

## ÖSSUR Q3 RESULTS 2014

### Highlights Q3 2014

- Net profit increased by 26% and amounted to USD 16 million or 13% of sales, compared to USD 13 million or 12% of sales in Q3 2013.
- Sales amounted to USD 127 million compared to USD 105 million in Q3 2013, corresponding to 21% growth and 6% organic growth, both measured in local currency.
- Bracing and supports sales growth was 19% compared to Q3 2013, while organic sales growth was 0%, both measured in local currency.
- Prosthetics sales growth compared to Q3 2013 was 23% and 15% organic, both measured in local currency.
- Gross profit amounted to USD 81 million and 64% of sales, compared to USD 65 million and 62% of sales in Q3 2013.
- EBITDA increased by 30% and amounted to USD 29 million or 23% of sales, compared to USD 22 million or 21% of sales in Q3 2013.
- Cash generated by operations amounted to USD 33 million or 26% of sales, compared to USD 24 million or 23% of sales in Q3 2013.

### Revised Guidance for 2014

Due to strong growth in sales and good profitability in the quarter, the company has decided to revise the guidance for 2014. The new guidance for the full year of 2014 is as follows:

- Total sales growth LCY in the range of 18-19% (previously 16-18%)
- Organic sales growth LCY in the range of 4-5% (previously 3-4%)
- EBITDA margin in the range of 20-21% of sales (previously 19-20%)
- Capital expenditures in the range of 2.5-3.5% of sales (unchanged)
- Effective tax rate around 26% (unchanged)

### Jón Sigurðsson, President & CEO, comments:

*"We are pleased to deliver another quarter with strong profitability and our best cash flow to date. We are seeing continued excellent prosthetics sales across all our major markets and product lines. Our results in bracing and supports are in line with expectations. Our emphasis on increased profitability from product rationalization efforts and focus on selling high end innovative products is yielding promising results."*

### Conference Call

Össur will host a conference call on Friday 24 October 2014 at 12:00 CET/ 10:00 GMT/ 6:00 EDT.  
To participate in the call please dial: Europe: +44 (0) 203 364 5374 or +46 (0) 8 505 564 74,  
The United States: +1 855 753 2230, Iceland: +354 800 7219

## Financial Highlights

USD M	Q3 2014	Q3 2013	2013	2012	2011	2010	
<b>Income Statements</b>							
Net sales	127	105	436	399	398	359	
Gross profit	81	65	270	248	246	223	
Operating expenses (excl. other income)	57	47	210	191	189	164	
Profit from operations	24	19	60	57	59	60	
Net profit	16	13	41	38	35	35	
EBITDA	29	22	75	70	73	74	
<b>Sales growth</b>							
Sales growth USD	%	21	6	9	0	11	9
Growth breakdown:							
Organic growth in LCY	%	6	3	2	3	5	6
Currency effect	%	0	1	1	(3)	3	(1)
Acquired/divested business	%	15	2	6	1	4	4
<b>Balance Sheets</b>							
Total assets	687	685	706	591	580	607	
Equity	468	433	448	408	365	344	
Net interest-bearing debt (NIBD)	83	78	108	82	111	133	
<b>Cash Flows</b>							
Cash generated by operations	33	24	73	71	68	64	
Cash provided by operating activities	29	25	66	58	48	40	
Cash flows from investing activities	(20)	(14)	(81)	(27)	(19)	(19)	
Cash flows from financing activities	(25)	50	33	(29)	(65)	(46)	
Free cash flow	26	21	49	43	32	33	
<b>Key ratios</b>							
Operating margin	%	19	18	14	14	15	17
EBITDA margin	%	23	21	17	18	18	21
Equity ratio	%	68	63	63	69	63	57
Ratio of net debt to EBITDA*		0.8	1.2	1.4	1.2	1.5	1.8
Ratio of debt to EBITDA*		1.1	2.4	2.0	1.5	1.8	2.5
Current ratio		2.1	2.5	1.9	1.9	1.7	1.9
Return on equity (ROE)*	%	13	9	10	10	10	10
<b>Market</b>							
Market value of equity		1,182	755	880	606	600	778
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E)*		20.3	21.3	21.7	15.8	20.0	22.3
Diluted EPS*	US cent	13.0	7.1	9.1	8.4	7.7	7.8
Diluted cash EPS*	US cent	17.0	10.2	12.5	11.3	10.6	10.9

\*Financial ratios for Q3 2014 and Q3 2013 are based on operations for the preceding 12 months.

## Management's Report

### Sales Performance

Sales amounted to USD 127 million compared to USD 105 million in Q3 2013, corresponding to 21% growth and 6% organic growth, both measured in local currency. Bracing and supports sales grew by 19% compared to Q3 2013 while organic sales growth was 0%, both measured in local currency. Prosthetics sales grew by 23% and 15% organic compared to Q3 2013, both measured in local currency.

#### Sales by Segments and Regions in Q3 2014

USD '000	Q3 2014	% of sales	Growth	Growth LCY	Organic growth LCY
Bracing and supports	70,173	56%	19%	19%	0%
Prosthetics	55,912	44%	23%	23%	15%
Other	425	0%	83%	73%	2%
<b>Total</b>	<b>126,510</b>	<b>100%</b>	<b>21%</b>	<b>21%</b>	<b>6%</b>

USD '000	Q3 2014	% of sales	Growth	Growth LCY	Organic growth LCY
EMEA	62,300	49%	39%	40%	9%
Americas	54,803	43%	1%	0%	0%
Asia	9,407	8%	68%	66%	22%
<b>Total</b>	<b>126,510</b>	<b>100%</b>	<b>21%</b>	<b>21%</b>	<b>6%</b>

Sales in EMEA grew by 40% measured in local currency and was primarily driven by the acquisitions made in Scandinavia last year. Organic sales growth was strong and grew by 9% organic compared to Q3 2013, measured in local currency. Sales performance of bracing and supports was good in the quarter. Prosthetics sales continued to be good across all major markets and product lines.

Sales in Americas was flat in the quarter compared to Q3 2013, measured in local currency. Sales of bracing and supports declined in the quarter. Sales performance was affected by product rationalization efforts and more focus on high end products resulting in increased profitability. Market conditions in the bracing and support segment continue to be challenging. Prosthetics sales were strong in the quarter, driven by growth in all major product lines.

Sales in Asia grew by 66% and 22% organic compared to Q3 2013, both measured in local currency. Sales performance in both product segments was excellent in the quarter. Two small acquisitions have been completed in the year, one in Q1 and one in the beginning of Q3, further strengthening the sales platform in the region.

Sales of bionic products in the quarter accounted for 19% of prosthetic component sales, compared to 14% in Q3 2013.

### Gross Profit

Gross profit amounted to USD 81 million and 64% of sales, compared to USD 65 million and 62% of sales in Q3 2013. The increase in the gross profit margin when comparing to Q3 2013 was a result of favorable product mix changes and efficiency in manufacturing.

### EBITDA

EBITDA increased by USD 7 million and amounted to USD 29 million and 23% of sales compared to USD 22 million and 21% of sales in Q3 2013.

The increase in EBITDA and EBITDA margin was largely a result of improved gross profit margin and efficient operations. Currency fluctuations have immaterial impact on the reported EBITDA margin when comparing to Q3 2013.

## Financial Items, Tax and Net Profit

Income tax amounted to USD 5.2 million, corresponding to a 24% effective tax rate, compared to USD 4.4 million and 26% effective tax rate in Q3 2013. The effective tax rate for the first nine months of 2014 was 25%.

Net profit increased by 26% and amounted to USD 16 million or 13% of sales, compared to USD 13 million and 12% of sales in Q3 2013. Net profit was negatively affected by exchange rate differences.

Net financial expenses amounted to USD 3.2 million compared to USD 0.3 million in Q3 2013. Interest expenses continue to decrease as a result of lower debt and lower interest rates. Net exchange rate difference was negative by USD 2.4 million compared to positive USD 0.8 million in Q3 2013.

Earnings per share amounted to 3.5 US cents, compared to 2.8 US cents in Q3 2013, increasing by 26%.

## Cash Flow, Balance Sheets and Investments

USD '000	Q3 2014	% of sales	Q3 2013	% of sales
Cash generated by operations	32,769	26%	24,227	23%
Net cash provided by operating activities	29,136	23%	25,138	24%

Cash generated by operations amounted to USD 33 million or 26% of sales, compared to USD 24 million and 23% of sales in Q3 2013. The cash flow was driven by strong cash flow from operations and positive impact from net working capital.

Capital expenditures amounted to USD 3.3 million or 2.6% of sales, compared to USD 3.9 million and 3.7% of sales in Q3 2013. Capital expenditures in the first nine months of 2014 amounted to USD 11.0 million or 2.9% of sales.

## General Update

### Products

In Q3 2014, 8 new products and product upgrades were introduced to the market; 5 bracing and supports products and 3 prosthetic products.

Examples of products launched in the quarter are the Unloader<sup>®</sup> FIT in the bracing and supports segment and Unity<sup>®</sup> for K2 Sensation<sup>®</sup> in the prosthetics segment.

The Unloader<sup>®</sup> FIT is a lightweight and easy to fit osteoarthritis solution for individuals suffering from knee osteoarthritis.

Unity<sup>®</sup> for K2 Sensation<sup>®</sup> unifies three technologies, the K2 Sensation<sup>®</sup> foot, which has a flexible full length fiberglass keel, designed to promote user confidence and stability, the Seal In<sup>®</sup> X TF silicone liner, the latest innovation in Seal-in technology with a separate and moveable seal to suit individuals with above knee amputations and finally the new Unity system that generates elevated vacuum in the prosthetic socket through gait.

## Income Statements and Balance Sheets

### Income Statements

USD '000	Q3 2014	% of sales	Q3 2013	% of sales	Change
Net sales	126,510	100%	104,738	100%	20.8%
Cost of goods sold	(45,517)	-36%	(39,349)	-38%	15.7%
<b>Gross profit</b>	<b>80,993</b>	<b>64.0%</b>	<b>65,389</b>	<b>62.4%</b>	<b>23.9%</b>
Other income	37	0%	96	0%	-61.5%
Sales and marketing expenses	(39,747)	-31%	(30,967)	-30%	28.4%
Research and development expenses	(4,682)	-4%	(4,813)	-5%	-2.7%
General and administrative expenses	(12,183)	-10%	(11,147)	-11%	9.3%
<b>Profit from operations</b>	<b>24,418</b>	<b>19.3%</b>	<b>18,558</b>	<b>17.7%</b>	<b>31.6%</b>
Financial income	131	0%	39	0%	235.9%
Financial expenses	(713)	-1%	(1,100)	-1%	-35.2%
Net exchange rate difference	(2,569)	-2%	810	1%	-417.2%
Net financial income / (expenses)	(3,151)	-2%	(251)	0%	1155.4%
Share in net profit of associated companies	(4)	0%	(1,269)	-1%	-99.7%
<b>Profit before tax</b>	<b>21,263</b>	<b>16.8%</b>	<b>17,038</b>	<b>16.3%</b>	<b>24.8%</b>
Income tax	(5,249)	-4%	(4,357)	-4%	20.5%
<b>Net profit</b>	<b>16,014</b>	<b>12.7%</b>	<b>12,681</b>	<b>12.1%</b>	<b>26.3%</b>
EBITDA	28,970	22.9%	22,295	21.3%	29.9%
EBITDA adjusted**	28,970	22.9%	22,295	21.3%	29.9%

### Balance Sheets

USD '000	30.9.2014	31.12.2013	Change
Fixed assets	508,841	512,477	-0.7%
Current assets	177,935	193,771	-8.2%
<b>Total assets</b>	<b>686,776</b>	<b>706,248</b>	<b>-2.8%</b>
Stockholders' equity	467,802	448,037	4.4%
Long-term liabilities	136,054	156,688	-13.2%
Current liabilities	82,920	101,523	-18.3%
<b>Total equity and liabilities</b>	<b>686,776</b>	<b>706,248</b>	<b>-2.8%</b>
Current ratio	2.1	1.9	
Equity ratio	68%	63%	
Net interest bearing debt / EBITDA*	0.8	1.4	
Debt/EBITDA*	1.1	2.0	

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

## Financial Calendar

	Date
Danske Bank Markets' Copenhagen Winter Seminar	3 December 2014
Q4 2014 Results	5 February 2015
<b>2015 Annual General Meeting</b>	<b>12 March 2015</b>

## 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 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, Europe and Asia, with additional distributors worldwide. [www.ossur.com](http://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.*