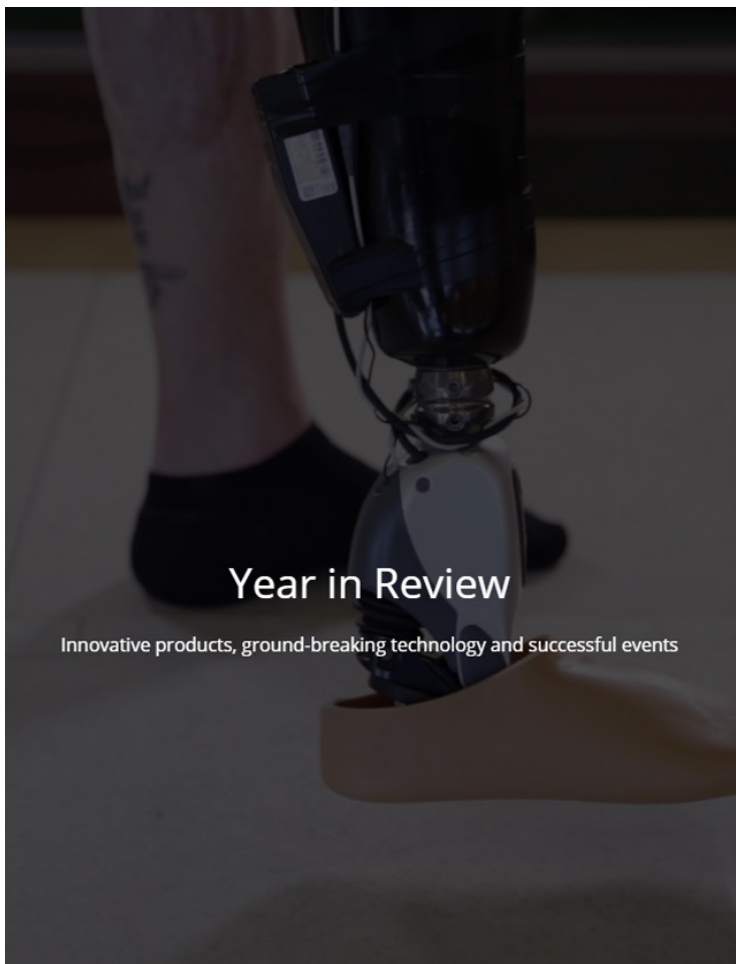


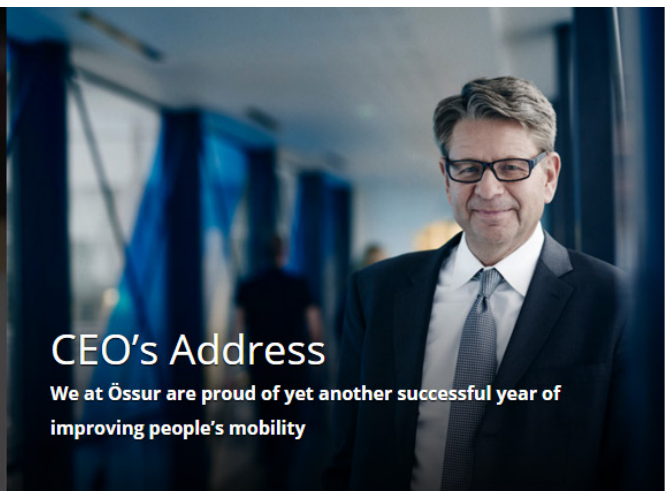


ANNUAL REPORT 2015



Year in Review

Innovative products, ground-breaking technology and successful events



CEO's Address

We at Össur are proud of yet another successful year of improving people's mobility



Highlights

Financial Highlights 2015



Looking back at 2015 allows us to enjoy the successes we have accomplished and reach for the goals ahead

- Jon Sigurdsson, Össur President and CEO

CEO's Address

Mind-Controlled Innovation

As a global leader in prosthetics and bracing and supports, we at Össur never stop innovating. We are resolute in our commitment to expand the boundaries of possibility, so that we may help even more people enjoy a life without limitations.

Looking back at 2015 allows us to enjoy the successes we have accomplished and reach for the new goals ahead of us. On the prosthetic side of our business, we are proud to have accomplished the introduction of the first mind-controlled bionic prosthetic lower limbs for amputees. Mind-controlled bionic prosthetic legs are a remarkable clinical breakthrough in next-generation bionic technology. By adapting not only to the individual's intentional movements but to intuitive actions, we are closer than ever to creating prosthetics that are truly integrated with their user. This venture will open many possibilities in the future and truly exemplifies our technical leadership in the market. We have also been focusing more on specific prosthetics for the less active user. Expanding our product line for this user group allows us to help a wider amputee population live a life without limitations. We continued to introduce innovative new products in the bracing and supports segment such as the Unloader FIT and Rebound PCL, the world's first dynamic PCL brace.

Our sales and profit continue to grow and we are increasing our market share. We grew 5% in sales organically and our profitability was good, despite adverse currency fluctuations.



We are pleased with the result of the year and we have a strong foundation to build on for the coming years.

Our athletic community had some wonderful accomplishments this year. Their success and determination encourages us all as they demonstrate true leadership for the amputee population. Team Össur members stood as champions all across the globe, celebrating mobility and embodying the spirit of our Company. Össur Ambassador Jami Marseilles became the first bilateral female amputee to complete a full marathon in October, the same month that Team Össur won 17 medals and 6 world records at the IPC Athletics World Championships. We couldn't be more proud.

Our projections for 2016 look promising for both our innovation and growth in the market. Utilizing our passion for our mission, to improve people's mobility, we are united to continue creating better solutions for our customers. We use this same drive and energy to push the limits on our successes and further our vision to stand out as an industry leader.



Jon Sigurdsson

Össur President and CEO



We closed the year with strong operational results and with good profitability despite adverse currency fluctuations negatively impacting our operating results. Sales grew in all regions and both business segments. Prosthetics growth was good on top of an excellent year in 2014. Bracing and supports sales were driven by growth of high end innovative products. At our Capital Markets Day in Copenhagen we proudly demonstrated innovation that allows users of Össur bionic devices to control movement of the device with their thoughts. Although the commercialization of this technology is out in the future, we are very excited to be in the lead in developing this technology.

- Jon Sigurdsson, Össur President and CEO



Highlights 2015

- Sales growth was 5% measured in local currency and sales amounted to USD 483 million.
- Bracing and supports sales growth was 5% and 5% organic, both measured in local currency.
- Prosthetics sales growth was 6% and 4% organic, both measured in local currency.
- Gross profit amounted to USD 303 million or 63% of sales, compared to USD 323 million or 63% of sales in 2014.
- EBITDA amounted to USD 97 million or 20% of sales. Adjusted EBITDA amounted to USD 99 million or 20% of sales compared to USD 104 million or 20% of sales in 2014.
- Net profit amounted to USD 51 million or 11% of sales compared to USD 59 million or 12% of sales in 2014.
- USD strengthening has had a significant negative impact on reported sales and profits when comparing to prior year results.
- Cash generated by operations amounted to USD 84 million or 17% of sales compared to USD 98 million or 19% of sales in 2014.
- The Board of Directors will propose to the Annual General Meeting in 2016 that the Company pays a cash dividend of DKK 0.12 per share for 2015, equivalent to 16% of net earnings in 2015.
- The Board of Directors will also propose to the Annual General Meeting to reduce the share capital by cancelling 1,892,688 of the Company's own shares.

Sales Performance

Sales amounted to USD 483 million compared to USD 509 million in 2014, corresponding to 5% growth and 5% organic growth, both measured in local currency. The strengthening of the USD against other major operating currencies impacted the full year operating results negatively. Sales were negatively impacted by USD 53 million. Gross profit was negatively impacted by USD 34 million and EBITDA by USD 11 million. EBITDA margin was not affected by these currency movements.

Sales by Segments and Regions

USD m	2015	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
EMEA	237	49%	-11%	7%	7%
Americas	211	44%	1%	2%	2%
APAC	35	7%	5%	15%	5%
Total	483	100%	-5%	5%	5%

USD m	2015	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
Bracing and supports	278	57%	-6%	5%	5%
Prosthetics	204	42%	-4%	6%	4%
Other	1	1%	8%	25%	25%
Total	483	100%	-5%	5%	5%

Bracing and supports

Bracing and supports sales grew by 5% and 5% organic compared to 18% and 1% organic in 2014, measured in local currency. There was growth in all regions with ongoing positive impact from high end products. Growth was driven by EMEA, while growth in Americas was more moderate, gradually improving throughout the year despite ongoing product rationalization, focus on high end innovative products as well as price pressure in the lower end of the product portfolio.

Prosthetics

Prosthetics increased by 6% and 4% organic, both measured in local currency. There was growth in all regions on top of an excellent year in 2014, where sales grew 17% and 11% organic, both measured in local currency. Bionic sales slowed down in the latter part of the year due to delay in product launch and competitive pressure in the segment. All other product line showed solid performance throughout the year. Sales of bionic products accounted for 16% of prosthetic component sales, compared to 17% in 2014.

In Q3 of 2015 Medicare contractors announced a draft of a proposal to change certain elements of the reimbursement framework for lower-limb prosthetics. The draft met heavy resistance from the industry. In Q4 Medicare announced that it was not adopting the draft which means that, in the short term, there are no changes pending in the reimbursement system. However, Medicare is forming a workgroup in 2016 to draft a proposal describing current best practices in prosthetic care and identifying research evidence gaps.

Gross Profit

Gross profit amounted to USD 303 million and 63% of sales, compared to USD 323 million or 63% of sales in 2014. The main factors affecting the gross profit margin are product mix, currency movements and productivity in operations.

Within the bracing and supports segment there continues to be strong growth in the high end products, which has a positive impact on the overall gross profit margin in the segment. However this is offset by price pressure in the lower end of the portfolio as well as ongoing product rationalization efforts. Prosthetics margin remained relatively flat during the year. Currency had a negative impact on gross profit and gross profit margin. Restructuring in companies acquired in 2013 and investment in manufacturing capabilities for new products in our Mexico manufacturing facility affected the gross profit margin negatively by approximately 0.2 - 0.4 percentage points.

EBITDA

EBITDA amounted to USD 97 million compared to USD 104 million in 2014. EBITDA in 2015 is affected by onetime items amounting to USD 1.5 million. The one-time items are costs of USD 1.2 million in relation to start-up of the finance shared service center in Poland and moving of warehouse activities in the United States. Adjusting for onetime items EBITDA amounted to USD 99 million or 20% of sales and grew by 5% measured in local currency. Additional one-off costs related to starting the shared service center in Poland are expected to be USD 1.5 million in Q2 2016. The EBITDA margin improved marginally compared to 2014 with both years rounding to 20% EBITDA margin.

Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 8 million compared to USD 8 million in 2014. Net exchange rate difference was negative by USD 5 million compared to negative USD 4 million in 2014. Net interest bearing debt at the end of the year amounted to USD 58 million. Income tax amounted to USD 17 million, corresponding to a 25% effective tax rate, compared to USD 18 million and 24% effective tax rate in 2014. Net profit amounted to USD 51 million or 11% of sales, compared to USD 59 million or 12% of sales in 2014. Diluted earnings per share amounted to 11.5 US cents, compared to 13.1 US cents in 2014.

Cash Flow

Cash generated by operations amounted to USD 84 million or 17% of sales, compared to USD 98 million or 19% of sales in 2014. The cash flow was negatively impacted by currency movements and changes in working capital. Capital expenditures during the year amounted to USD 24 million or 4.9% of sales, compared to USD 17 million and 3.3% of sales in 2014. Investment in manufacturing setup for new products in our Mexico plant is the main reason for the increase in capital expenditures between years. The investment in manufacturing capabilities for new products were expedited at the end of year resulting in an extraordinary high CAPEX ratio.

Products

In 2015, 28 new products and product upgrades were introduced to the market; 17 bracing and supports products and 11 prosthetics products. Product highlights during the year include:

[PRODUCT HIGHLIGHTS DURING THE YEAR](#)

PRODUCT HIGHLIGHTS DURING THE YEAR



Pro-Flex®



RHEO KNEE® 3



Rebound® Dual



Form Fit® OA Wraparound



Icecross Seal-In® X



Unity® for Vari-Flex XC®



Balance™ Knee Control



Unity® for Flex-Foot Assure®
and for Balance™ Foot J

Pro-Flex®

Combining ankle motion and significantly greater ankle power than a conventional carbon fiber foot, Pro-Flex has been developed specifically to enhance protection of the sound side. It closely mimics regular biomechanics, delivering a proven 11% reduction in load on the contralateral limb.

RHEO KNEE® 3

Upgrade introduces weatherproof design and enhanced features. The RHEO KNEE 3 provides the most natural knee function among all microprocessor knees because it continuously adapts to the user and the environment while providing perfect balance of stability and dynamics.

Rebound® Dual

A versatile double upright brace that provides functional support for patients with ligament instability. The upper frame can be adjusted for patient's height and can be modified for varus or valgus alignment.

Form Fit® OA Wraparound

is a cost effective, low-profile option for patients with mild to moderate knee osteoarthritis. The Dynamic Force Strap tensions as the leg extends, providing pain relief in a single pull motion.

Iceross Seal-In® X

A new liner that provides advanced Seal-In technology for a wider range of users. Iceross Seal-In X is easier to invert and don, even for less active users who may have hand dexterity issues.

Unity® for Vari-Flex XC®

Generates elevated vacuum in the prosthetics socket through gait for Vari-Flex XC.

Balance™ Knee Control and Unity® for Balance™ J & Assure

Is designed to offer the less active user a high level of security and stability. Össur is pleased to introduce a variety of new solutions for low active amputees. By combining these new technologies with existing classics, there is now a high quality Össur liner-foot-knee-vacuum solution for any low active user.



Össur's vigorous commitment to innovation and advanced technologies has helped to give new confidence to millions of people with impaired mobility.

- Þorvaldur Ingvarsson, EVP of Research and Development

Innovative products, ground-breaking technology and successful events paved the way for yet another memorable year for Össur



January

Unloader® FIT – New addition to the Unloader OA brace family



January

Rebound® PCL – world's first dynamic brace launched





February

New comprehensive product solutions for less active amputees launched



March

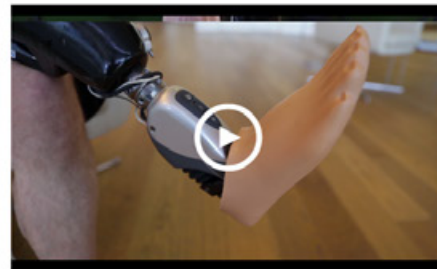
Össur and Challenged Athletes Foundation continue partnership that supports people with limb loss

 [Play video](#)



May

Mind-controlled prosthetics introduced at Össur Capital Markets Day



May

Össur and SpringActive explore next generation Bionic prosthesis development

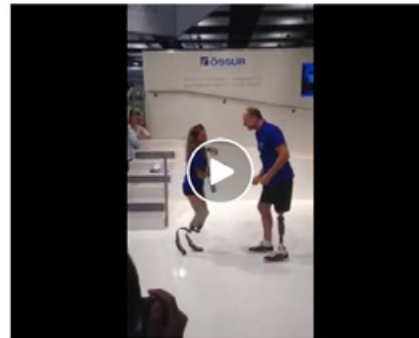
[Click here to read the story](#)





June

ISPO in Lyon, France (Sara and Hans dance video on social media ... over 15 million views)



Video Incredibili
about 7 months ago

La tecnologia ha fatto passi enormi e permette a tutti cose che un tempo erano inimmaginabili. Guardate! ... non sono fantastici? 😊
Seguici su Video Incredibili 😊

👍 124,116 💬 5,478 ➡ 356,651



August

Bloomberg Business features Össur

In August of last year Bloomberg Business featured Össur's Mind-Controlled Prosthetics under the headline "An Icelandic Company is Building Mind-Controlled Bionic Limbs".

[Click here to read the story](#)



October

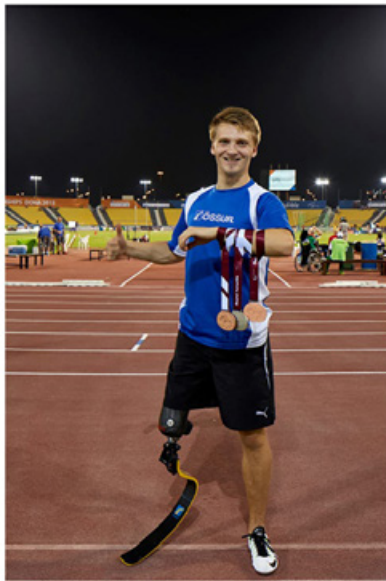
Össur Ambassador Jami Marseilles becomes first bilateral female amputee to complete a full marathon




October

Team Össur dominates at the IPC Athletics World Championships (17 medals, 6 world records)

Team Össur member and T42 athlete Daniel Wagner Jørgensen of Denmark was a triple medalist, winning a Silver Medal in the Men's Long Jump, and Bronze Medals in both the 100m and 200m events.



MORE GREAT
THINGS TO COME



Financial performance in 2015 was in line with financial guidance. Strong organic growth of 5%, with balanced contribution from both product segments, and EBITDA margin of 20%

- Steinn Sólvason, Chief Financial Officer

Shares

Development in 2015

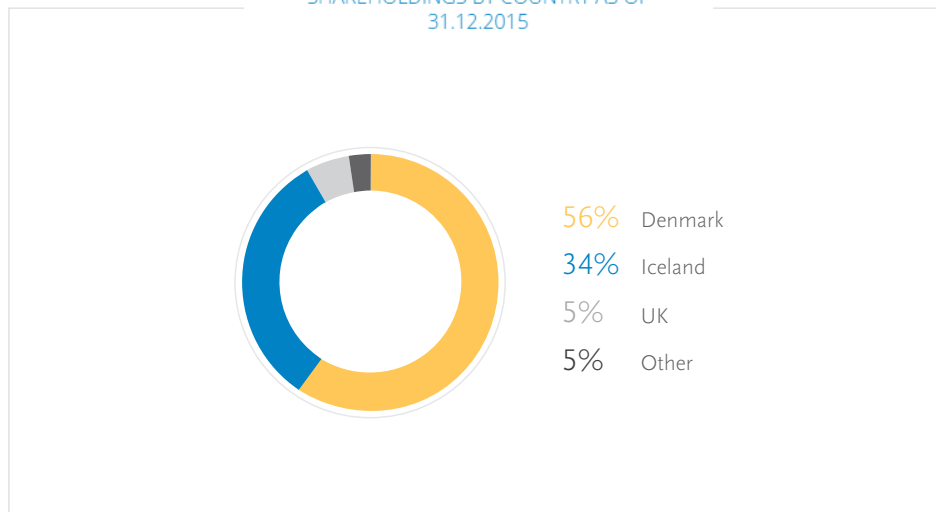
Össur shares were listed on NASDAQ in Iceland in 1999 and on NASDAQ Copenhagen in 2009.

Össur's share price increased by 34%, from DKK 17.7 per share at yearend 2014 to DKK 23.7 per share at year end 2015. The rise in share price increased Össur's market capitalization from DKK 8,031 million at end of year 2014 to DKK 10,557 million at end of year 2015. Turnover increased by 105% during the year and turnover as percentage of market capitalization was 8.4% compared to 5.4% in 2014.

Shareholders

The Company's number of shareholders increased by 759 or by 23% in 2015, from 3,274 shareholders at end of year 2014 to 4,033 at end of year 2015. About 90% of the Company's shares are held by Danish or Icelandic shareholders and the shareholders holding the remaining 10% of shares are various international investors.

SHAREHOLDINGS BY COUNTRY AS OF
31.12.2015



The following shareholders had announced holdings above 5% of the share capital and/or votes as of 31 December 2015:

At year-end 2015, the following shareholders had announced holdings above 5%* to the Company:

Name	Type	Country	Voting rights
William Demant Invest A/S	Investment Fund	Denmark	42.1%
ATP	Pension Fund	Denmark	6.2%
The Pension Fund of Commerce	Pension Fund	Iceland	6.0%
Gildi	Pension Fund	Iceland	5.5%

*Total holding at the date of the announcement

Össur's largest shareholder, William Demant Invest A/S, has been the largest shareholder since 2005. Niels Jacobsen, President and CEO of William Demant Holding A/S, has been the Chairman of the Board of Directors since 2006.

Share Capital and Treasury Shares

In 2015 Össur retired 7,456,755 shares. The share capital of the company at end of year 2015 was 446,293,253 and was divided into the same amount of shares. There is only one class of shares and all shares carry one vote.

In November 2015, Össur purchased 2,465,000 of own shares (approximately 0.6% of the Company's total share capital) on NASDAQ Copenhagen at price of DKK 22.2 per share. The total purchase price was DKK 55 million (USD 8 million). The purpose of the share buyback transaction was to adjust the capital structure in line with the Company's desired capital level of net interest bearing debt in accordance with the Company's Capital Structure and Dividend Policy.

In December 2015, Össur initiated a “Safe Harbor” share buyback program on NASDAQ Copenhagen that will be carried out in accordance with the provisions of the European commission's Regulations No. 2273/2003. The purpose of the program 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. The Company may purchase up to 5,000,000 shares under the program. The total consideration for shares purchased under the program shall not exceed USD 10 million. The daily purchase shall not exceed 25% of the average volume in the 20 trading days before the purchase. The program will end no later than 1 December 2016, but the company is entitled to discontinue the program at any time. At end of year 2015 Össur had purchased 124,915 shares through the program.

At year end the Company held 2,592,688 of own shares.

Financial Statement

[Financial Statement in PDF](#)

[Financial Statement in Excel](#)

[Company Announcement in PDF](#)



Corporate Governance

This statutory statement on corporate governance is made in accordance with Article 66 (c) of the Icelandic Financial Statements Act No. 3/2006, as amended. This statement has been approved by the Board of Directors and is published in the Annual Report and on the Company's website. This statement covers the financial year that ended on 31 December 2015.

This statement includes information on the following items:

- A reference to the corporate governance recommendations the Company follows and how the Company addresses the recommendations, including any deviations and explanations thereto.
- A description of the main aspects of internal controls and risk management systems in connection with preparation of financial statements.
- A description of the Company's organizational structure and the role and composition of each function.

1. Corporate Governance

The Company has chosen to follow the Danish Recommendations on Corporate Governance because the Company's shares are traded on NASDAQ Copenhagen and it is recommended in the explanations to clause 4.3 of NASDAQ Copenhagen's rules for issuers of shares to apply the Danish Recommendations if foreign companies are not subject to other rules. Applying the Danish Recommendations will also make it easier for investors on the Danish market to assess the Company's corporate governance practices.

The latest Danish Recommendations on Corporate Governance, issued by the Corporate Governance Committee in May 2013 and updated in November 2014, are available on the Committee's website: www.corporategovernance.dk.

The Company complies with the vast majority of the Danish Recommendations. The few deviations are explained below. A complete report on the Company's compliance with each recommendation is available on the Company's website.

- The CEO is responsible for the execution of the Company's equal opportunities plan. The plan is not discussed annually within the Board of Directors.
- The Company's Articles of Association do not include a provision on a fixed retirement age for members of the Board of Directors. In the Board's opinion, age is irrelevant as long as the contribution of the respective member of the Board is considered valuable.
- The majority of the Board of Directors (3 of 5) is considered dependent. Two of the members of the Board represent the interest of the Company's controlling shareholder. One member has been on the Board for 17 years. The two other members of the Board are considered independent. In the Board's opinion it is normal and understandable that the controlling shareholder is represented by two out of five members of the Board. It is also the Board's opinion that its longest serving member is in fact acting independently of special interest and his skills and experience, including his medical expertise and knowledge of the US healthcare system, are valuable to the Board and ensures diversity within it.
- No nomination committee has been established and a remuneration committee was abolished in 2010 and the Company has not had such a committee since then. In the Board of Directors' opinion such committees are not necessary taking into account the size of the Board and the balanced and relevant expertise and experience of the current members of the Board. The Board has the role and responsibilities such committees would otherwise have.

- The Remuneration Policy does not include criteria that ensures that vesting period for variable components of remuneration agreements are longer than one calendar year. Bonuses for short-term performance may be paid quarterly, semi-annually or annually. The Company believes it is important to have certain flexibility to pay out such bonuses. However, the Remuneration Policy states that if bonus payments have clearly been based on false, misleading or insufficient data, such payments shall be repaid to the extent correct data shows that no or lower bonus would have been paid.

2. Main aspects of internal controls and risk management systems in connection with preparation of financial statements

Internal controls

The Board of Directors has an ongoing dialogue with the CEO on the identification, description and handling of the business risks to which the Company may be exposed. Material risks and risk management are discussed in the Annual Report.

The Company's risk management and internal controls, in relation to financial processes, are designed to control the risk of material misstatements. The Company designs its processes to ensure there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The external Auditors' evaluation of these processes is included in the Auditor's Report.

The Company goes through a detailed strategic and forecast process each year and a strategy and forecast report is prepared. The Board approves the Company's strategy, forecasts and targets each year. Performances against targets are monitored on a monthly basis. This includes a year over year comparison where main reasons for changes are explained. A twelve month forecast is available at all times and forecasts are updated quarterly and reasons for changes explained.

To ensure high quality in the Company's financial reporting systems, the following policies, procedures and guidelines for financial reporting and internal controls have been adopted, to which the subsidiaries and reporting units must adhere:

- Continuous analysis of year over year comparison.
- Continuous follow-up on results achieved compared to assumptions in forecasts.
- Policies for IT use, insurance, cash management, procurement etc.
- Reporting instructions as well as reporting and finance manuals.

The responsibility for maintaining sufficient and effective internal controls and risk management in connection with financial reporting lies with the CEO.

The Company does not have an internal audit function, but uses internal control systems that are monitored by the Audit Committee and assessed by the external Auditors.

External Auditors

An auditing firm is elected at the Annual General Meeting for a term of one year. The external Auditors are not allowed to own shares in the Company. The external Auditors shall examine the Company's annual consolidated financial statements in accordance with international standards on auditing, and shall, for this purpose, inspect accounting records and other material relating to the operation and financial position of the Company. The external Auditors shall have access to all of the

Company's books and documents at all times. The external Auditors report via the Audit Committee to the Board of Directors on any significant findings regarding accounting matters and any significant internal control deficiencies.

3. Organizational structure and the role and composition of each function

According to the Company's Articles of Association the Company is managed by:

- Shareholders' Meetings
- The Board of Directors
- The Chief Executive Officer

Shareholders' Meetings

The supreme authority in all affairs of the Company, within the limits established by the Company's Articles of Association and statutory law, is in the hands of lawful Shareholders' Meetings.

The Company's controlling shareholder, William Demant Invest A/S, holds 42.1% of the shares and voting rights.

The Board of Directors

According to the Company's Articles of Association the Board of Directors is responsible for the affairs of the Company between Shareholders' Meetings.

The Board shall operate in accordance with the Company's Articles of Association and the Board's Rules of Procedure. The principal duties of the Board are as follows:

- Appoint a CEO to manage the Company's daily operations, decide on the salary and terms of employment, establish terms of reference and supervise the CEO's work.
- Supervise the Company's activities and ensure that the Company's organization and operations are in good and proper order.
- Establish goals for the Company in accordance with the Company's objectives pursuant to the Articles of Association, and formulate the policy and strategy required to achieve these goals.
- Ensure adequate surveillance of the accounting and financial management of the Company.
- Evaluate the Company's capital structure each year.

The Audit Committee

The Audit Committee shall operate in accordance with its Rules of Procedure. The principal duty of the Audit Committee is to ensure the quality of the Company's Consolidated Financial Statements and other financial information, and the independence of the Company's Auditors.

The Chief Executive Officer

According to the Company's Articles of Association the Board of Directors appoints a CEO to manage the Company's daily operations.

The principal duties of the CEO are as follows:

- The CEO is responsible for daily operations and is obliged to follow the Board's policy and directions, within the limits provided for by the Articles of Association and law. The daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specially authorized by the Board, unless it is impossible to wait for the Board's decision without substantial disadvantage to the Company's operations. In such an

event the CEO shall inform the Board of his measures, without delay. If the Board has granted the CEO an authority to sign on behalf of the Company and/or granted him with powers of procuration, such authorizations are not limited by the foregoing.

- The CEO shall decide on directorship in the Company's subsidiaries and associates on behalf of the Company.
- The CEO is responsible for the work and results of the Executive Management.
- The CEO shall ensure that the Company's consolidated financial statements are prepared in accordance with law and accepted practices and the Company's assets are handled in a secure manner.

References to the executive board in the corporate governance recommendations only apply to the CEO.



Corporate Social Responsibility

This is an overview of the Company's approach to CSR. Annually Össur publishes a separate Progress Report on CSR which includes further details and approaches to various aspects of the CSR initiatives as well as measurements and goals.

Values

Össur values are honesty, frugality and courage. These values serve as the foundation and driving force behind Össur's culture and they guides employees in their day-to-day activities and decision making. Össur's values encourage employees to take social, ethical and environmental standards beyond the Company's legal obligations. In addition, these values help the Company adapt to the various cultures in which it conducts business. Currently, Össur operates in 18 countries.

Responsibility

Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. In the progress report Össur reports in details on the progress of key projects in the four categories set forth by the Global Compact; environmental concerns, labor practices, human rights and anti-corruption.

In addition to these categories Össur emphasizes on connecting the long-term thinking behind the Company's product development to the society and the environment. The product development is focused on an indication-based approach, which means focus on medically indicated and clinically validated product development, relying on medical and biomechanical evidence as well as health economic data. By identifying conditions and offering valuable solutions for both the healthcare systems and the end-user, the Company believes its approach offers more sustainability.

Össur believes it has great responsibility towards disabled people, not only by providing products, but equally also to support third party initiatives aiming at better care and support for disabled people. In its efforts Össur strives to change the perception of people with disabilities by promoting strong and successful spokespeople, that also have disabilities. These spokespeople motivate others whose own mobility has been challenged, and encourage them to play more active roles in society with even greater confidence.

Össur signs a declaration to take active measures on Climate Issues

Together with 103 businesses and institutions in Iceland, Össur signed a declaration in November to reduce emissions of greenhouse gases and to cut waste. This project is a joint venture launched by the City of Reykjavik and Festa, the Icelandic Centre for Corporate Social Responsibility. The declaration was delivered at the 21st United Nations Climate Change Conference in Paris 30 November - 11 December 2015.

[Further Information](#)

Risk Factors

Investment in Össur's shares involves a high degree of risk. Össur's business, financial conditions and results of operations going forward rest upon certain assumptions and could be seriously harmed if any of the factors described below occur. The Company cannot ensure that its assumptions will be correct. Furthermore, additional risks and uncertainties not presently known to Össur, or that it currently deems immaterial, may adversely affect its business operations and financial results. The risk factors discussed below are not listed in order of priority.

⦿ Össur's assumptions regarding market trends may prove incorrect.

Assumptions regarding demographic trends are important factors in Össur's business decisions. The Company expects, for example, that the population of elderly will continue to grow, that an increasing proportion of this population will live an active lifestyle and that the number of people with diabetes will increase in the future. No assurance can be made that these assumptions will prove to be correct or that these demographic trends will result in a demand for the Company's products and services.

⦿ Össur is subject to risks related to its international operations.

Headquartered in Reykjavik, Iceland, Össur has significant operations in the U.S. and Europe, as well as operations in Asia, Australia, Africa and South-America. Össur's business and operations are therefore subject to various risks inherent to international operations. Such risks include, among others, recessionary trends, inflation, instability of financial markets, exposure to different legal standards and enforcement mechanisms, trade barriers, rules regarding the origins of products, labor unrest, foreign exchange controls, human rights, corruption and political and social instability.

⦿ Product liability claims could adversely impact Össur's financial conditions, operations and reputation.

Össur is responsible for the safety and effectiveness of its products. Össur engages in internal quality control and product testing procedures to mitigate the risk and also carries insurance. However, the Company cannot guarantee that it won't be found liable for a product liability claim in the future or that the insurance coverage is sufficient or will continue to be available on commercially reasonable terms.

⦿ Össur's business is subject to healthcare industry reforms and legislative and regulatory changes.

Most of Össur's products and services are reimbursed by third-party payers, including both government healthcare programs and private health insurance plans. All third-party payers have developed and continue to develop increasingly sophisticated or aggressive methods of controlling healthcare costs, including review of claims, selective contracting and competitive bidding. These cost-control methods also potentially limit, or even eliminate the coverage and the amount of payment for which third-party payers may be willing to pay for medical products and services. As such, the continuing efforts of both governmental and private payers of healthcare to contain or reduce costs could lead to patients being unable to obtain approval for payment from these third-party payers. If that were to occur, sales of Össur's products and services may decline significantly and its customers may reduce or eliminate purchases. Reviews of claims may lead to repayment of prior sales. Future legislative or regulatory initiatives directed at reducing costs could be introduced. In addition, changing healthcare trends such as increasing premiums or deductibles for patients may have an adverse effect on Össur's business. The Company cannot predict the impact of future legislative or regulatory initiatives on its business.

⦿ Risk relating to acquisitions.

A substantial proportion of Össur's growth in recent years has been driven by acquisitions. No assurance can be given that Össur will be successful in identifying appropriate acquisition targets in the key markets in which the Company operates or desires to operate. Acquisitions involve a number of risks, including diversion of management resources and management focus, integration risk, unexpected or high integration costs, failure to retain key employees of the acquired business and failure to realise expected synergies. To mitigate risk, Össur conducts due diligence on the operations of acquisition targets and seeks protection through representations and warranties from the sellers.

⦿ O&P clinics depend on publicly and/or privately funded patients.

Insurance coverage varies greatly between countries and considerable sales and profit in Össur's O&P clinics are directly dependent on government contracts and tender business. Government contracts are subject to policy changes and subsequent loss in sales and profit. Tender contracts for O&P clinical services are regularly renewed and can be lost to competitors with a direct negative impact on the business.

⦿ Össur is required to comply with regulatory requirements and receive regulatory clearance and approval for its products or operations.

Össur's products are medical devices that are subject to extensive regulation in the U.S. by the Food and Drug Administration (FDA), and by respective authorities in other countries where Össur conducts its business. Such regulation can restrict virtually all aspects of a medical device's design and testing, manufacture, safety, labeling, storage, recordkeeping, reporting, clearance and approval, promotion, distribution and services. Failure to comply with the regulatory requirements of the applicable authority may subject a company to administrative or judicially imposed sanctions ranging from warning letters to criminal penalties or product withdrawal. Össur's failure to comply with regulatory requirements or receive regulatory clearance and approval for its products or operations, including healthcare fraud and abuse laws and regulations, would adversely affect Össur's sales and potential for future growth.

⦿ Össur is exposed to litigation from international investors.

Össur has an international shareholder base and is therefore exposed to risk of litigation from international investors.

⦿ Össur needs to attract and retain qualified and competent human resources.

Össur continuously works to attract and retain qualified and competent employees to maintain Össur's innovative edge and financial success. Failing to attract and retain key employees, managers and experts, or not developing them adequately, puts the Company at risk.

⦿ Össur is exposed to employee litigation, regulatory sanctions and strikes.

Össur is exposed to risk of litigation and regulatory sanctions for employment practices. The Company mitigates these risks by adhering to relevant policies and procedures, educating managers on best practices, monitoring changes to employment legislation and carrying insurance. However, the Company cannot guarantee that it will not be found liable in the future or that insurance coverage is sufficient or will continue to be available on commercially reasonable terms. Össur is also exposed to risk related to strikes.

⦿ Össur may be unable to develop or secure the use of new technologies.

Össur operates in markets that are characterized by rapid technological change, driven by extensive research that is carried out by market participants. The development by any of Össur's competitors of substitute products that better satisfy market demands could have a material adverse effect on Össur's business and results of operations. A failure by Össur to develop new products or enhance existing products could also have a material adverse effect on the Company.

⊖ Össur is exposed to financing risks and instability within financial markets.

As a global business Össur is exposed to various risk factors originating in the international financial markets, among which are liquidity risk, interest rate risk, foreign exchange risk, credit risk and counterparty risk on cash held with financial institutions. These risk factors are managed according to internal rules that are outlined in the Company's treasury policy. Össur's functional and reporting currency is the U.S. dollar, hence fluctuations in local currencies can have an impact on the operations of the Company. Össur does not utilize derivatives or other financial instruments for hedging risk relating to currency fluctuations. Fluctuation in the exchange rates between the U.S. dollar, Euro, Icelandic krona and other currencies where Össur operates can therefore have an impact on the financial condition and results of Össur's operations.

⊖ Össur's financing and tax structure are subject to laws and governmental approvals.

Össur is committed to complying with tax rules and paying all legally required taxes. At the same time, the Company has a responsibility to the shareholders to legally minimize costs and maximize earnings. Össur's tax strategy is to strive for optimizing taxes. The goal is to balance benefits against risks and costs while at the same time meeting reporting obligations, compliance obligations and corporate social responsibilities. Össur recognizes that some areas are not free from doubt and that differing legal interpretations may be possible, meaning that from time to time, tax authorities may not share or question Össur's interpretation. Also, relevant laws and regulations may change, resulting in higher taxes or requiring the company to change the tax and legal structure.

⊖ Össur is dependent on IT systems.

Össur's business is supported by several systems. The systems that are classified as mission critical are the ERP, warehouse, phone and email systems, as well as infrastructure like servers, networks, databases and storage systems. Failure in these systems can have a serious impact on the business, such as reduced or lost ability to receive orders, complete deliveries or manufacture. To improve reliability, Össur consolidated its systems into one highly reliable data center in the U.S. and mission critical systems are replicated in a disaster recovery site located in Europe.

⊖ Össur's activities are subject to privacy laws, which could have an impact on its operations.

Data privacy laws and regulations, including the Health Insurance Portability and Accountability Act in the U.S. regulate the transmission, maintenance, use and disclosure of protected health information. There are costs and administrative burdens associated with ongoing compliance with these data privacy laws and any failure to comply with current and applicable future requirements could adversely affect Össur's profitability.

⊖ Össur may be adversely affected by developments in medicine.

Össur's main products are intended to improve the quality of life for individuals suffering the effects of injuries, amputations or illnesses. No assurance can be given that Össur's target market will not be materially diminished by advances in medical science or that Össur will be able to generate comparable sales from alternative market segments.

⊖ Össur is subject to risks relating to the protection of intellectual property rights.

Össur relies on a combination of patents, trademarks, trade secrets and non-disclosure and non-competition agreements to protect its intellectual property, and will continue to do so. While Össur intends to defend against any threats to its intellectual property, there can be no assurance that these patents, trademarks, trade secrets or other agreements will adequately protect Össur. Although Össur's product design process has mechanisms in place to create, to the best possible extent, IPR freedom for the commercial exploitation of new products, the Company may be exposed to accusations of intellectual property rights infringement.

⊖ Össur relies on healthcare professionals and other agents in connection with the sale and distribution of its products.

Össur's sales depend primarily on the prescriptions and recommendations of its products by healthcare professionals. The Company has developed and maintained close relationships with a number of orthopaedics and prosthetic (O&P) clinics that support and recommend the Company's products. A failure to maintain the support of such orthopaedics professionals and O&P clinics, or a failure to develop relationships with new healthcare professionals and O&P clinics, could adversely affect Össur's business and results of operations.

⊖ Össur may not maintain and increase its position as a market leader in non-invasive orthopaedics.

Össur's aim is to play a leading role in the likely continuance of consolidation in its markets. Össur's success is subject to multiple factors both internal and external. As for external factors, the risk remains that competitors may accelerate the consolidation of the market, and strengthen their own position, at the expense of other participants like Össur. Additionally, competition from emerging markets or new competitors could undermine Össur's market position. Össur also positions most of its products and services in the high-end market. Failing to provide sufficient evidence for higher value products and services to payers, customers and patients might result in a price shift or loss of business affecting the overall business of Össur. Össur also maintains its market position by relying upon a strong brand image and reputation, which creates a risk that the brand's position could be adversely affected by the actions of Össur's employees or brand ambassadors.

⊖ Össur relies on agents and third-party distributors in connection with the sale and distribution of its products.

Third-party agents and distributors sell a portion of Össur's products. The Company's largest wholesale customer accounted for 5% of the Company's net sales at year-end 2015. Other distributors accounted for less than 2% of net sales for the same period. These agents and distributors are not employees of Össur and Össur may be unable to influence their actions and performance.

⊖ Össur is vulnerable to disruptions to its production and distribution facilities.

Össur's production and distribution facilities may be adversely affected by man-made or natural disasters. Össur has worked on certain risk ranking programs in all its main manufacturing and distribution facilities, and successfully reduced the level of risk and increased awareness among employees. However, a disruption of Össur's production facilities could adversely affect the Company's production output which, in turn, would impair the Company's ability to fulfil customer orders. This could lead to a decline in sales and increased costs due to necessary shift in production within the Company and the possible need to outsource some production. The Company maintains insurance to cover such losses. No assurance can be given, however, that insurance payments would be sufficient to cover the full loss resulting from a disruption in Össur's production or that Össur's insurance would cover the event that causes the disruption.

⊖ Össur is dependent on certain critical product suppliers

Össur is dependent on suppliers that manufacture products for the Company. Failure to deliver products or breakdown of one of Össur's critical suppliers could adversely affect the financial results of the Company. To mitigate this risk Össur audits its critical suppliers on regular basis and carries safety stock of all products.

⊖ Össur is dependent on certain critical raw materials.

Össur's products require silicone, carbon fibers, metals and other raw materials. Failure of supply of critical raw material could adversely affect the financial results of the Company. To mitigate this risk Össur carefully selects suppliers of critical raw materials and carries safety stock of the raw materials.



Corporate Strategy

Össur's vision is to be the leading company in non-invasive orthopaedics. Össur's business is improving people's mobility through innovative technologies within the fields of bracing and supports and prosthetics. Össur will continue to generate value for individuals and healthcare systems by focusing our business strategy on innovation, efficiency and growth.

MAIN FOCUS AREAS



Innovation

Execute Ideas that add Value

We embrace innovation in all our actions by creating value for our customers. We will be at the forefront of indication-related innovation to ensure our consistently strong position in the market.



Efficiency

Do Business Efficiently

We strive to increase efficiency and drive continuous improvement. We run efficient operations in the most optimal locations, hire passionate employees and deliver strong profit and cash flow.



Growth

Sustainable Growth

We will achieve growth by successfully commercializing our innovation through our local go-to-market strategy and commitment to our customers' needs. We will further develop our business and leverage untapped market opportunities.



Markets

Össur operates within the global orthopaedic industry, delivering advanced and innovative solutions within the bracing and supports and prosthetics markets.

BUSINESS SEGMENTS

BRACING AND SUPPORTS

Össur's bracing and supports products are used primarily to support joints and other body parts for therapeutic and preventative purposes. The Company offers a comprehensive line of custom made and off-the shelf products with primary focus on osteoarthritis and injury solutions.

PROSTHETICS

Prosthetics are artificial limbs and related products for individuals who were born without limbs or who have had limbs amputated. Össur offers a full range of premium lower limb prosthetics, including liners, knees and feet.

ÖSSUR'S MANAGEMENT ESTIMATES:	BRACING AND SUPPORTS	PROSTHETICS
Market size	\$2.7-3.0 billion	\$1.0-1.2 billion
Market share	6-8%	~20%
Market position	#2	#2

Industry Dynamics

An aging population, changing lifestyles, technological developments and healthcare regulations are fundamental drivers of the orthopaedic industry.

Aging Population

The increasing number of the total global population aged 65 and older will underpin market growth as an aging society brings an increase in the frequency of vascular diseases and diabetes, two of the main causes of amputation, as well as an increasing need for compression therapy solutions. An aging population also means an increased amount of fractures, joint instability and joint afflictions such as osteoarthritis, which increases the demand for different forms of bracing and supports products.

Lifestyle

Obesity, which can result in diabetes and vascular diseases, is reaching epidemic proportions. Since diabetes and vascular diseases are the main causes of amputation, as the number of people afflicted by these diseases increases, the demand for prosthetics is expected to increase as well. Obesity and an aging population are also the main market drivers for osteoarthritis.

At the same time active lifestyles and participation in sports increase, the demand for different types of support products continues to grow due to an increased number of sports related injuries and an increased demand for preventive products.

Technological Development

New technologies and technological combinations, as well as new materials, continuously yield improved products. Such technological advances lead to total market growth as demand is created for more technically advanced and expensive solutions.

Healthcare Regulations

Healthcare providers are constrained by budgets and, accordingly, they demand cost effective solutions without compromising quality. This has led to substantial investment in systems demonstrating and providing functional, clinical and economical outcomes to potential buyers. Two vital requirements for any market player in the orthopaedics industry are the ability to adapt to changing healthcare requirements and tailoring product offerings to meet the prevailing regulatory system.

The vast majority of Össur's products are reimbursable through diverse public and private reimbursement systems. Reimbursement systems vary substantially between countries and product markets. Payers for Össur's products usually include government reimbursement plans or insurance companies. Össur applies its reimbursement know-how from the earliest stages of product development to the post sale education of customers. The Company pursues several strategies to manage and influence the reimbursement of Össur products and focuses on proving and communicating the functional and clinical outcome of its products.

Market environment in both segments has similar characteristics

Market drivers:

- Aging and more active population
- Increased instances of conditions such as obesity, diabetes, vascular diseases, stroke and arthritis
- Technically advanced products
- Minimal side effects of non-invasive treatments
- Demand for higher quality of life

Market challenges:

- Efforts to hold back growth in healthcare expenditures
- Improved treatment options (surgery, wound care, etc.)
- Easily accessible pain medication as an alternative to bracing and supports products
- Changes to reimbursement structure
- Service consolidation

[ORTHOPAEDIC INDUSTRY STAKEHOLDERS](#)

In the orthopaedic industry, many stakeholders and decision makers are involved in the purchasing decision. Stakeholders can be categorized into five groups.

End-Users

Individuals that use the products.

Prescribers

Healthcare professionals who prescribe products, based on the condition/clinical indication of the user.

Providers

Healthcare professionals who provide users with products, such as CPO's, doctors, podiatrists.

Payers

Public and private insurance companies. About 98% of Össur products are reimbursed by a third party.

Influencers

Healthcare systems, insurance companies, medical associations, end-users and their families.



People

We are diverse, numbering over 2,500 employees across the globe, working as one to improve people's mobility. Our values – honesty, frugality, and courage – are the backbone of our business and the glue that keeps us functioning as a group. We strive to live these values every day, in everything that we do—in our interactions with colleagues and customers, and in our work efforts.

We are proud to see our employees' commitment and engagement reflected in the results of our 2015 Motivational Index Survey, which measures employees' motivation and feelings about Össur as an employer. Motivation, engagement, and job satisfaction all measured as areas of strength.

Össur is committed to developing working conditions in which employees can achieve their full potential. In order for Össur to grow, develop and maintain its competitive position in an ever-changing international environment it is important that employees have the opportunity to improve their knowledge and skills. We offer various learning opportunities so that employees can build lasting careers with us.

Össur recruits competent and ambitious individuals that are capable of working on demanding projects and hiring decisions are based on skills and ability. If you are interested in joining our team you can view and apply for an open position on our applicant portal.

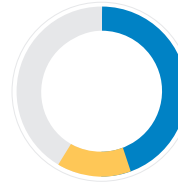
[Apply here](#)

GENDER RATIO



44% Female
56% Male

EDUCATION



45% University Degree
41% Other
14% Vocational or Technical Training

Executive Team



Jón Sigurðsson
Össur President and Chief Executive Officer



Egill Jónsson
EVP of Manufacturing and Operations



Jos Van Poorten
Managing Director of EMEA



Margrét Lára Friðriksdóttir
EVP of Human Resources and Corporate Strategy



Ólafur Gylfason
EVP of Sales & Marketing



Sveinn Sölvason
Chief Financial Officer



Þorvaldur Ingvarsson
EVP of Research and Development

Board of Directors



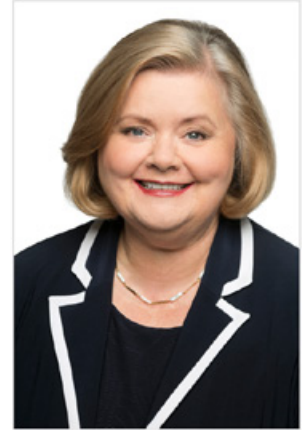
Niels Jacobsen
Chairman of the Board of
Directors



**Kristján Tómas
Ragnarsson**
Vice Chairman of the Board of
Directors



Arne Boye Nielsen
Member of the Board of
Directors



**Guðbjörg Edda
Eggertsdóttir**
Member of the Board of
Directors



Svafa Grönfeldt
Member of the Board of
Directors

Values

Össur's core values ensure successful cooperation and partnerships, and are the foundation for our strategy and success.

ÖSSUR'S CORE VALUES

Honesty

Stay True

We show respect by adhering to facts and reality, fulfilling promises and claims, and admitting failures. We nurture honest communication throughout the Company by sharing information and respecting each other's time and workload.

Frugality

Make Every Step Count

We use resources wisely. The Company aims to minimize costs across all areas of its business through effective communication, preparedness, planning, and optimized processes.

Courage

Aim Higher

We are open to change and constantly strive for improvement. We challenge unwritten rules, show initiative and take calculated risks, while at the same time taking responsibility for our ideas, decisions, and actions.

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