

Highlights

- Sales growth of 19% in local currency in Q3 2019 and organic sales growth of 5%. Sales growth of 19% in local currency in 9M 2019 and organic sales growth of 7%.
- The prosthetics segment grew 6% organic and the B&S segment grew 5% organic. Strong growth is attributed to good sales of high-end solutions and recently launched products.
- Gross profit margin in Q3 2019 was 64%, same as in the comparable quarter last year. Gross profit margin in 9M 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 before special items was 24% in Q3 2019. EBITDA margin before special items and excluding the impact of IFRS 16 was 21% in Q3 2019 compared to 21% in the comparable quarter. EBITDA margin before special items in 9M 2019 was 22% and excluding the impact of IFRS16 was 19% compared to 18% in 9M 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 Q3 2019 amounted to 9% of sales. Net profit in 9M 2019 amounted to 10% of sales and grew by 12%.
- Cash generated by operations amounted to 29% of sales in Q3 2019 compared to 22% of sales in the comparable quarter last year. Cash generated by operations amounted to 19% of sales in 9M 2019.
- Össur acquired 1,167,767 of own shares through the ongoing share buyback program for USD 8 million in Q3 2019. In 9M 2019, Össur acquired 3,259,351 of own shares for USD 19 million.
- In the beginning of Q4 2019, Össur made two acquisitions with combined full-year sales of about USD 13 million.
- With strong sales growth in the first nine months of the year, the financial guidance range for organic growth has been narrowed to ~6% (previous 5-6%). The financial guidance for the full year 2019 is therefore ~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:

"Sales growth in the third quarter of the year was strong with a good contribution from both prosthetics and bracing & supports while bearing in mind a strong comparable quarter last year. Growth drivers in the quarter include our high-end solutions in both prosthetics and bracing & supports products and recently launched products such as the new PROPRIO FOOT[®] which we launched in the beginning of the year. With strong sales growth in the first nine months of the year, we are narrowing our full year guidance for organic growth to ~6% compared to the previous guidance of 5-6%. The profitability of the company is increasing in the first nine months of the year which can be attributed to favorable changes in product mix, additional savings from the ongoing efficiency initiatives, and scalability."

Key financials and guidance

USD million	9M 2019	9M 2018	Q3 2019	Q3 2018	Guidance 2019
Net sales	507	445	168	145	
Sales growth, organic	7%	5%	5%	7%	~6%
EBITDA margin, before special items	22%	18%	24%	21%	~23%*
CAPEX as % of sales	4%	5%	5%	5%	4-5%
Effective tax rate	23%	23%	23%	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	9M 2019	9M 2018	Q3 2019	Q3 2018	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Income statement									
Net sales	507	445	168	145	613	569	521	483	509
Gross profit	326	280	108	92	387	355	328	303	323
Operating expenses (excl. other income)	254	223	87	75	304	280	256	226	237
EBITDA	104	75	32	23	107	97	94	97	104
EBITDA before special items	112	82	40	30	115	103	98	99	104
EBIT	72	57	21	17	79	75	72	77	86
Net profit	51	46	15	16	80	58	51	51	59
Sales growth									
Sales growth USD	% 14	7	15	5	8	9	8	(5)	17
Organic growth	% 7	5	5	7	5	5	4	5	5
Currency effect	% (5)	2	(3)	(2)	1	0	(1)	(11)	(1)
Acquired/divested business	% 12	0	13	0	2	4	5	1	13
Balance sheet									
Total assets	1,019	825	1,019	825	914	793	746	653	678
Equity	554	511	554	511	538	500	467	463	442
Net interest-bearing debt (NIBD)**	261	142	261	142	180	121	119	58	93
Cash flow									
Cash generated by operations	97	61	49	32	92	90	88	84	98
Free cash flow	56	23	35	18	39	55	42	42	68
Key ratios									
Gross profit margin	% 64	63	64	64	63	62	63	63	63
EBIT margin	% 14	13	13	12	13	13	14	16	17
EBITDA margin	% 21	17	19	16	18	17	18	20	20
EBITDA margin before special items	% 22	18	24	21	19	18	19	20	20
Equity ratio	% 54	62	54	62	59	63	63	71	65
NIBD to EBITDA**	1.8	1.3	1.8	1.3	1.6	1.2	1.2	0.6	0.9
Effective tax rate	% 23	23	23	23	18	16	25	25	24
Return on equity*	% 16	14	16	14	15	12	11	11	13
CAPEX / net sales	% 4.4	5.0	4.6	5.0	5.0	3.4	4.7	4.9	3.3
Market									
Market value of equity	3,236	2,277	3,236	2,277	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	12.1	10.8	3.4	3.7	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 the quarter. Excluding the impact of IFRS 16, NIBD is USD 167 million and NIBD to EBITDA is 1.3.

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 nine months (9M) of 2019 amounted to USD 507 million compared to USD 445 million in 9M 2018, corresponding to 7% organic growth, 19% growth including acquisitions (local currency growth) and 14% reported growth. Sales in Q3 2019 amounted to USD 168 million compared to USD 145 million in Q3 2018, corresponding to 5% organic growth, 19% growth including acquisitions (local currency growth) and 15% reported growth.

Currency movements in Q3 2019 impacted sales growth negatively compared to Q3 2018 by USD 4 million, which corresponds to a negative 3%-points effect on the reported growth rate.

Sales by regions

USD million	9M 2019	Organic growth	Acq. / div.	Curr. effect	USD growth	Q3 2019	Organic growth	Acq. / div.	Curr. effect	USD growth
EMEA	225	6%	+3%	-7%	2%	71	8%	+3%	-5%	6%
Americas	241	5%	+24%	-1%	28%	83	1%	+24%	0%	25%
APAC	40	18%	-	-6%	12%	14	19%	-	-5%	14%
Total	507	7%	+12%	-5%	14%	168	5%	+13%	-3%	15%

Sales by segments

USD million	9M 2019	Organic growth	Acq. / div.	Curr. effect	USD growth	Q3 2019	Organic growth	Acq. / div.	Curr. effect	USD growth
Prosthetics	281	9%	+19%	-4%	24%	95	6%	+20%	-3%	23%
Bracing and supports	226	3%	+5%	-5%	4%	73	5%	+5%	-3%	7%
Total	507	7%	+12%	-5%	14%	168	5%	+13%	-3%	15%

Prosthetics

Prosthetics sales in Q3 2019 amounted to USD 95 million and grew by 6% organic.

Strong growth in prosthetics can be attributed to a good performance of recently launched products such as the Pro-Flex® LP Align and the new bionic PROPRIO FOOT® which was fully launched to the market in the first quarter of the year. It should be noted that the comparable quarter last year was strong with prosthetics growing 11%. In EMEA, growth was strong across all main markets. Growth in the Americas was good with an excellent performance in Canada. In APAC we continue to see strong growth across all key markets, especially China and Australia.

Sales of bionic products accounted for 22% of prosthetics component sales in the quarter, same as in the comparable quarter last year.

During the quarter an addition to our Touch solutions was launched, which is the new i-Limb® Wrist that is the first-ever wrist rotator to perform simultaneous rotation grip upon selection.

Bracing and supports

Bracing and supports (B&S) sales in Q3 2019 amounted to USD 73 million and grew by 5% organic.

Good growth in B&S in the quarter can be attributed to sales of high-end solutions, such as the OA and Rebound product lines. Growth was good across most EMEA markets except for France where sales were negatively impacted by a competitive market environment. In the Americas growth was strong in Canada but sales in the

US were soft, primarily due to a competitive market environment and lower sales to a large distributor. Growth in APAC continues to be driven by a strong performance in China, Japan, and Australia.

During the quarter, additions to the Össur Formfit® range of soft supports were introduced which include the new Formfit® Pro Knee Flite and Formfit® Pro Knee Quest. Additionally, the latest in Össur's range of clinically proven range of OA knee braces was fully launched to the market, the new Unloader One® X.

Gross profit

Gross profit in 9M 2019 amounted to USD 326 million or 64% of sales compared to USD 280 million or 63% in 9M 2018. Gross profit in Q3 2019 amounted to USD 108 million or 64% of sales compared to USD 92 million or 64% of sales in Q3 2018. Items impacting gross profit margin were:

- Impact from changes in product mix were neutral in the quarter and temporary higher manufacturing cost was offset by savings from the ongoing efficiency initiatives
- For the first nine months of the year, higher gross profit margin is driven by a positive impact from product mix, scalability and the ongoing efficiency initiatives
- Positive 10 basis points impact from currency movements

Operating expenses

Special items

Össur expensed one-time costs of USD 8.3 million in Q3 2019. In line with communication in September 2017 regarding the efficiency initiatives, the largest portion of the one-time costs are related to the ongoing efficiency initiatives or roughly USD 6 million. The remainder of the one-time costs are related to signing the agreement to acquire the prosthetics manufacturer College Park Industries as communicated in July 2019 and the two recent acquisitions. In the comparable period in Q3 2018, Össur expensed one-time costs of USD 6.8 million in relation to the efficiency initiatives and acquisitions.

Operating expenses

Operating expenses amounted to USD 253 million or 50% of sales in 9M 2019 compared to USD 223 million or 50% of sales in 9M 2018. Operating expenses amounted to USD 87 million or 52% of sales in Q3 2019 compared to USD 75 million or 52% of sales in Q3 2018. Excluding special items, operating expenses in Q3 2019 amounted to USD 79 million or 47% of sales compared to USD 68 million or 47% of sales in Q3 2018. Items impacting operating expenses in the quarter were:

- Sales & marketing (S&M) expenses increased by 19% and amounted to 33% of sales. Growth is mainly due to acquisitions as well as investments in sales efforts in new business development and emerging markets.
- Research & development (R&D) expenses increased by 2% and amounted to 4% of sales. R&D expenses grew faster than sales measured in organic local currency.
- General & administrative (G&A) expenses increased by 13% and amounted to 14% of sales. Excluding special items, G&A expenses increased by 8% and amounted to 9% of sales. The increase in G&A cost is mainly related to the acquisitions. Excluding the recent acquisitions, G&A costs were flat between quarters measured in organic local currency.

It is expected that operating expenses will grow at a slower rate in Q4 than in the first nine months of 2019.

It should be noted that the purchase price allocation (PPA) for the companies acquired in 2018 has not been fully 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 before special items in 9M 2019 amounted to USD 112 million or 22% of sales. EBITDA before special items and excluding the impact of IFRS 16 amounted to USD 98 million or 19% of sales in 9M 2019 compared to an EBITDA before special items of USD 82 million or 18% of sales in 9M 2018. Currency movements affected the EBITDA margin in 9M 2019 positively by about 70 basis points net of hedge.

EBITDA before special items in Q3 2019 amounted to USD 40 million or 24% of sales. EBITDA before special items and excluding the impact of IFRS 16 amounted to USD 35 million or 21% of sales in Q3 2019 compared to an EBITDA of USD 30 million or 21% of sales in Q3 2018. Currency movements affected the EBITDA margin in Q3 2019 positively by about 60 basis points net of hedge.

Financial items, income tax and net profit

Financial items

Net financial expenses in 9M 2019 amounted to USD 6 million compared to USD 5 million in 9M 2018. Net financial expenses in Q3 2019 amounted to USD 2 million compared to USD 1 million in Q3 2018, with a negative impact of USD 0.4 million from exchange rate differences in Q3 2019 compared to a negative USD 0.5 million impact in Q3 2018.

Income tax

Income tax amounted to USD 16 million in 9M 2019, corresponding to 23% effective tax rate, compared to an income tax of USD 14 million in 9M 2018, corresponding to an effective tax rate of 23%. Income tax amounted to USD 4 million in Q3 2019, corresponding to 23% effective tax rate, compared to an income tax of USD 5 million in Q3 2018, corresponding to an effective tax rate of 23%.

Net profit

Net profit in 9M 2019 amounted to USD 51 million or 10% of sales, compared to USD 46 million or 10% of sales in 9M 2018. Net profit in Q3 2019 amounted to USD 15 million or 9% of sales, compared to USD 16 million or 11% of sales in Q3 2018. It should be noted in the comparison period, a one-time profit from investment in associates of USD 5 million was recognized. Diluted earnings per share in Q3 2019 amounted to 3.4 US cents compared to 3.7 US cents in Q3 2018.

Cash flow

Cash generated by operations

Cash generated by operations in 9M 2019 amounted to USD 97 million or 19% of sales, compared to USD 61 million or 14% of sales in 9M 2018. Cash generated by operations in Q3 2019 amounted to USD 49 million or 29% of sales, compared to USD 32 million or 22% of sales in Q3 2018. Strong cash generation can be attributed to good operational results as well as a positive contribution from NWC, mainly driven by payables.

Capital expenditures

Capital expenditures in 9M 2019 amounted to USD 23 million or 4% of sales, compared to USD 23 million or 5% of sales in 9M 2018. Capital expenditures in Q3 2019 amounted to USD 8 million or 5% of sales, compared to USD 7 million or 5% of sales in 9M 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 Q3 2019 amounted to USD 261 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 167 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 1.8x at the end of Q3 2019 but excluding the impact of IFRS 16 the ratio was 1.3x. 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 3,259,351 of own shares for approximately USD 19 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 2,385,272 treasury shares.

Financial guidance for 2019

Guidance

	Guidance FY 2019 (current)	Guidance FY 2019 (July)	Guidance FY 2019 (April)	Guidance FY 2019 (February)
Sales growth, organic	~6%	5-6%	4-5%	4-5%
EBITDA margin, before special items*	~23%	~23%	~23%	~23%
CAPEX as % of sales	4-5%	4-5%	4-5%	4-5%
Effective tax rate	23-24%	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 nine months of the year with 9% 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 narrowed to ~6% (previous 5-6%).

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 21 October 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.

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
Average exchange rate Q3 2019	1.1117	0.0080
Closing rate 21 October 2019	1.1141	0.0080
Estimated average exchange rate for 2019*	1.1214	0.0081
Change in estimated exchange rate 2019 compared with last year's average	-5%	-13%

* Estimated average exchange rate is calculated as the exchange rate of Q1 2019, Q2 2019 and Q3 2019 combined with the closing rates at 21 October 2019 for the remainder of the year.

Other matters

Acquisitions

Össur made two acquisitions in the beginning of Q4 2019 which have no impact on Össur's financials in Q3 2019 but will be part of Q4 2019. Sales in the two entities on a full year basis amount to around USD 13 million combined. The acquired companies have a lower EBITDA margin than Össur on a full year basis and greater seasonality in their operations, where the first quarter of the year is seasonally the weakest and the fourth quarter the strongest. It should therefore 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.

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

Financial calendar and upcoming events & conferences

Q3 2019 conference call details

Össur will host a conference call on 22 October 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 19260853#. A webcast can be followed on the Össur website: www.ossur.com/investors.

Financial calendar

Interim Report Q4 2019 and Annual Report for 2019	4 February 2020
Annual General Meeting	12 March 2020

Meet with us

Jefferies London Healthcare Conference (UK)	21 November 2019
Nordea Innovation Seminar (SE)	26 November 2019
Danske Bank Winter Seminar (DK)	4 December 2019
DNB Nordic American Life Science conference (US)	5 December 2019
SEB Nordic Seminar (DK)	7 January 2020
Carnegie Nordic Healthcare Seminar (SE)	4 March 2020
ABG Small and Mid Cap Seminar (DK)	1 April 2020
Goldman European Medtech conference (UK)	9-10 September 2020
ABG Small and Mid Cap Seminar (DK)	23 September 2020

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, President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 September 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 506.8 million and the net profit amounted to USD 51.2 million. Össur's Consolidated total assets amounted to USD 1019.0 million at the end of period, liabilities were USD 465.2 million, and equity was USD 553.8 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 September 2019 and operating performance of the period ended 30 September 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 September 2019 and confirm them by means of their signatures.

Reykjavík, 22 October 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	9M 2019	9M 2018 *	Q3 2019	Q3 2018 *
Net sales	4	506,759	445,048	167,625	145,205
Cost of goods sold		(181,038)	(165,009)	(59,568)	(52,749)
Gross profit		325,721	280,039	108,057	92,456
Other income / (expenses)		301	126	134	49
Sales and marketing expenses		(172,005)	(146,869)	(55,953)	(46,857)
Research and development expenses		(23,771)	(23,806)	(7,411)	(7,240)
General and administrative expenses		(57,786)	(52,141)	(23,802)	(21,148)
Earnings before interest and tax (EBIT)		72,460	57,349	21,025	17,260
Financial income		1,051	1,259	176	396
Financial expenses		(7,336)	(4,137)	(2,116)	(1,314)
Net exchange rate difference		538	(1,688)	(399)	(467)
Net financial income / (expenses)		(5,747)	(4,566)	(2,339)	(1,385)
Effects of associates		198	6,835	59	4,714
Earnings before tax (EBT)		66,911	59,618	18,745	20,589
Income tax		(15,665)	(13,727)	(4,227)	(4,679)
Net profit		51,246	45,891	14,518	15,910
Attributable to:					
Owners of the Company		49,053	45,801	13,942	15,927
Non-controlling interests		2,193	90	576	(17)
Net profit		51,246	45,891	14,518	15,910
Earnings per share					
Earnings per share (US cent)		12.1	10.8	3.4	3.7
Diluted earnings per share (US cent)		12.1	10.8	3.4	3.7

* 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	9M 2019	9M 2018 *	Q3 2019	Q3 2018 *
Net profit	51,246	45,891	14,518	15,910
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	1,771	77	1,787	(989)
Exchange differences on translating foreign operations	(8,651)	(9,182)	(7,909)	(535)
Income tax relating to components of other comprehensive income	(872)	(885)	(678)	(42)
Other comprehensive income, net of income tax	(7,752)	(9,990)	(6,800)	(1,566)
Total comprehensive income	43,494	35,901	7,718	14,344
Attributable to:				
Owners of the Company	41,301	35,811	7,142	14,361
Non-controlling interests	2,193	90	576	(17)
Total comprehensive income	43,494	35,901	7,718	14,344

* 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	30.9.2019	31.12.2018 *
Property, plant and equipment	6	62,784	63,032
Right of use assets	7	85,246	0
Goodwill	8	496,861	500,842
Other intangible assets	9	56,593	49,110
Investment in associates		6,085	5,998
Other financial assets		2,698	2,727
Deferred tax assets		24,767	17,839
Non-current assets		735,034	639,548
Inventories		109,627	95,863
Accounts receivables		97,094	103,923
Other assets		21,341	18,515
Bank balances and cash equivalents		55,882	55,706
Current assets		283,944	274,007
Total assets		1,018,978	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	30.9.2019	31.12.2018 *
Issued capital and share premium		85,196	93,767
Reserves		(55,051)	(46,396)
Retained earnings		519,473	487,090
Equity attributable to owners of the Company		549,618	534,461
Non-controlling interest		4,173	3,076
Total equity		553,791	537,537
Borrowings		210,738	222,049
Lease liabilities	10	78,205	0
Deferred tax liabilities		29,270	22,906
Provisions		5,174	7,596
Other financial liabilities		7,373	5,903
Non-current liabilities		330,760	258,454
Borrowings		12,031	13,434
Lease liabilities	10	15,513	0
Accounts payable		29,123	28,142
Taxes payable		8,793	6,156
Provisions		8,645	6,103
Accrued salaries and related expenses		37,749	39,037
Other liabilities		22,573	24,692
Current liabilities		134,427	117,564
Total equity and liabilities		1,018,978	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	9M 2019	9M 2018 *	Q3 2019	Q3 2018 *
Earnings before interests and tax (EBIT)		72,460	57,349	21,025	17,260
Depreciation and amortization	6, 7, 9	31,666	17,598	10,858	6,002
Loss / (gain) on disposal of assets		37	79	32	83
Change in provisions and deferred income		3,671	1,315	3,815	1,577
Change in inventories		(15,524)	(9,557)	(1,277)	(2,731)
Change in receivables		1,815	(611)	9,077	11,842
Change in payables		2,943	(4,974)	5,212	(2,259)
Cash generated by operations		97,068	61,199	48,742	31,774
Interest received		1,423	1,272	603	388
Interest paid		(7,296)	(3,960)	(2,152)	(1,095)
Income tax paid		(12,536)	(12,060)	(4,378)	(5,577)
Net cash provided by operating activities		78,659	46,451	42,815	25,490
Purchase of fixed and intangible assets	6, 9	(22,549)	(23,352)	(7,748)	(7,339)
Proceeds from sale of fixed assets		49	41	23	5
Acquisition of subsidiaries, net of cash in acquired entities		(12,748)	(18,958)	(6,814)	(17,941)
Dividend received		59	0	0	0
Changes in financial assets		(32)	4,775	(90)	1,513
Cash flows to investing activities		(35,221)	(37,494)	(14,629)	(23,762)
Proceeds from long-term borrowings		732	55,294	687	243
Repayments of long-term borrowings		(14,516)	(25,698)	(4,445)	(203)
Changes in revolving credit facility		(4,819)	(8,224)	3,059	2,649
Payment of dividends		(9,058)	(9,184)	0	0
Increase in subsidiaries that does not affect control		(258)	(422)	0	108
Dividends from subsidiaries paid to non-controlling interests		(1,318)	0	(498)	0
Change in treasury shares		(11,478)	(15,975)	(5,960)	(2,772)
Cash flows from / (to) financing activities		(40,715)	(4,209)	(7,157)	25
Net change in cash		2,723	4,748	21,029	1,753
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(1,833)	(1,367)	(1,646)	(181)
Other items held in foreign currencies		(714)	(824)	(563)	125
Cash at beginning of period		55,706	37,272	37,062	38,132
Cash at end of period		55,882	39,829	55,882	39,829

* 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							45,801	45,801	90	45,891
Change in cash flow hedges					77			77		77
Translation difference of shares in foreign operations						(10,067)		(10,067)		(10,067)
Total comprehensive income	0	0	0	0	77	(10,067)	45,801	35,811	90	35,901
Payment of dividends							(9,184)	(9,184)		(9,184)
Share option charge for the period				1,004				1,004		1,004
Share option vested during the period				(842)				(842)		(842)
Change in non-controlling interests							(337)	(337)	(61)	(398)
Sale of treasury shares		9,479					(4,963)	4,516		4,516
Non controlling interest arising on acquisition								0	458	458
Purchase of treasury shares	(32)	(20,882)						(20,914)		(20,914)
Balance at 30 September 2018	4,817	97,272	1,267	3,130	(641)	(46,520)	450,651	509,976	1,026	511,002
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							49,053	49,053	2,193	51,246
Change in cash flow hedges					1,417			1,417		1,417
Translation difference of shares in foreign operations						(9,169)		(9,169)		(9,169)
Total comprehensive income	0	0	0	0	1,417	(9,169)	49,053	41,301	2,193	43,494
Payment of dividends							(9,058)	(9,058)	(1,318)	(10,376)
Share option charge for the period				822				822		822
Share option vested during the period	18	10,295		(1,725)			(1,308)	7,280		7,280
Change in non-controlling interests							(258)	(258)	(6)	(264)
Purchase of treasury shares	(27)	(18,857)						(18,884)	228	(18,656)
Balance at 30 September 2019	4,802	80,394	1,267	2,382	790	(59,490)	519,473	549,618	4,173	553,791

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 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 and Q2 2019 Financial statements for effects of implementation for prior quarters.

Consolidated Income Statement and Comprehensive Income

	Q3 2019			Q3 2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
All amounts in USD '000				
Net sales	167,625	0	167,625	145,205
Cost of goods sold	(59,568)	299	(59,867)	(52,749)
Gross profit	108,057	299	107,758	92,456
Other income / (expenses)	134	0	134	49
Sales and marketing expenses	(55,953)	149	(56,102)	(46,857)
Research and development expenses	(7,411)	90	(7,501)	(7,240)
General and administrative expenses	(23,802)	209	(24,011)	(21,148)
Earnings before interest and tax (EBIT)	21,025	747	20,278	17,260
Net financial income / (expenses)	(2,339)	(815)	(1,524)	(1,385)
Effects of associates	59	0	59	4,714
Earnings before tax (EBT)	18,745	(68)	18,813	20,589
Income tax	(4,227)	17	(4,244)	(4,679)
Net profit	14,518	(51)	14,569	15,910
Total comprehensive income	7,718	(51)	7,769	14,344
EBITDA	31,883	4,916	26,967	23,262
EBITDA margin	19%		16%	16%

Consolidated Balance Sheet

	30.9.2019			31.12.2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
All amounts in USD '000				
Assets				
Right of use assets	85,246	85,246	0	0
Deferred tax assets	24,767	1,955	22,812	17,839
Other non-current assets	625,021	0	625,021	621,709
Non-current assets	735,034	87,201	647,833	639,548
Current assets	283,944	0	283,944	274,007
Total assets	1,018,978	87,201	931,777	913,555
Equity and liabilities				
Total equity	553,791	(6,103)	559,894	537,537
Lease liabilities	78,205	78,205	0	0
Other non-current liabilities	252,555	0	252,555	258,454
Non-current liabilities	330,760	78,205	252,555	258,454
Lease liabilities	15,513	15,513	0	0
Other current liabilities	118,914	(414)	119,328	117,564
Current liabilities	134,427	15,099	119,328	117,564
Total equity and liabilities	1,018,978	87,201	931,777	913,555

Notes to the Consolidated Financial Statements

Consolidated statement of Cash Flow

	Q3 2019			Q3 2018
	As reported	Impact of IFRS 16	Excluding IFRS 16	As reported
All amounts in USD '000				
Earnings before interests and tax (EBIT)	21,025	747	20,278	17,260
Depreciation, impairment and amortization	10,858	4,169	6,689	6,002
Other operation activities	16,859	0	16,859	8,512
Cash generated by operations	48,742	4,916	43,826	31,774
Interest received	603	0	603	388
Interest paid	(2,152)	(815)	(1,337)	(1,095)
Income tax paid	(4,378)	0	(4,378)	(5,577)
Net cash provided by operating activities	42,815	4,101	38,714	25,490
Cash flows to investing activities	(14,629)		(14,629)	(23,762)
Proceeds from long-term borrowings	687	0	687	243
Repayments of long-term borrowings	(4,445)	(4,101)	(344)	(203)
Other financing activities	(3,399)	0	(3,399)	(15)
Cash flows from / (to) financing activities	(7,157)	(4,101)	(3,056)	25
Net change in cash	21,029	0	21,029	1,753
Effects of exchange rate changes	(2,209)	0	(2,209)	(56)
Cash at beginning of period	37,062	0	37,062	38,132
Cash at end of period	55,882	0	55,882	39,829

3. Quarterly statements

	Q3 2019	Q2 2019	Q1 2019	Q4* 2018	Q3* 2018
Net sales	167,625	179,063	160,071	167,828	145,205
Cost of goods sold	(59,568)	(64,277)	(57,193)	(61,063)	(52,749)
Gross profit	108,057	114,786	102,878	106,765	92,456
Gross profit margin	64%	64%	64%	64%	64%
Other income / (expenses)	134	123	44	(4,228)	49
Sales and marketing expenses	(55,953)	(58,852)	(57,200)	(55,237)	(46,857)
Research and development expenses	(7,411)	(8,453)	(7,907)	(7,550)	(7,240)
General and administrative expenses	(23,802)	(15,907)	(18,077)	(18,183)	(21,148)
EBIT	21,025	31,697	19,738	21,567	17,260
Net financial income / (expenses)	(1,940)	(2,105)	(2,240)	(1,476)	(918)
Net exchange rate difference	(399)	22	915	(160)	(467)
Effects of investments in associates	59	26	113	17,375	4,714
EBT	18,745	29,640	18,526	37,306	20,589
Income tax	(4,227)	(7,024)	(4,414)	(3,374)	(4,679)
Net profit	14,518	22,616	14,112	33,932	15,910
EBITDA	31,883	42,276	29,967	32,360	23,262
EBITDA margin	19%	24%	19%	19%	16%
EBITDA before special items	40,225	42,276	29,967	32,977	30,110
EBITDA margin before special items	24%	24%	19%	20%	21%

* 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

	9M 2019	9M 2018	Q3 2019	Q3 2018
Specified according to geographical segments:				
EMEA	225,192	220,814	70,543	66,634
Americas	241,146	188,255	83,083	66,302
APAC	40,421	35,979	13,999	12,269
Total	506,759	445,048	167,625	145,205
Specified according to product lines:				
Prosthetics	280,785	226,818	94,996	76,966
Bracing and Supports	225,974	216,929	72,629	67,873
Other products	0	1,301	0	366
Total	506,759	445,048	167,625	145,205

5. Sales and expenses split by main currencies

	9M 2019			Q3 2019		
	LCY	USD	%	LCY	USD	%
Sales						
USD	227,590	227,590	45%	78,629	78,629	47%
EUR	108,424	121,852	24%	34,174	38,390	23%
ISK	179,710	1,470	0%	66,782	549	0%
Nordic curr. (SEK, NOK, DKK)		70,523	14%		20,984	13%
Other (GBP, AUD, CAD & Other)		85,323	17%		29,072	17%
Total		506,759	100%		167,625	100%
COGS and OPEX						
USD	192,654	192,654	44%	64,564	64,564	44%
EUR	76,515	85,992	20%	22,596	25,383	17%
ISK	5,681,628	46,471	11%	1,776,875	14,624	10%
Nordic curr. (SEK, NOK, DKK)		62,297	14%		19,154	13%
Other (GBP, MXN, CAD & Other)		46,885	11%		22,875	16%
Total		434,299	100%		146,600	100%
	9M 2018			Q3 2018		
	LCY	USD	%	LCY	USD	%
Sales						
USD	175,332	175,332	40%	62,226	62,226	43%
EUR	105,527	126,184	28%	32,655	37,956	26%
ISK	169,731	1,624	0%	68,295	632	0%
Nordic curr. (SEK, NOK, DKK)		61,123	14%		17,762	12%
Other (GBP, AUD, CAD & Other)		80,785	18%		26,629	19%
Total		445,048	100%		145,205	100%
COGS and OPEX						
USD	144,246	144,246	37%	52,136	52,136	40%
EUR	72,882	87,196	23%	22,424	26,065	20%
ISK	5,001,021	48,117	12%	1,602,666	14,821	12%
Nordic curr. (SEK, NOK, DKK)		59,137	15%		17,552	14%
Other (GBP, MXN, CAD & Other)		49,003	13%		17,371	14%
Total		387,699	100%		127,945	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	48	6,924	5,030	1,974	13,976
Acquired on acquisition of subsidiary	0	0	154	0	154
Exchange rate differences	(580)	(1,788)	(1,004)	(390)	(3,761)
Eliminated on disposal	(3)	(471)	(59)	(59)	(592)
Fully depreciated assets	0	(54)	(178)	(112)	(344)
At 30 September 2019	12,176	96,730	50,448	17,750	177,104
Depreciation					
At 1 January	9,464	59,532	25,043	10,600	104,639
Reclassification	0	(880)	880	0	0
Charge for the period	216	6,926	3,958	1,839	12,939
Acquired on acquisition of subsidiary	0	0	12	0	12
Exchange rate differences	(434)	(1,375)	(557)	(57)	(2,423)
Eliminated on disposal	(2)	(418)	(36)	(48)	(504)
Fully depreciated assets	0	(54)	(178)	(112)	(344)
At 30 September 2019	9,244	63,731	29,122	12,223	114,320
At 30 September 2019	2,932	32,999	21,326	5,528	62,784
Depreciation classified by functional category:		9M 2019	9M 2018	Q3 2019	Q3 2018
Cost of goods sold		7,164	6,821	2,382	2,323
Sales and marketing expenses		2,183	1,714	726	543
Research and development expenses		921	733	307	306
General and administrative expenses		2,671	2,143	989	758
Total		12,939	11,411	4,404	3,930

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	14,873	265	15,138	
Acquired on acquisition of subsidiary	1,586	0	1,586	
Exchange rate differences	(3,694)	(220)	(3,914)	
At 30 September 2019	93,373	4,301	97,674	
Depreciation				
Charge for the period	10,926	1,751	12,677	
Exchange rate differences	(199)	(50)	(249)	
At 30 September 2019	10,727	1,701	12,428	
At 30 September 2019	82,646	2,600	85,246	
Depreciation classified by functional category:	9M 2019	9M 2018	Q3 2019	Q3 2018
Cost of goods sold	5,067	0	1,665	0
Sales and marketing expenses	2,534	0	833	0
Research and development expenses	1,520	0	500	0
General and administrative expenses	3,556	0	1,171	0
Total	12,677	0	4,169	0

8. Goodwill

	30.9.2019	31.12.2018
At 1 January	500,842	414,663
Arising on acquisition of subsidiaries	9,561	102,432
Purchase price allocation	(4,801)	(12,008)
Exchange rate differences	(8,741)	(4,245)
At end of period	496,861	500,842

The initial accounting for the acquisitions has been provisionally determined at balance sheet date. The fair value of assets and liabilities has been provisionally determined based on management's best estimate.

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	300	0	0	2,615	2,915
Additions - internally generated	0	0	0	5,658	5,658
Acquired on acquisition of subsidiary	0	2,461	0	2	2,463
Purchase price allocation	6,761	0	(2,645)	0	4,116
Exchange rate differences	(1,526)	(404)	(681)	(630)	(3,241)
At 30 September 2019	43,252	16,066	13,044	54,739	127,101
Amortization					
At 1 January	31,218	3,508	334	31,020	66,080
Charge for the period	986	655	0	4,409	6,050
Exchange rate differences	(1,089)	(44)	(80)	(409)	(1,622)
At 30 September 2019	31,115	4,119	254	35,020	70,508
At 30 September 2019	12,137	11,947	12,790	19,719	56,593

Amortization classified by functional category:	9M 2019	9M 2018	Q3 2019	Q3 2018
Cost of goods sold	724	837	254	275
Sales and marketing expenses	2,518	2,927	1,200	876
Research and development expenses	1,123	886	387	290
General and administrative expenses	1,685	1,537	444	631
Total	6,050	6,187	2,285	2,072

10. Lease liabilities

	30.9.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Lease Liabilities in USD	5,117	29,803	0	0
Lease Liabilities in EUR	3,895	15,172	0	0
Lease Liabilities in other currencies	6,501	33,230	0	0
Total	15,513	78,205	0	0

Aggregated maturities of lease liabilities are as follows:	30.9.2019	31.12.2018
1.10.2019 - 30.09.2020	15,513	0
1.10.2020 - 30.09.2021	14,382	0
1.10.2021 - 30.09.2022	13,032	0
1.10.2022 - 30.09.2023	12,179	0
Later	38,612	0
Total	93,718	0