

Sveinn Sölvason, President and CEO, comments:

“We delivered our highest ever quarterly sales in Q2 2024 with sales amounting to USD 217 million. Organic growth was 6% for Q2 and local currency growth 9% with continued strong momentum in EMEA, driven by a strong performance in Prosthetics & Neuro Orthotics and Patient Care. In our Bracing & Supports business growth was more modest for the quarter.

Our EBITDA margin came in strong for the quarter at 22%, supported by the cost reduction initiatives implemented in manufacturing in addition to a contribution from positive product mix and scalability. Toward the end of the quarter we introduced two new bionic knee products, NAVii® by Össur and Icon® by College Park, and we are very excited about their potential in improving people’s mobility.

Medicare in the US has finalized a proposal which will create a pathway for K2 amputees, which account for a significant part of the amputee population, to utilize more functional knee and foot solutions than they have historically had access to. This is great news, and we look forward to helping these individuals become more active and able in their daily activities.

We are executing well on our Growth’27 strategy. We are narrowing our full-year guidance to 6-8% organic sales growth and ~20% EBITDA margin before special items, as we expect continued good progress for the remainder of the year.”

Highlights Q2 2024

- Sales amounted to USD 217 million and organic growth was 6%, compared to a strong comparison of 11% in Q2 2023.
- Prosthetics & Neuro Orthotics sales grew by 6% organically, Patient Care grew by 9%, and Bracing & Supports grew by 2%. Growth is attributed to continued strong performance in EMEA. APAC also delivered strong growth while sales in Americas were soft.
- Gross profit margin was 64%, compared to 63% in Q2 2023. The increase in gross profit can partly be ascribed to cost reduction initiatives in manufacturing implemented during Q1 as well as positive product mix and scalability.
- EBITDA was USD 47 million and EBITDA margin was 22% for Q2, compared to 19% for the same period last year. Increasing gross profit margin and cost control contributed to increased profitability despite slight negative currency effect.
- Net profit amounted to USD 20 million and net profit margin was 9% of sales, compared to 8% of sales in Q2 2023.
- Free cash flow amounted to USD 18 million or 8% of sales, compared to 5% of sales in Q2 2023. Free cash flow was strong with solid operating results and increasing profitability.
- NIBD/EBITDA was 3.1x at the end of Q2 2024 approaching the high-end of our target ratio for share buybacks at 2.0-3.0x.

Other highlights

- Medicare in the US has finalized a proposal that grants active K2 patients access to prosthetic knees and feet previously restricted to K3-K4 patients. The finalized policy will take effect on 1 September 2024.
- Launch of new bionic knee solutions for high active amputees during Q2 2024. Icon®, a new microprocessor-based knee solution launched by College Park featuring responsive sensors and NAVii® by Össur, a fully waterproof bionic knee featuring a powerful actuator provided to support consistency for stair and ramp descent.
- On 16 July 2024, Embla Medical announced its intention to unite its network of Patient Care facilities under a new common brand identity, called ForMotion™. ForMotion will be introduced sequentially, beginning in select regions in the US.

2024 Outlook

- The guidance for the full-year 2024 has been narrowed to 6-8% organic growth (previously 5-8%) and EBITDA margin before special items is narrowed to ~20% (previously 19-20%).

	1H 2024	1H 2023	Q2 2024	Q2 2023	Guidance (current)	Guidance (previous)
Sales growth, organic	6%	10%	6%	11%	6-8%	5-8%
EBITDA margin, before special items	19%	17%	22%	19%	~20%	19-20%

USD millions	Q2 2024	Q2 2023	1H 2024	1H 2023	FY 2023	FY 2022	FY 2021	FY 2020
Income Statement								
Net sales	217	201	417	383	786	719	719	630
Gross profit	139	126	259	238	486	440	455	391
Operating expenses (excl. other income / exp.)	105	101	211	199	398	373	360	338
EBITDA	47	37	76	66	139	114	149	93
EBITDA before special items	47	37	80	66	139	128	149	93
EBIT	33	25	49	41	89	65	97	28
Net profit	20	16	28	26	59	43	66	8
Sales Growth								
Sales growth USD	% 8	11	9	9	9	0	14	(8)
Growth breakdown:								
Organic growth	% 6	11	6	10	9	4	10	(10)
Currency effect	% (1)	(1)	0	(3)	(1)	(7)	3	0
Acquired/divested business	% 3	2	3	2	1	3	1	2
Balance Sheet								
Total assets	1,559	1,348	1,559	1,348	1,386	1,325	1,247	1,214
Equity	754	663	754	663	705	636	627	577
Net interest-bearing debt (NIBD)	470	410	470	410	395	404	363	381
Cash Flow								
Cash generated by operations	41	33	54	46	126	92	128	119
Free cash flow	18	10	10	8	52	35	74	68
Key Ratios								
Gross profit margin	% 64	63	62	62	62	61	63	62
EBIT margin	% 15	12	12	11	11	9	14	4
EBITDA margin	% 22	19	18	17	18	16	21	15
EBITDA margin before special items	% 22	19	19	17	18	18	21	15
Equity ratio	% 48	49	48	49	51	48	50	48
Net debt to EBITDA before special items*	3.1	3.1	3.1	3.1	2.8	3.2	2.4	4.1
Effective tax rate	% 24	23	24	23	23	23	24	38
Return on equity*	% 9	7	9	7	9	7	11	1
CAPEX / Net sales	% 5.0	7.2	5.4	5.8	5.4	3.6	3.7	3.8
Market								
Market value of equity	1,811	1,975	1,811	1,975	1,713	2,035	2,724	3,380
Number of shares in millions	428	421	428	421	421	423	423	423
Basic EPS in US cents	4.7	3.8	6.6	6.2	14.0	10.3	15.6	1.9
Diluted EPS in US cents	4.7	3.8	6.6	6.2	14.0	10.3	15.5	1.9

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

Management's report

Financial performance

Sales

Sales increased by 6% organic in Q2 2024

Sales in 1H 2024 amounted to USD 417 million, compared to USD 383 million in 1H 2023, corresponding to 6% organic growth, 9% increase including acquisitions (local currency growth) and 9% reported growth (USD growth). Sales in Q2 2024 amounted to USD 217 million, compared to USD 201 million in Q2 2023, corresponding to 6% organic growth, 9% increase including acquisitions (local currency growth) and 8% reported growth (USD growth).

Negative FX impact of USD 2 million in Q2 2024

Impact on sales from acquisitions amounted to USD 5 million in Q2 2024 corresponding to about a 3%-point positive effect on the reported growth rate. Reported sales were USD 2 million lower in Q2 2024 due to changes in FX when comparing to Q2 2023, which corresponds to about a 1%-point negative effect on the reported growth rate.

Sales by geographical segment (USD million)	Q2 2024	Organic growth	Δ Acq. / div.	Δ Curr. effect	USD growth	1H 2024	Organic growth	Δ Acq. / div.	Δ Curr. effect	USD growth
Americas	99	1%	0%	(0%)	1%	187	1%	0%	(0%)	1%
EMEA	100	11%	7%	(1%)	16%	198	13%	8%	(0%)	20%
APAC	18	9%	0%	(3%)	6%	32	4%	0%	(4%)	1%
Total	217	6%	3%	(1%)	8%	417	6%	3%	(1%)	9%

Sales by business segment (USD million)	Q2 2024	Organic growth	Δ Acq. / div.	Δ Curr. effect	USD growth	1H 2024	Organic growth	Δ Acq. / div.	Δ Curr. effect	USD growth
Prosthetics & Neuro Orthotics	112	6%	6%	(2%)	10%	217	8%	6%	(1%)	13%
Bracing & Supports	38	2%	0%	(1%)	1%	74	2%	0%	(0%)	1%
Internal product sales	(10)	17%	0%	(6%)	11%	(18)	10%	0%	(6%)	4%
External sales	141	4%	4%	(1%)	7%	273	6%	5%	(1%)	10%
Patient Care	76	9%	0%	(1%)	8%	143	7%	0%	(0%)	7%
Total	217	6%	3%	(1%)	8%	417	6%	3%	(1%)	9%

Strong growth in EMEA and APAC

Sales continued to be strong in EMEA in the second quarter; mainly driven by increased sales and fitting of high-end solutions in our Prosthetics and Neuro Orthotics segment as well as a strong performance in our Patient Care business.

Sales in APAC were strong with growth across all business segments, although reimbursement delays continue to impact sales in Prosthetics & Neuro Orthotics and Patient Care in Q2 2024 as in Q1 2024. Some sales are therefore expected to be pushed into the second half of the year.

Sales in Americas were in general soft where continued good growth in high-end solutions and key Patient Care locations was partly offset by slower performance in other product categories and locations.

Growth driven by high-end solutions

In Q2 2024, Prosthetics & Neuro Orthotics sales amounted to USD 112 million and grew by 6% organic. Sales of high-end solutions continue to increase in Prosthetics, and we see solid performance in our newly acquired FIOR & GENTZ business in Neuro Orthotics delivering in line with expectations. It should be noted that the comparable quarter in Q2 2023 was strong with 18% organic growth.

Bracing and Supports (B&S) sales amounted to USD 38 million in Q2 2024 and grew by 2% organically. Sales performance in Americas continues to be indirectly negatively impacted by the cyberattack to Change Healthcare whereas growth in EMEA and APAC was good.

Sales in Patient Care amounted to USD 76 million in Q2 2024 and grew by 9% organic driven by strong volume growth, especially in EMEA with a strong contribution across markets. Sales in Australia were good although still impacted by delays in reimbursement approvals impacting the Australian market. Sales in the Americas were good in some locations but soft in others.

Operations

Gross profit margin of 64% in Q2 2024

Gross profit in 1H 2024 amounted to USD 259 million or 62% of sales (63% of sales excl. special items), compared to USD 238 million or 62% of sales in 1H 2023. Gross profit in Q2 2024 amounted to USD 139 million or 64% of sales, compared to USD 126 million or 63% of sales in Q2 2023.

The increase in gross profit in the second quarter can partly be ascribed to the cost reduction initiatives in manufacturing implemented during Q1 in addition to positive product mix and scalability.

Operating expenses

OPEX ratio of 49% in Q2 2024

Operating expenses (OPEX), excluding other income, amounted to USD 211 million or 51% of sales in 1H 2024 (50% of sales excl. special items), compared to USD 199 million or 52% of sales in 1H 2023. OPEX, excluding other income, amounted to USD 105 million or 49% of sales in Q2 2024, compared to USD 101 million or 50% of sales in Q2 2023.

OPEX grew 3% organically in Q2 2024, which is 3%-points below the organic sales growth for the quarter. The lower OPEX growth is attributed to effective cost control.

EBITDA

EBITDA margin of 22% in Q2 2024

In 1H 2024, EBITDA amounted to USD 76 million or 18% of sales, compared to EBITDA of USD 66 million or 17% of sales in 1H 2023. In 1H 2024, EBITDA before special items amounted to USD 80 million or 19% of sales, compared to EBITDA of USD 66 million or 17% of sales in 1H 2023.

In Q2 2024, EBITDA amounted to USD 47 million or 22% of sales, compared to EBITDA of USD 37 million or 19% of sales in Q2 2023. Profitability is increasing in Q2 with an increasing gross profit margin following the cost reduction initiatives in manufacturing and effective cost control in OPEX. Currency impacted the EBITDA margin negatively by 10 basis points for the quarter net of hedge (20 basis points year-to-date net of hedge).

Financial items, income tax and net profit

Net financial expenses in 1H 2024 amounted to USD 13 million, compared to USD 8 million in 1H 2023. Net financial expenses in Q2 2024 amounted to USD 8 million, compared to USD 5 million in Q2 2023. The increase in financial expenses is mainly related to the increased borrowings in relation to the acquisition of FIOR & GENTZ earlier this year.

Effective tax rate of 24% in Q2 2024

Income tax amounted to USD 9 million in 1H 2024, corresponding to a 24% effective tax rate, compared to USD 8 million in 1H 2023, corresponding to a 23% effective tax rate. Income tax amounted to USD 6 million in Q2 2024, corresponding to a 24% effective tax rate, compared to USD 5 million in Q2 2023, corresponding to a 23% effective tax rate.

Net profit in 1H 2024 amounted to USD 28 million or 7% of sales, compared to USD 26 million or 7% of sales in 1H 2023. Diluted earnings per share in 1H 2024 amounted to 6.6 US cents, compared to 6.2 in 1H 2023. Net profit in Q2 2024 amounted to USD 20 million or 9% of sales, compared to USD 16 million or 8% of sales in Q2 2023. Diluted earnings per share in Q2 2024 amounted to 4.7 US cents, compared to 3.8 in Q2 2023.

Cash flow

Cash generated by operations

Cash generation of USD 41 million in Q2 2024

Cash generated by operations amounted to USD 54 million or 13% of sales in 1H 2024, compared to USD 46 million or 12% of sales in 1H 2023. Cash generated by operations amounted to USD 41 million or 19% of sales in Q2 2024, compared to USD 33 million or 16% of sales in Q2 2023.

Cash generation was strong in the quarter in line with strong sales and operational results, but adversely impacted by net working capital, partly due to inventory buildup of newly launched bionic products.

Capital expenditures

CAPEX was 5% of sales in Q2 2024

Capital expenditures in 1H 2024 amounted to USD 22 million or 5% of sales, compared to USD 22 million or 6% of sales in 1H 2023. Capital expenditures in Q2 2024 amounted to USD 11 million or 5% of sales, compared to USD 15 million or 7% of sales in Q2 2023.

CAPEX remained high in the quarter due to facility upgrades in key locations to support Embla Medical's growth. It is expected that CAPEX will be lower in the second half of the year.

Free cash flow

Free cash flow was positive 8% of sales in Q2 2024

Free cash flow in 1H 2024 amounted to USD 10 million or 2% of sales, compared to USD 8 million or 2% of sales in 1H 2023. Free cash flow in Q2 2024 amounted to USD 18 million or 8% of sales, compared to USD 10 million or 5% of sales in Q2 2023.

Free cash flow was strong in the quarter in line with strong sales and operating results.

Bank balances and cash equivalents

Cash and undrawn facilities amounted to USD 105 million

Bank balances and cash equivalents amounted to USD 77 million at the end of Q2 2024 and USD 28 million of existing facilities were undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of Q2 2024, therefore, amounted to USD 105 million.

Capital structure

Net-interest bearing debt

NIBD/EBITDA before special items at 3.1x

Net interest-bearing debt, including lease liabilities, amounted to USD 470 million at quarter-end Q2 2024 compared to USD 410 million at quarter-end Q2 2023. Net interest-bearing debt to EBITDA before special items corresponded to 3.1x at quarter-end Q2 2024, temporarily slightly above the target range following the acquisition of FIOR & GENTZ earlier this year.

Share buybacks and treasury shares

Share buybacks continue to be paused

The purpose of the program is to reduce the Company's share capital and adjust the capital structure with a desired capital level of 2.0-3.0x net interest-bearing debt to EBITDA before special items, by distributing capital to shareholders in line with the Company's Capital Structure and Capital Allocation Policy.

At the end of Q2 2024, treasury shares totaled 701,647.

Financial guidance

	Guidance FY 2024 (current)	Guidance FY 2024 (April)	Guidance FY 2024 (January)
Sales growth, organic	6-8%	5-8%	5-8%
EBITDA margin before special items	~20%	19-20%	19-20%
For modelling purposes			
Special items, in USD million	4	4	1
CAPEX as % of sales	~4%	3-4%	3-4%
Effective tax rate	~24%	23-24%	23-24%

In line with the strong momentum and profitability recorded in the first half 2024 the guidance for the full-year 2024 has been narrowed to 6-8% organic growth (previously 5-8%) and EBITDA margin before special items is narrowed to ~20% (previously 19-20%).

We expect continued strong performance in Prosthetics & Neuro Orthotics and Patient Care, as we have observed in EMEA in the first half of the year, and some of the reimbursement headwinds that have impacted growth in the APAC region to ease. We expect increasing sales performance in Bracing & Supports should market conditions in the Americas improve after the indirect impact from the Change Healthcare cyberattack.

Overall, we expect strong volume growth in addition to positive mix from functional trade-up to bionics will continue to contribute to growth. As we head into the second half of the year, it should also be noted that comparative growth in the second half of 2023 is lower compared to the first half of the year. Lastly, we launched new bionic products in late Q2, which are not expected to have meaningful contributions to sales until early 2025 as the initial launch will be carried out in a limited number of clinics to ensure a smooth launch and uptake.

The guidance for EBITDA margin before special items is narrowed to ~20% reflecting the increase in profitability recorded in the first half of the year. For Q2 2023 the EBITDA margin stood at 22% while the EBITDA margin before special items amounted to 19% for 1H 2024. It should be noted that the EBITDA margin is seasonally stronger in the second half of the year. The full year EBITDA margin is expected to increase year-over-year following the cost reduction initiatives in manufacturing implemented during Q1 2024 in addition to benefits from positive product mix, scalability, and cost control in OPEX.

No meaningful impact is assumed in the financial guidance for 2024 from the new U.S. Medicare reform for extended coverage in the U.S. for lower-limb active K2 amputee patients to access bionic prosthetic solutions. The proposal will come into effect on 1 September 2024. It will take time before any meaningful contribution can be expected from this market expansion opportunity and eventually the expectation is that vastly more amputees will get increased access to high-end prosthetic solutions.

The organic sales growth guidance includes estimated sales growth from FIOR & GENTZ which was acquired earlier this year based on net sales of approximately USD 23 million in 2023. The addition of FIOR & GENTZ will be accretive to organic sales growth when compared to historical organic growth rates.

Special items are expected to be USD 4 million for the full year 2024 in relation to the acquisition of FIOR & GENTZ and cost reduction initiatives in manufacturing, which were all expensed in the first quarter of 2024.

At current foreign exchange rates, keeping all other factors constant, the EBITDA margin before special items is expected to be negatively impacted by about 20 basis points in 2024 when compared to 2023. Additional information on foreign exchange assumptions can be found in the next section.

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 some corporate functions are based in Iceland whereas sales in ISK are minor. Split of sales and costs by main currencies can be found in note 4 of the accompanying Condensed Interim 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 2.4-3.0 million when unhedged. The same movement in ISK/USD is estimated to have an annual impact on EBITDA in the range of +/- USD 3.1-3.7 million when unhedged. Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.

Currency overview USD	EUR	ISK
Average exchange rate FY 2023	1.081	0.007
Average exchange rate in Q1 2024	1.086	0.007
Average exchange rate in Q2 2024	1.077	0.007
Opening rate 22 July 2024	1.088	0.007
Estimated average exchange rate for FY 2024*	1.085	0.007
Change in estimated exchange rate FY 2024 compared to last year's average	0%	0%

*Estimated average exchange rate is calculated as the exchange rate of Q1&Q2 2024 combined with the closing rate on 22 July 2024 for the remainder of the year

Other highlights

The Centers for Medicare & Medicaid Services (CMS) grants extended coverage in the U.S. for lower-limb active K2 amputee patients to access bionic prosthetic solutions

Centers for Medicare & Medicaid Services has finalized a proposal that will expand patients access to high activity K3 knees in the United States. The proposal enables a large patient group of active K2 functional level amputees to gain access to bionic knee technology. Previously, Medicare had restricted access to these knees to only high-active amputees classified as functional level K3 and K4.

The decision follows a process initiated at the beginning of the year by the U.S. Durable Medicare Equipment Medicare Administrative Contractors (DME MACs). The DME MACs relied upon a substantial body of research spanning more than a decade establishing that more advanced prosthetic devices lead to significant clinical benefits for active K2 amputees, including reduced fall rates, improved mobility, and increased patient confidence while walking. These benefits, in turn, have the potential to positively reduce healthcare expenditures while simultaneously improving quality of life.

The finalized policy, which will take effect on 1 September 2024, does not automatically create access for every person currently classified as a K2 amputee. Treating healthcare professionals will have to establish through medical documentation that a bionic knee (MPK or microprocessor-controlled knee) or other K3 knee would improve the patient's functional health outcomes, help them accomplish activities of daily living, and that lower-level knee options have been considered and ruled out. In addition, to provide a K2 patient with an MPK, clinicians must use knees with integrated stumble recovery.

In addition, the extended coverage may also grant these active K2 functional level amputees' access to a compatible high active K3 foot solution as a complement to the bionic knee when certain coverage criteria are met.

Link to news: <https://www.cms.gov/medicare-coverage-database/view/lcd.aspx?lcdid=39777>

Product launches

Launch quarter	Segment	Product name	Product description
Q1 2024	Prosthetics Mechanical feet	Pro-Flex® Terra (Össur)	Pro-Flex Terra offers the flexibility, balance and adaptability of a low-active foot and at the same the performance, push off and energy of a high active foot.
Q2 2024	Prosthetics Bionic knee	Icon® (College Park)	Icon features responsive sensors, streamlined setup, and the intuitive Stride Studio app. Icon is the versatile solution for low to high activity users.
Q2 2024	Prosthetics Bionic knee	NAVii® (Össur)	NAVii is a fully waterproof bionic knee featuring a powerful actuator provided to support consistency for stair and ramp descent. NAVii poses a variable-position mechanical lock that can securely lock at three different angles and stay locked for standing during longer periods of time.
Q2 2024	Prosthetics Liners	Iceross Seal-In® X Locking TF (Össur)	Build for comfort and stability, the Icelock 850 Hybrid Lock and Iceross Seal-In X Locking TD liner bring the benefits of advanced vacuum suspension of the Seal-In system to users with lower limb amputations of all activity levels who prefer or rely on locking or lanyard suspensions.

Embla Medical Unifies Patient Care Facilities under ForMotion™ Brand

Embla Medical announce its intents to unite its network of patient care facilities under a new common brand identity, called ForMotion. The ForMotion brand will be introduced in phases, beginning in select regions in the United States, and will eventually encompass the entire network of global O&P patient care facilities, currently operating under different brand names. This global network of O&P facilities will deliver comprehensive, modern, and innovative care, while celebrating the expertise and heritage unique to each location.

Conference call and financial calendar

Conference call details

Embla Medical will host a conference call on 23 July 2024 at **9:00 CET / 7:00 GMT / 3:00 ET**.

The conference call webcast can be accessed through following link [Embla Medical Q2 2024 webcast](#)

To actively participate in the Q&A session of the call please use following link for dial in options <https://register.vevent.com/register/Bla0b78474778d419291254a5b8d31d12c>

Financial calendar

Interim report Q3 2024	22 October 2024
Interim report Q4 2024 and Annual Report 2024	5 February 2025
Annual General Meeting 2025	12 March 2025

For further information

Contact details

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Embla Medical corporate announcements by e-mail

If you wish to receive Össur e-mail alerts, please register on our website: <https://emblamedical.com/investor-relations>

About Embla Medical

Embla Medical (Nasdaq Copenhagen: EMBLA) was founded in Reykjavik in 1971 with the mission to improve people's mobility. Embla Medical is home to several brands renowned for positively impacting people's health and well-being. They include Össur, a leading global provider of prosthetics and bracing and supports solutions; FIOR & GENTZ, an innovative developer of neuro orthotics; and College Park Industries, creators of custom-built prosthetic solutions. Embla Medical also provides patients with world-class care through a global network of Orthotic and Prosthetic (O&P) facilities. Embla Medical is committed to sustainable business practices and is signatory to the UN Global Compact, UN Women's Empowerment Principles, and contributes to the UN Sustainable Development Goals. The company's climate targets have been verified by the Science Based Targets initiative. Embla Medical operates globally and has more than 4,000 employees. www.emblamedical.com

Embla Medical was formerly listed as Össur (OSSR) on Nasdaq Copenhagen until 8 April 2024.

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.



Embla Medical hf.

**Condensed Interim Consolidated
Financial Statements**

30.06.2024

Embla Medical hf

Grjóthálsi 5

110 Reykjavík

Id-no. 560271-0189

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Embla Medical hf. for the period from 1 January 2024 to 30 June 2024 consist of the Financial Statements of Embla Medical hf. and its subsidiaries (together referred to as “the Company” or “Embla Medical”). 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 Company amounted to USD 416.6 million and the net profit amounted to USD 28.4 million. Embla Medical's total assets amounted to USD 1,559.4 million at the end of period, liabilities were USD 805.2 million, and equity was USD 754.3 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 June 2024 and financial performance and cash flow for the period ended 30 June 2024.

The Board of Directors and the President and CEO of Embla Medical hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January 2024 to 30 June 2024 and confirm them by means of their signatures.

Reykjavík, 23 July 2024

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt
Vice Chairman of the Board of Directors

Alberto Esquenazi
Member of the Board of Directors

Arne Boye Nielsen
Member of the Board of Directors

Caroline Vagner Rosenstand
Member of the Board of Directors

Tina Abild Olesen
Member of the Board of Directors

President and CEO

Sveinn Sölvason

Consolidated Income Statement

All amounts in USD '000	Notes	1H 2024	1H 2023	Q2 2024	Q2 2023
Net sales	3	416,580	382,566	216,727	201,353
Cost of goods sold		(157,610)	(144,573)	(78,192)	(75,409)
Gross profit		258,970	237,993	138,535	125,944
Other income		362	1,488	126	430
Sales and marketing expenses		(155,190)	(144,435)	(78,882)	(73,272)
Research and development expenses		(20,329)	(19,148)	(10,481)	(9,414)
General and administrative expenses		(35,169)	(35,136)	(16,072)	(18,666)
Earnings before interest and tax (EBIT)		48,644	40,761	33,225	25,023
Financial income		1,488	3,137	780	2,130
Financial expenses		(12,463)	(11,224)	(6,443)	(6,786)
Net exchange rate difference		(1,743)	495	(1,880)	(472)
Net financial expenses		(12,718)	(7,592)	(7,543)	(5,128)
Share in net profit of associates		1,617	666	878	682
Earnings before tax (EBT)		37,543	33,835	26,559	20,577
Income tax		(9,175)	(7,921)	(6,493)	(4,705)
Net profit		28,368	25,914	20,066	15,872
Attributable to:					
Owners of the Company		28,209	25,501	19,949	15,782
Non-controlling interests		159	413	118	91
Net profit		28,368	25,914	20,066	15,872
Earnings per share					
Basic earnings per share (US cent)		6.6	6.2	4.7	3.8
Diluted earnings per share (US cent)		6.6	6.2	4.7	3.8

Consolidated Statement of Comprehensive Income

All amounts in USD '000	1H 2024	1H 2023	Q2 2024	Q2 2023
Net profit	28,368	25,914	20,066	15,872
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	646	1,223	490	421
Exchange differences on translating foreign operations	(5,152)	(488)	251	(1,014)
Income tax	(2,216)	224	(1,402)	(557)
Other comprehensive income, net of income tax	(6,722)	959	(662)	(1,149)
Total comprehensive income	21,646	26,872	19,405	14,723
Attributable to:				
Owners of the Company	21,487	26,459	19,287	14,632
Non-controlling interests	159	413	118	91
Total comprehensive income	21,646	26,872	19,405	14,723

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.06.2024	31.12.2023
Property, plant and equipment	5	70,842	64,386
Right of use assets	6	124,490	121,673
Goodwill	7	800,272	690,855
Other intangible assets	8	90,834	65,841
Investment in associates		21,227	20,532
Other financial assets		4,614	4,530
Deferred tax assets		43,048	41,888
Non-current assets		1,155,327	1,009,706
Inventories		146,092	136,226
Accounts receivable		132,534	127,844
Other assets		48,265	39,253
Cash and cash equivalents		77,214	72,653
Current assets		404,105	375,976
Total assets		1,559,432	1,385,682

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	30.06.2024	31.12.2023
Issued capital and share premium	93,464	66,260
Reserves	(71,405)	(64,045)
Retained earnings	729,301	699,667
Shareholders equity	751,360	701,883
Non-controlling interest	2,899	3,123
Total equity	754,259	705,005
Borrowings	357,265	311,802
Lease liabilities	114,368	112,605
Deferred tax liabilities	35,964	28,777
Provisions	8,101	6,666
Deferred income	7,309	7,277
Other financial liabilities	51,524	17,351
Non-current liabilities	574,530	484,478
Borrowings	52,327	21,533
Lease liabilities	23,321	21,793
Accounts payable	40,545	30,749
Income tax payable	14,629	12,138
Provisions	12,457	11,322
Accrued salaries and related expenses	44,076	50,068
Other financial liabilities	9,799	9,583
Other liabilities	33,490	39,012
Current liabilities	230,643	196,198
Total liabilities	805,173	680,676
Total equity and liabilities	1,559,432	1,385,682

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	1H 2024	1H 2023	Q2 2024	Q2 2023
Earnings before interests and tax (EBIT)		48,644	40,761	33,225	25,023
Depreciation and amortization	5, 6, 8	27,412	24,788	13,815	12,347
Change in inventories		(7,583)	(6,627)	(4,794)	743
Change in receivables		(14,353)	(13,111)	(9,532)	(9,136)
Change in payables		(1,943)	4,311	7,052	5,257
Change in provisions		2,739	(4,680)	623	(702)
Other operating activities		(741)	342	765	(644)
Cash generated from operations		54,174	45,784	41,154	32,888
Interest received		1,287	3,289	693	2,274
Interest paid		(12,147)	(11,139)	(6,197)	(6,905)
Income tax paid		(10,793)	(7,441)	(7,168)	(3,295)
Net cash generated from operating activities		32,521	30,493	28,482	24,962
Purchase of fixed and intangible assets	5, 8	(22,371)	(22,259)	(10,887)	(14,550)
Acquisition of subsidiaries, net of cash in acquired entities	9	(77,226)	(4,828)	(2,597)	(2,025)
Other investing activities		101	562	114	282
Cash flows used in investing activities		(99,496)	(26,525)	(13,370)	(16,293)
Repayments of long-term borrowings		0	(6,763)	0	(6,755)
Changes in revolving credit facility		84,875	13,026	(9,248)	1,338
Payments of lease liabilities		(11,743)	(14,866)	(5,890)	(5,091)
Cash flows generated from financing activities		73,132	(8,603)	(15,138)	(10,508)
Net change in cash		6,157	(4,635)	(26)	(1,839)
Exchange rate effects on cash held in foreign currencies		(1,596)	(726)	(118)	(1,077)
Cash and cash equivalents at beginning of period		72,653	76,631	77,358	74,186
Cash and cash equivalents at end of period		77,214	71,270	77,214	71,270

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Other reserves	Retained earnings	Shareholders equity	Non-controlling interests	Total equity
Balance at 1 January 2023	4,781	61,430	(70,467)	639,961	635,704	(194)	635,510
Net profit				25,501	25,501	413	25,914
Change in cash flow hedges			978		978		978
Transl. diff. of shares in subsidiaries			(19)		(19)		(19)
Total comprehensive income	0	0	959	25,501	26,459	413	26,872
Share option charge for the period			1,078		1,078		1,078
Share option vested during the period	0	49	(789)	698	(41)		(41)
Balance at 30 June 2023	4,781	61,479	(69,219)	666,160	663,200	218	663,419
Balance at 1 January 2024	4,781	61,479	(64,045)	699,667	701,883	3,123	705,005
Net profit				28,209	28,209	159	28,368
Change in cash flow hedges			517		517		517
Transl. diff. of shares in subsidiaries			(7,238)		(7,238)		(7,238)
Total comprehensive income	0	0	(6,722)	28,209	21,487	159	21,646
Share option charge for the period			403		403		403
Share option vested during the period			(1,042)	1,042	0		0
Issued new shares	48	27,156			27,205		27,205
Change in non-controlling interests				382	382	(382)	0
Balance at 30 June 2024	4,829	88,635	(71,405)	729,301	751,360	2,899	754,259



1. Summary of Significant Accounting Policies

Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standard (IFRS) 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 IFRS accounting standards and new interpretations (IFRIC), applicable for the period. New and amended IFRS accounting standards that are effective for the current year have minor impact on the Company's Financial Statements. The Company has not early applied new and revised IFRS accounting 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 Consolidated Financial Statements and should be read in conjunction with the Company's Annual Consolidated Financial Statements for the period ended 31 December 2023. The Company's Annual Consolidated Financial Statements can be found on the Company's website www.emblamedical.com.

Basis of preparation

The Condensed Interim 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 Condensed Interim Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand ('000), except when otherwise indicated. This rounding may have impact on the total sum. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Consolidated Financial Statements for the period ended 31 December 2023.

2. Quarterly statements

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net sales	216,727	199,852	210,197	192,920	201,353
Cost of goods sold	(78,192)	(79,418)	(81,646)	(73,890)	(75,409)
Gross profit	138,535	120,435	128,551	119,030	125,944
Gross profit margin	64%	60%	61%	62%	63%
Other income	126	236	302	137	430
Sales and marketing expenses	(78,882)	(76,307)	(76,933)	(71,712)	(73,272)
Research and development expenses	(10,481)	(9,848)	(10,110)	(8,884)	(9,414)
General and administrative expenses	(16,072)	(19,097)	(17,179)	(14,577)	(18,666)
EBIT	33,225	15,419	24,631	23,994	25,023
Net financial expenses	(7,543)	(5,174)	(3,262)	(5,923)	(5,128)
Share in net profit of associates	878	739	2,799	(67)	682
EBT	26,559	10,984	24,169	18,004	20,577
Income tax	(6,493)	(2,682)	(5,154)	(4,131)	(4,705)
Net profit	20,066	8,302	19,015	13,873	15,872
EBITDA	47,040	29,016	37,487	36,271	37,372
EBITDA margin	22%	15%	18%	19%	19%
EBITDA before special items	47,040	33,154	37,487	36,271	37,372
EBITDA margin before special items	22%	17%	18%	19%	19%

3. Net Sales

	1H 2024	1H 2023	Q2 2024	Q2 2023
Sales by geographical segment:				
EMEA	197,635	164,871	99,156	86,103
Americas	186,517	185,496	100,051	98,654
APAC	32,427	32,200	17,519	16,597
Total	416,580	382,566	216,727	201,353
Sales by business segment:				
Prosthetics & Neuro Orthotics	217,454	192,862	112,382	101,870
Bracing & Supports	74,334	73,514	38,417	38,145
Internal product sales	(18,379)	(17,659)	(9,984)	(8,994)
External product sales	273,409	248,717	140,815	131,021
Patient Care	143,171	133,849	75,912	70,333
Total	416,580	382,566	216,727	201,353

In 2023 a new business segment split was presented. Further evaluation has resulted in a reclass between Prosthetic & Neuro Orthotics and Internal products sales for comparatives in 2023 and 2024 Q1. This reclass has no effects on total product sales. Adjusted comparatives can be found in following table.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Sales by business segment:					
Prosthetics & Neuro Orthotics	90,994	101,870	100,354	101,619	105,066
Bracing & Supports	35,368	38,145	36,870	36,117	35,905
Internal product sales	(8,666)	(8,994)	(8,860)	(9,228)	(8,377)
External product sales	117,696	131,021	128,364	128,508	132,594
Patient Care	63,517	70,333	64,556	81,689	67,258
Total	181,212	201,353	192,920	210,197	199,852

4. Sales and expenses split by main currencies

	1H 2024			Q2 2024		
	LCY	USD	%	LCY	USD	%
Sales						
USD	165,851	165,851	40%	87,907	87,907	41%
EUR	109,104	117,958	28%	54,197	58,340	27%
ISK	239,932	1,734	0%	129,026	926	0%
Nordic curr. (SEK, NOK, DKK)		50,938	12%		27,619	13%
Other (GBP, AUD, CAD & Other)		80,099	19%		41,935	19%
Total		416,580	100%		216,727	100%
COGS and OPEX						
USD	147,779	147,779	40%	75,705	75,705	41%
EUR	80,779	87,347	24%	38,830	41,792	23%
ISK	5,754,636	41,633	11%	2,683,182	19,267	11%
Nordic curr. (SEK, NOK, DKK)		46,645	13%		24,106	13%
Other (GBP, MXN, CAD & Other)		44,532	12%		22,632	12%
Total		367,936	100%		183,502	100%
	1H 2023			Q2 2023		
	LCY	USD	%	LCY	USD	%
Sales						
USD	165,888	165,888	43%	88,617	88,617	44%
EUR	86,760	93,789	25%	44,888	48,899	24%
ISK	213,040	1,599	0%	125,751	915	0%
Nordic curr. (SEK, NOK, DKK)		45,188	12%		23,369	12%
Other (GBP, AUD, CAD & Other)		76,102	20%		39,554	20%
Total		382,566	100%		201,353	100%
COGS and OPEX						
USD	154,912	154,912	45%	78,068	78,068	44%
EUR	65,849	71,183	21%	34,043	37,084	21%
ISK	4,930,688	35,253	10%	2,345,371	17,057	10%
Nordic curr. (SEK, NOK, DKK)		41,450	12%		21,671	12%
Other (GBP, MXN, CAD & Other)		39,006	12%		22,451	13%
Total		341,804	100%		176,331	100%

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

5. Property, plant and equipment

2024	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	596	71,701	57,251	14,941	144,489
Additions	0	5,795	8,484	1,528	15,807
Business Combinations	0	459	20	115	594
Eliminated on disposal	0	(48)	0	(51)	(99)
Fully depreciated assets	0	(65)	(120)	(122)	(307)
Exchange rate differences	(17)	(460)	(1,002)	(271)	(1,750)
At 30 June 2024	579	77,382	64,633	16,140	158,734
Depreciation					
At 1 January	143	44,462	26,572	8,926	80,103
Charge for the period	10	4,303	2,943	1,983	9,239
Eliminated on disposal	0	(39)	0	(48)	(87)
Fully depreciated assets	0	(65)	(120)	(122)	(307)
Exchange rate differences	(3)	(289)	(601)	(163)	(1,056)
At 30 June 2024	150	48,372	28,794	10,576	87,892
At 30 June 2024	429	29,010	35,839	5,564	70,842
Depreciation classified by functional category:					
	1H 2024	1H 2023	Q2 2024	Q2 2023	
Cost of goods sold	4,759	4,282	2,388	2,135	
Sales and marketing expenses	2,095	2,191	1,106	1,114	
Research and development expenses	395	301	204	162	
General and administrative expenses	1,990	1,700	1,020	823	
Total	9,239	8,474	4,718	4,234	

6. Leases

Right of use assets

2024	Buildings & sites	Machinery & equipment	Total
At 1 January	118,967	2,706	121,673
Additions and renewals	15,412	3,544	18,956
Depreciation charge for the period	(11,070)	(1,124)	(12,194)
Eliminated on disposal and termination	(1,250)	0	(1,250)
Exchange rate differences	(2,602)	(93)	(2,695)
At 30 June 2024	119,457	5,033	124,490

Depreciation classified by functional category:	1H 2024	1H 2023	Q2 2024	Q2 2023
Cost of goods sold	4,814	4,499	2,481	2,250
Sales and marketing expenses	2,407	2,250	1,241	1,125
Research and development expenses	1,444	1,350	744	675
General and administrative expenses	3,529	3,194	1,681	1,557
Total	12,194	11,293	6,147	5,607

7. Goodwill

	30.06.2024	31.12.2023
At 1 January	690,855	680,400
Business combinations	118,937	2,241
Exchange rate differences	(9,520)	8,214
At end of period	800,272	690,855

The goodwill increase related to current year business combination is allocated to EMEA cash generating unit.

8. Other intangible assets

2024	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	34,254	28,343	2,871	54,246	119,714
Additions	55	1,047	19	920	2,041
Additions - internally generated	0	0	0	4,523	4,523
Business Combinations	20,383	1,781	1,930	1,050	25,144
Exchange rate differences	(852)	(161)	(30)	(69)	(1,112)
At 30 June 2024	53,840	31,010	4,790	60,670	150,310
Amortization					
At 1 January	25,676	7,780	588	19,829	53,873
Charge for the period	1,612	888	16	3,463	5,979
Exchange rate differences	(321)	(13)	0	(42)	(376)
At 30 June 2024	26,967	8,655	604	23,250	59,476
At 30 June 2024	26,873	22,355	4,186	37,420	90,834
Amortization classified by functional category:					
		1H 2024	1H 2023	Q2 2024	Q2 2023
Cost of goods sold		837	146	388	63
Sales and marketing expenses		2,895	2,997	1,594	1,645
Research and development expenses		784	683	379	317
General and administrative expenses		1,463	1,195	589	481
Total		5,979	5,021	2,950	2,506

9. Business combinations

In January 2024 Embla Medical acquired all shares of privately owned Fior & Gentz, a leading producer of lower limb neuro orthotic components. Fior & Gentz, founded in Lüneburg, Germany in 1997, is a leading European provider of functional lower limb neuro orthotic solutions and employs around 80 people. Full year sales in 2023 in acquired entity amounted to USD 22.6 million. Other acquisitions are related to remaining minority share in one of the Patient care entities.

As part of the consideration paid for Fior & Gentz 6,636,122 new shares were issued. The share price of each share was DKK 28.10 and the total value of the share capital increase is thus DKK 186 million (USD 27 million). The consideration paid in cash was partly financed through additional credit facilities, amounting to USD 55 million. Acquisition related cost amounted to USD 1 million and is included in general and administrative expenses and reported as special items.

The initial accounting for the acquisitions has been provisionally determined at the end of the reporting period. The goodwill is not expected to be deductible for income tax purposes.

2024	Fior & Gentz	Other	Total
Assets and liabilities recognised as a result of the acquisitions:			
Property, plant and equipment	594	0	594
Other intangible assets	25,144	0	25,144
Inventories	5,375	0	5,375
Accounts and other receivables	1,125	0	1,125
Bank balances and cash equivalents	2,963	0	2,963
Deferred tax liabilities	(8,082)	0	(8,082)
Other liabilities	(2,193)	0	(2,193)
Net identifiable assets acquired	24,927	0	24,927
Non controlling interest	0	(382)	(382)
Goodwill	108,521	10,416	118,937
Net assets acquired	133,448	10,034	143,482
Consideration:			
Net assets acquired	133,448	10,034	143,482
Contingent consideration and deferred payments on current year's acquisitions	(38,184)	(1,159)	(39,343)
Issued new shares	(27,205)	0	(27,205)
Cash paid	68,059	8,875	76,934
Payments on prior year's acquisitions	0	3,255	3,255
Cash from acquired companies	(2,963)	0	(2,963)
Consideration shown in Cash Flow	65,096	12,130	77,226