1.267	3.285	(627)	(50.321)	481.044	528.415	3.076	531.491
Net profit							35.111	35.111	1.617	36.728
Change in cash flow hedges					(13)			(13)		(13)
Translation difference of shares in foreign operations						(939)		(939)		(939)
Total comprehensive income for the period	0	0	0	0	(13)	(939)	35.111	34.159	1.617	35.776
Payment of dividends							(9.058)	(9.058)	(820)	(9.878)
Share option charge for the period				586				586		586
Share option vested during the period	14	7.880		(1.321)			(1.055)	5.518		5.518
Change in non-controlling interests							(258)	(258)	(10)	(268)
Purchase of treasury shares	(18)	(11.085)						(11.103)	228	(10.875)
Balance at 30 June 2019	4.807	85.751	1.267	2.550	(640)	(51.260)	505.784	548.259	4.091	552.350

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 in note 2. The Company has not early applied new and revised IFRS standards 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 the 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 value. 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 except for the adoption of new standards effective as of 1 January 2019 as described in note 2.

2. Adoption of new and revised standards

2.1 New and amended IFRS Standards that are effective for the current year

IFRS 16 Leases

General impact of application of IFRS 16 Leases

In the current year, the Company has adopted IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and by requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Company has applied IFRS 16 using the Modified Retrospective Approach, with no restatement of comparative information. The Company has elected to apply the practical expedient to grandfather the definition of a lease on transition, and thereby applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at 1 January 2019. For more details on application refer to the Company's 2018 Annual Financial Statements.

Notes to the Consolidated Financial Statements

The impact of the adoption of IFRS 16 on the Company's Condensed Interim Consolidated Financial Statements is shown in the following section. Refer to Q1 2019 Financial statement for effects of implementation for Q1.

Consolidated Income Statement and Comprehensive Income

All amounts in USD '000	Q2 2019			Q2 2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
Net sales	179.063	0	179.063	158.215
Cost of goods sold	(64.277)	280	(64.557)	(59.112)
Gross profit	114.786	280	114.506	99.103
Other income / (expenses)	123	0	123	121
Sales and marketing expenses	(58.852)	140	(58.992)	(50.256)
Research and development expenses	(8.453)	84	(8.537)	(8.437)
General and administrative expenses	(15.907)	196	(16.103)	(14.414)
Earnings before interest and tax (EBIT)	31.697	699	30.998	26.117
Net financial income / (expenses)	(2.083)	(841)	(1.242)	(1.655)
Effects of associates	26	0	26	1.081
Earnings before tax (EBT)	29.640	(142)	29.782	25.543
Income tax	(7.024)	38	(7.062)	(5.842)
Net profit	22.616	(105)	22.721	19.701
Total comprehensive income	23.048	(105)	23.153	4.819
EBITDA	42.276	4.957	37.319	31.882
EBITDA margin	24%		21%	20%

Consolidated Balance Sheet

All amounts in USD '000	Q2 2019			31.12.2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
Assets				
Right of use assets	91.156	91.156	0	0
Deferred tax assets	24.200	1.941	22.259	17.839
Other non-current assets	627.957	0	627.957	621.709
Non-current assets	743.313	93.097	650.216	639.548
Current assets	278.081	0	278.081	274.007
Total assets	1.021.394	93.097	928.297	913.555
Equity and liabilities				
Total equity	552.350	(6.144)	558.494	537.537
Lease liabilities	83.336	83.336	0	0
Other non-current liabilities	254.370	0	254.370	258.454
Non-current liabilities	337.706	83.336	254.370	258.454
Lease liabilities	16.319	16.319	0	0
Other current liabilities	115.019	(414)	115.433	117.564
Current liabilities	131.338	15.905	115.433	117.564
Total equity and liabilities	1.021.394	93.097	928.297	913.555

Notes to the Consolidated Financial Statements

Consolidated statement of Cash Flow

	Q2 2019			Q2 2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
All amounts in USD '000				
Earnings before interests and tax (EBIT)	31.697	699	30.998	26.117
Depreciation, impairment and amortization	10.579	4.258	6.321	5.765
Other operation activities	(10.376)	0	(10.376)	(8.464)
Cash generated by operations	31.900	4.957	26.943	23.418
Interest received	294	0	294	621
Interest paid	(2.334)	(841)	(1.493)	(1.981)
Income tax paid	(4.741)	0	(4.741)	(4.988)
Net cash provided by operating activities	25.119	4.116	21.003	17.070
Cash flows to investing activities	(10.943)		(10.943)	(8.663)
Proceeds from long-term borrowings	45	0	45	55.051
Repayments of long-term borrowings	(5.997)	(4.116)	(1.881)	0
Other financing activities	(4.634)	0	(4.634)	(64.303)
Cash flows from / (to) financing activities	(10.586)	(4.116)	(6.470)	(9.252)
Net change in cash	3.590	0	3.590	(845)
Effects of exchange rate changes	756	0	756	(2.884)
Cash at beginning of period	32.716	0	32.716	41.861
Cash at end of period	37.062	0	37.062	38.132

3. Quarterly statements

	Q2 2019	Q1 2019	Q4* 2018	Q3* 2018	Q2* 2018
Net sales	179.063	160.071	167.828	145.205	158.215
Cost of goods sold	(64.277)	(57.193)	(61.063)	(52.749)	(59.112)
Gross profit	114.786	102.878	106.765	92.456	99.103
Gross profit margin	64%	64%	64%	64%	63%
Other income / (expenses)	123	44	(4.228)	49	121
Sales and marketing expenses	(58.852)	(57.200)	(55.237)	(46.857)	(50.256)
Research and development expenses	(8.453)	(7.907)	(7.550)	(7.240)	(8.437)
General and administrative expenses	(15.907)	(18.077)	(18.183)	(21.148)	(14.414)
EBIT	31.697	19.738	21.567	17.260	26.117
Net financial income / (expenses)	(2.105)	(2.240)	(1.476)	(918)	(984)
Net exchange rate difference	22	915	(160)	(467)	(671)
Effects of investments in associates	26	113	17.375	4.714	1.081
EBT	29.640	18.526	37.306	20.589	25.543
Income tax	(7.024)	(4.414)	(3.374)	(4.679)	(5.842)
Net profit	22.616	14.112	33.932	15.910	19.701
EBITDA	42.276	29.967	32.360	23.262	31.882
EBITDA margin	24%	19%	19%	16%	20%
EBITDA before special items	42.276	29.967	32.977	30.110	31.882
EBITDA margin before special items	24%	19%	20%	21%	20%

* The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Notes to the Consolidated Financial Statements

4. Net sales

	1H 2019	1H 2018	Q2 2019	Q2 2018
Specified according to geographical segments:				
EMEA	154.649	154.180	80.323	81.160
Americas	158.064	121.953	84.738	64.806
APAC	26.422	23.710	14.002	12.249
Total	339.135	299.843	179.063	158.215

Specified according to product lines:

	1H 2019	1H 2018	Q2 2019	Q2 2018
Bracing and Supports	153.345	149.056	80.199	78.639
Prosthetics	185.790	149.852	98.864	79.135
Other products	0	935	0	441
Total	339.135	299.843	179.063	158.215

5. Sales and expenses split by main currencies

	1H 2019			Q2 2019		
	LCY	USD	%	LCY	USD	%
Sales						
USD	148.961	148.961	44%	79.997	79.997	45%
EUR	74.250	83.462	25%	37.899	42.174	24%
ISK	112.928	921	0%	54.229	431	0%
Nordic curr. (SEK, NOK, DKK)		49.539	15%		27.031	15%
Other (GBP, AUD, CAD & Other)		56.252	16%		29.431	16%
Total		339.134	100%		179.063	100%

	1H 2019			Q2 2019		
	LCY	USD	%	LCY	USD	%
COGS and OPEX						
USD	128.213	128.213	45%	65.043	65.043	44%
EUR	53.919	60.609	21%	29.231	32.568	22%
ISK	3.904.753	31.847	11%	1.927.075	15.338	10%
Nordic curr. (SEK, NOK, DKK)		43.143	15%		21.941	15%
Other (GBP, MXN, CAD & Other)		24.054	8%		12.599	9%
Total		287.866	100%		147.489	100%

	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	18%
Total		299.843	100%		158.215	100%

	1H 2018			Q2 2018		
	LCY	USD	%	LCY	USD	%
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	11%		15.466	12%
Total		259.754	100%		132.098	100%

Currency split is derived by using best available information at each time.

Notes to the Consolidated Financial Statements

6. Property, plant and equipment

2019	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	12.711	93.436	45.212	16.313	167.671
Reclassification	0	(1.317)	1.293	24	0
Additions	53	5.232	3.396	1.076	9.757
Acquired on acquisition of subsidiary	0	0	98	0	98
Exchange rate differences	(99)	(347)	65	(67)	(448)
Eliminated on disposal	0	(258)	(13)	(4)	(275)
At 30 June 2019	12.665	96.746	50.051	17.342	176.803
Depreciation					
At 1 January	9.464	59.532	25.043	10.600	104.639
Reclassification	0	(880)	880	0	0
Charge for the period	135	4.643	2.614	1.143	8.535
Acquired on acquisition of subsidiary	0	0	12	0	12
Exchange rate differences	(53)	(302)	3	157	(195)
Eliminated on disposal	0	(232)	(7)	(3)	(242)
At 30 June 2019	9.546	62.761	28.545	11.898	112.750
At 30 June 2019	3.119	33.985	21.506	5.444	64.053
Depreciation classified by functional category:					
	1H 2019	1H 2018	Q2 2019	Q2 2018	
Cost of goods sold	4.782	4.498	2.491	2.134	
Sales and marketing expenses	1.457	1.171	661	601	
Research and development expenses	614	427	309	166	
General and administrative expenses	1.682	1.385	810	865	
Total	8.535	7.481	4.271	3.766	

Notes to the Consolidated Financial Statements

7. Right of use assets

2019	Buildings & sites	Machinery & equipment	Total	
Cost				
At 1 January	80,608	4,256	84,864	
Additions	15,892	217	16,109	
Exchange rate differences	(1,271)	(38)	(1,309)	
At 30 June 2019	95,229	4,435	99,664	
Depreciation				
Charge for the period	7,278	1,230	8,508	
At 30 June 2019	87,951	3,205	91,156	
Depreciation classified by functional category:				
	1H 2019	1H 2018	Q2 2019	Q2 2018
Cost of goods sold	3,402	0	1,702	0
Sales and marketing expenses	1,701	0	851	0
Research and development expenses	1,020	0	510	0
General and administrative expenses	2,385	0	1,195	0
Total	8,508	0	4,258	0

8. Goodwill

	30.6.2019	31.12.2018
At 1 January	500,842	414,663
Arising on acquisition of subsidiaries	3,141	102,432
Purchase price allocation	0	(12,008)
Exchange rate differences	(1,189)	(4,245)
At end of period	502,794	500,842

Notes to the Consolidated Financial Statements

9. Other intangible assets

2019	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	37.717	14.009	16.370	47.094	115.190
Additions	0	0	0	1.353	1.353
Additions - internally generated	0	0	0	3.691	3.691
Acquired on acquisition of subsidiary	0	2.461	0	0	2.461
Exchange rate differences	(313)	(59)	(87)	(296)	(755)
At 30 June 2019	37.404	16.411	16.283	51.842	121.940
Amortization					
At 1 January	31.218	3.508	334	31.020	66.080
Charge for the period	187	421	0	3.157	3.765
Exchange rate differences	(214)	(6)	(8)	(64)	(292)
At 30 June 2019	31.191	3.923	326	34.113	69.553
At 30 June 2019	6.213	12.488	15.957	17.729	52.387

Amortization classified by functional category:	1H 2019	1H 2018	Q2 2019	Q2 2018
Cost of goods sold	470	562	386	299
Sales and marketing expenses	1.318	2.051	691	982
Research and development expenses	736	596	365	296
General and administrative expenses	1.241	906	608	422
Total	3.765	4.115	2.050	1.999

10. Lease liabilities

	30.6.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Lease Liabilities in USD	5.306	30.452	0	0
Lease Liabilities in EUR	4.210	16.767	0	0
Lease Liabilities in other currencies	6.803	36.117	0	0
Total	16.319	83.336	0	0

Aggregated maturities of lease liabilities are as follows:	30.6.2019	31.12.2018
1 July 2019 - 30 June 2020	16.319	0
1 July 2020 - 30 June 2021	15.505	0
1 July 2021 - 30 June 2022	14.325	0
1 July 2022 - 30 June 2023	13.555	0
Later	39.951	0
Total	99.655	0