



ÖSSUR HF.

CAPITAL MARKETS DAY
COPENHAGEN

20 MAY 2015

AGENDA

- | | |
|---------------|---|
| 8:30 – 9:00 | Registration |
| 9:00 – 9:10 | Welcome and opening note
<i>Niels Jacobsen, Chairman of the Board of Directors</i> |
| 9:10 – 9:50 | Strategy and key highlights
<i>Jón Sigurðsson, President & CEO</i> |
| 9:50 – 10:40 | The bracing & supports market
<i>Ólafur Gylfason, EVP of Sales & Marketing &
Dr. Þorvaldur Ingvarsson, EVP of R&D</i> |
| 10:40 – 11:00 | Break |
| 11:00 – 11:50 | The prosthetics market
<i>Kim De Roy, VP Prosthetics Sales & Marketing &
Dr. Þorvaldur Ingvarsson, EVP of R&D</i> |
| 11:50 – 12:20 | Financial profile and capital structure
<i>Sveinn Sölvason, CFO</i> |
| 12:20 – 12:30 | Closing remarks
<i>Jón Sigurðsson, President & CEO</i> |
| 12:30 – 13:00 | Lunch |



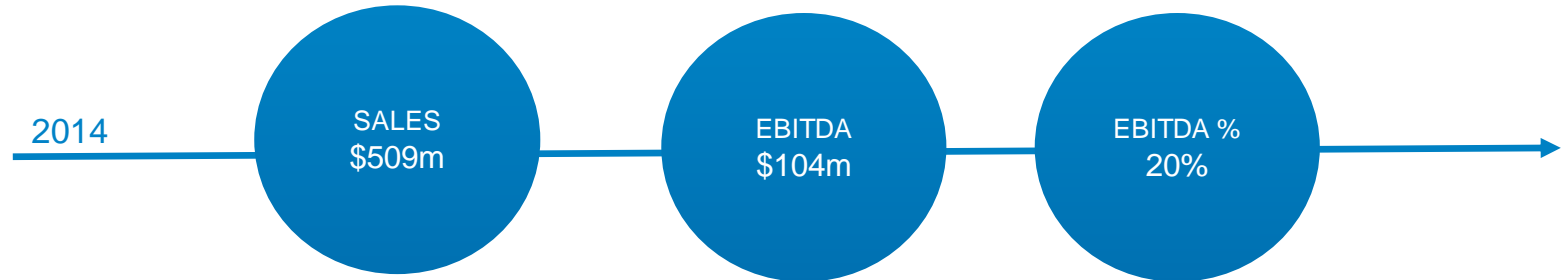
WELCOME AND OPENING NOTE

Niels Jacobsen



STRATEGY AND KEY HIGHLIGHTS

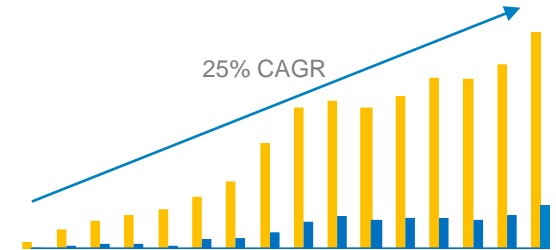
Jón Sigurðsson



DELIVERING RESULTS

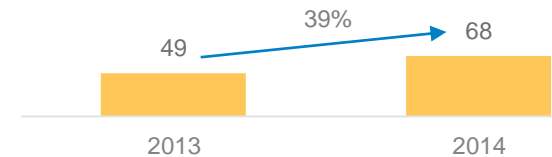
Solid operational results

CAGR of sales and EBITDA
~ 25% from 1999



Strong cash flow

\$19m increase in FCF from
2013 to 2014



Attractive shareholder return

69% increase in share price
in 2014



Motivated employees

2,300 employees in 18 countries
High employee satisfaction (4.4 of 5*)

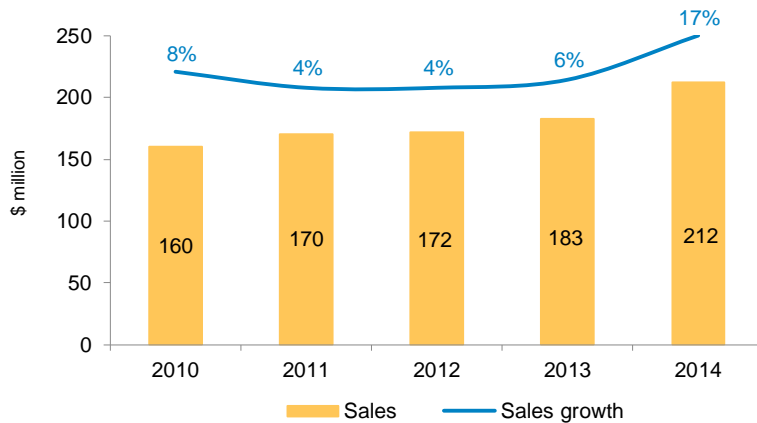
*Gallup employee survey

Customer satisfaction

Net promotor score > 80%

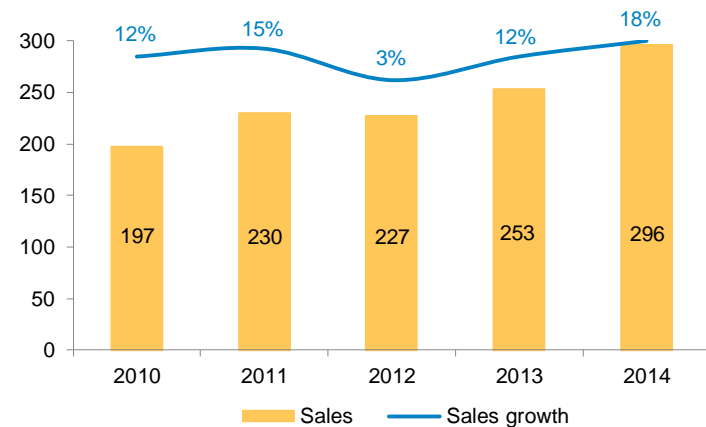
OUR PRODUCT SEGMENTS

PROSTHETICS



- High end product offering
- Lower extremity prosthetics
- Key customers O&P facilities
- Technology trade up
- Expanding in the value chain
- Growing in selected emerging markets

BRACING AND SUPPORTS



- Comprehensive product offering
- Multiple sales channels
- Focus on high end innovative products
- Rationalization of product portfolio
- Indication based innovation

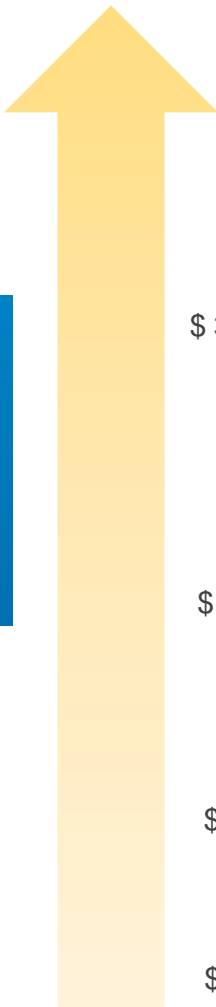
THREE STRATEGIC PILLARS



INCREASE VALUE THROUGH INNOVATION



PROSTHETICS
TECHNOLOGY TRADE UP



\$ 36,000



\$ 9,000



\$ 2,000



\$ 70



MIND-CONTROLLED
BIONIC PROSTHETICS

INCREASE VALUE THROUGH INNOVATION



BRACING & SUPPORTS
TECHNOLOGY TRADE UP



\$ 1,500



\$ 400



\$ 70



INCREASING EFFICIENCY



INCREASING EFFICIENCY

EXAMPLE OF ACTIVITIES:

Portfolio streamlining

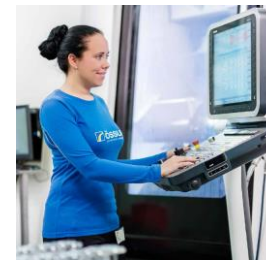
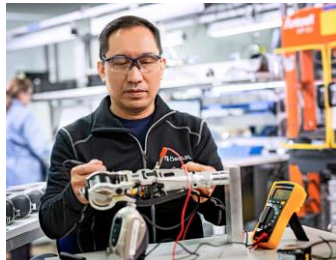
Product rationalization

Operational excellence

Insourcing platform in Mexico

Global process alignment

Optimizing all processes



PROFITABLE MARKET SHARE GROWTH



INNOVATION



EFFICIENCY



GROWTH

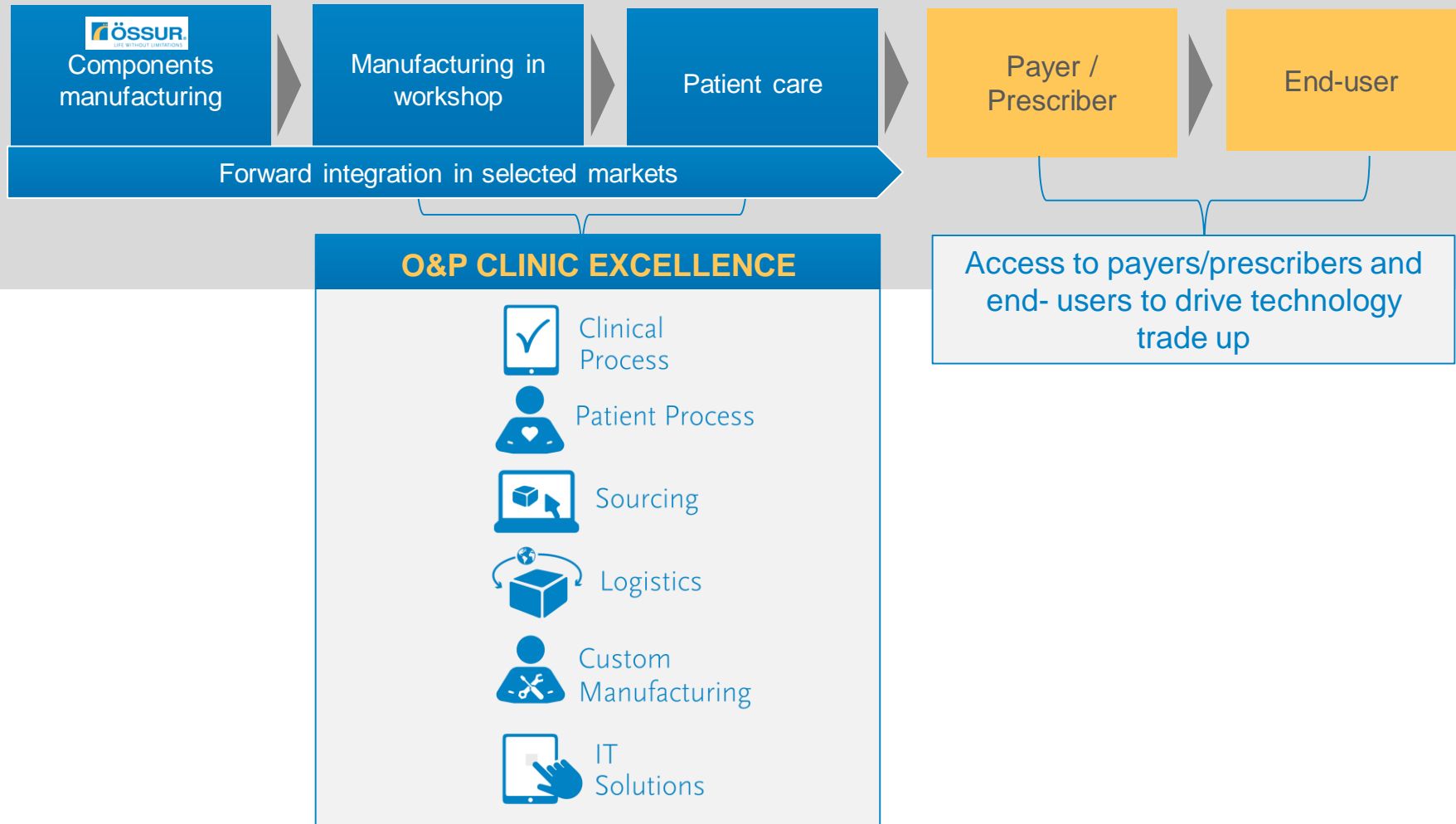
DEVELOP OUR CORE
BUSINESS

GROW FASTER THAN THE
MARKET

LEVERAGING ON
UNTAPPED MARKET
OPPORTUNITIES

- Grow our technology advantage - technology trade up
 - Generate value for individuals and health care systems
 - Increase our share of wallet
-
- Expanding in the value chain – forward integration
 - Grow in selected emerging markets

EXPANDING IN THE VALUE CHAIN – O&P MARKET



GENERATING RESULTS BY CREATING VALUE

- *Technology trade up while generating value for individuals and healthcare systems*



- *Operational excellence and portfolio streamlining*



- *Growing market through innovation and leverage on untapped market opportunities*









THE BRACING & SUPPORTS MARKET

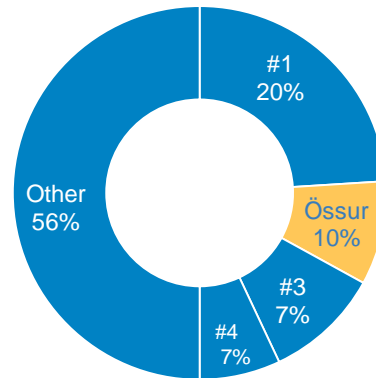
*Ólafur Gylfason
Dr. Thorvaldur Ingvarsson*

GLOBAL PROVIDER OF B&S SOLUTIONS

Bracing & supports	SEGMENT	USER PROFILE	IMPROVING PEOPLE'S MOBILITY
	 Injury Solutions	People recovering from fractures and ligament injuries	Stabilizing joints for improved healing
 OA Solutions	OA Solutions	People living with osteoarthritis	Non surgical treatment unloading affected joint for pain relief

GLOBAL MARKET

- Market size: \$2.7-3.0B
- Market growth: 3-4%
- Össur share ~10% #2
- Fragmented market



KEY TRENDS

Aging and more active population

Efforts to hold back health care expenditure

Key pathologies like stroke, diabetes and OA on the rise

B&S BUSINESS MODEL



CREATING VALUE

- FOR INDIVIDUALS AND HEALTH CARE SYSTEMS



INDICATION FOCUS

1

2

3

4

	POTENTIAL*	PATIENT	HEALTH CARE
Knee Injury	>50M knee injury 2M surgery	 <p>Enhanced healing Improved mobility</p> <p>Rebound®</p>	Support, delay or substitute surgery with cost savings
Knee OA	>25M Knee OA 1M TKR surgery	 <p>Pain relief Improved mobility</p> <p>Unloader®</p>	Less work absence with cost saving

* Local health care databases & management estimates in Össur's direct markets

BRANDED INDICATION BASED EVIDENCE

INDICATION FOCUS

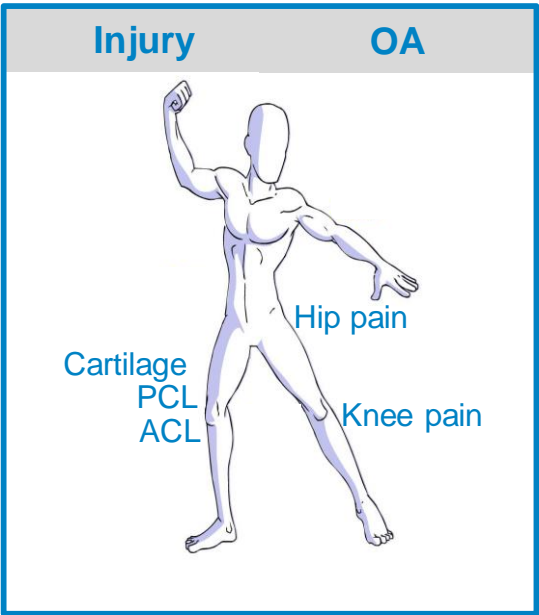
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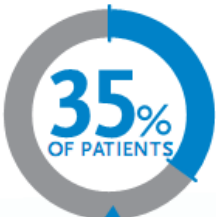
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SELECT HIGH POTENTIAL INDICATIONS



MEDICAL EVIDENCE

UNLOADER ONE
CLINICALLY PROVEN



REDUCED PAIN
MEDICATIONS

Steadman Study

BRANDED TECHNOLOGY



Rebound®

Unloader®

Rebound®
Cartilage

Unloader
One®

Rebound®
PCL

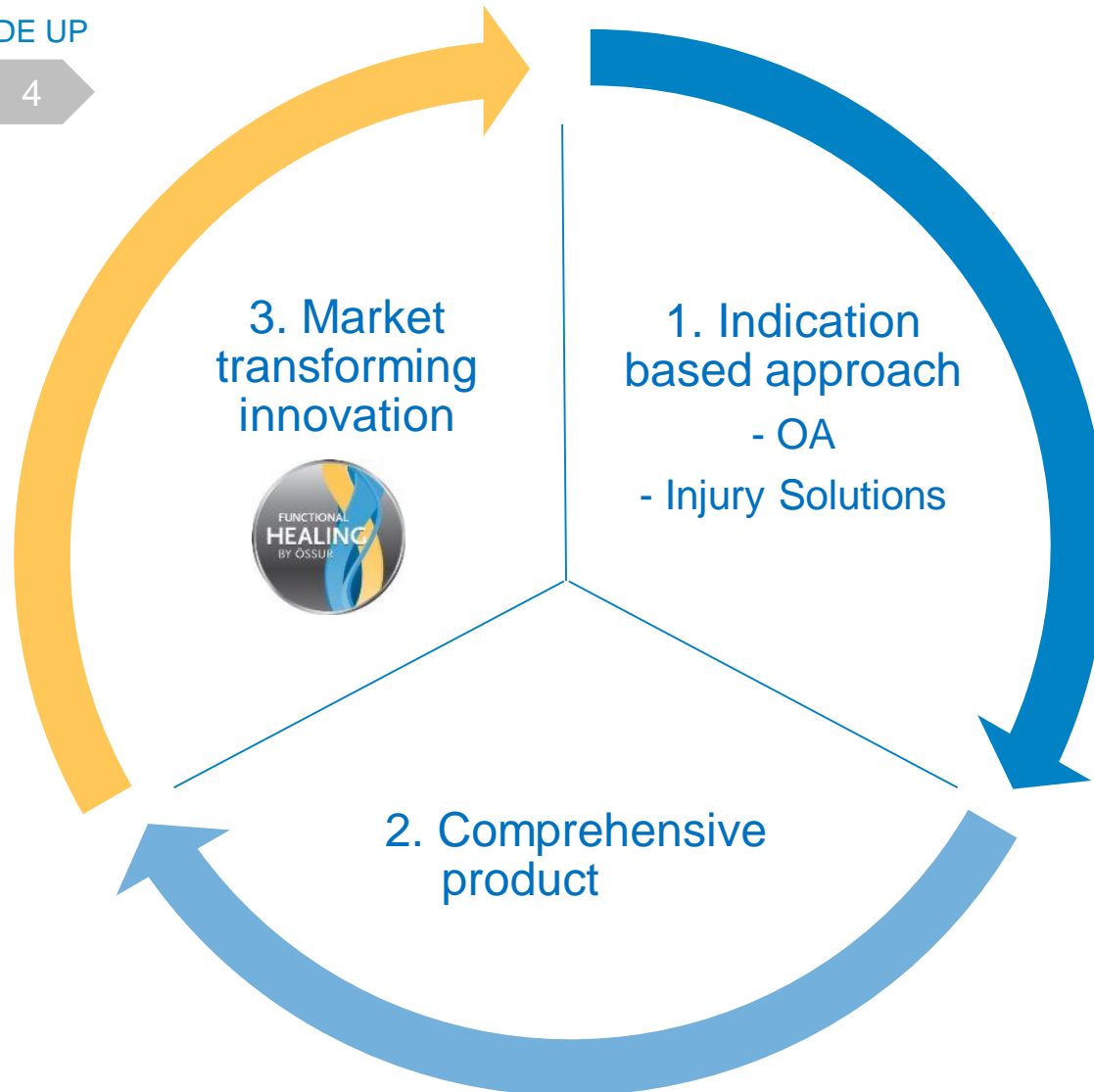
Unloader®
FIT

Rebound®
ACL

Unloader®
Hip

TECHNOLOGY TRADE UP THROUGH INNOVATION

TECHNOLOGY TRADE UP



FUNCTIONAL HEALING

- *WHERE MOBILITY MEANS RECOVERY*

TECHNOLOGY TRADE UP

1

2

3

4





THE FUNCTIONAL HEALING DNA

Only carefully selected Össur products achieve the Functional Healing seal of approval.

Biomechanics and orthopaedic solutions are the core of our expertise. They are part of Össur's DNA and inherent in our entire range of cutting edge Functional Healing products.

INDICATION BASED PROTOCOLS

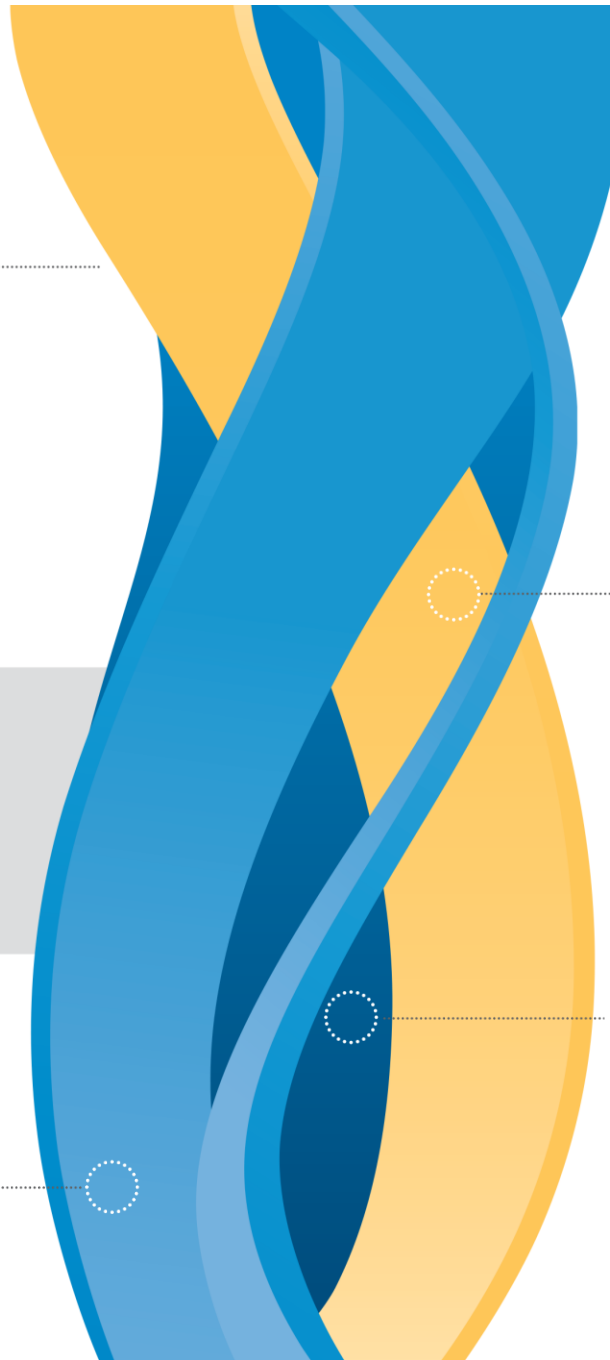
Each Functional Healing product is designed to fit into an existing treatment protocol for a specific indication.

PROPRIETARY TECHNOLOGY

Functional Healing products contain patented Össur technology based on over four decades of specialized biomechanics expertise.

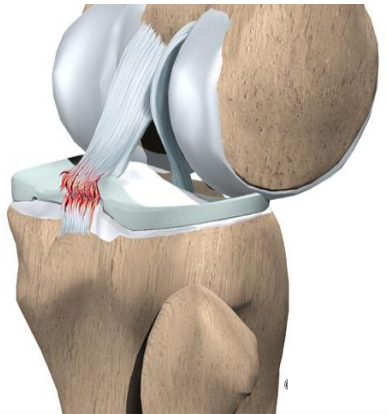
BIOMECHANICAL / CLINICAL VALIDATION

Each Functional Healing solution is backed up by proven clinically-relevant outcomes such as in-house testing, customer trials, clinical studies or existing clinical references.



PCL INJURY

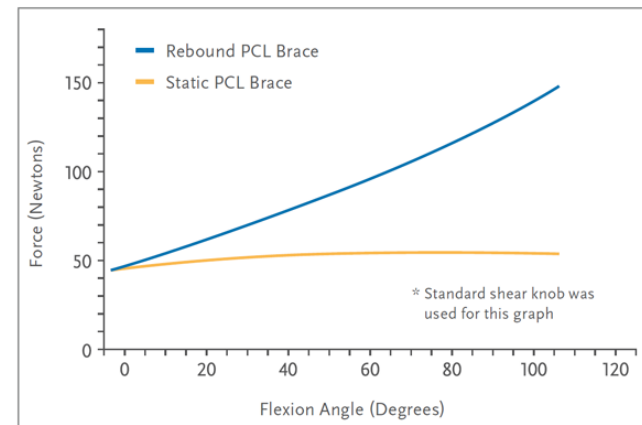
Posterior Cruciate Ligament (PCL) Tear



Rebound® PCL *World's first dynamic PCL brace*



Evidence



The Rebound® PCL brace applies significantly larger forces at higher knee flexion angles, where the posterior cruciate ligament (PCL) is maximally loaded in vivo, compared to a static PCL brace.

OA SOLUTIONS

TECHNOLOGY TRADE UP

1 2 3 4

UNLOADER® FIT

UNLOADERONE®



UNLOADER® FIT



GENERATING VALUE FOR INDIVIDUALS AND HEALTH CARE SYSTEMS

INNOVATION PIPELINE - FUNCTIONAL HEALING & OA

TECHNOLOGY TRADE UP

1 2 3 4



Rebound® Cartilage
Unloader® FIT

Rebound® PCL
Unloader® HIP

Rebound® ACL

2014




2015



MARKET APPROACH

MARKET APPROACH



KEY DECISION MAKERS				
USERS	PRESCRIBER	PROVIDERS	PAYER	
	<p>ORTHOPEDIC SURGEON SPORT MEDICINE</p> <p>RHEUMATOLOGIST GENERAL PRACTITIONER</p>	<p>O&P CLINIC / DME ORTHOPEDIC CLINIC</p> <p>HOSPITAL PHARMACY RETAIL</p>	<p>PUBLIC INSURANCE PRIVATE INSURANCE</p> <p>SELF PAY</p>	
Össur	OA and functional healing	Strong position maintained	Increasing focus	

PROFITABLE GROWTH

1 2 3 4

Product Mix Improvement



INNOVATION

- OA & Functional Healing trade up technology
- IP protection with high margin
- Growing fast

Rationalization



EFFICIENCY

- Simplify brand structure from 50 to 5 brands
- Develop unified standard range – Össur FormFit
- Reduce SKUs by 50%

Go-to-Market Efficiency



GROWTH

- Bring the “right” **product**
- With the “right” **people**
- To the “right” **customer**

KEY TAKEAWAYS

1.
Indication focus

2.
Technology trade up

3.
Market approach



4.
Profitable growth





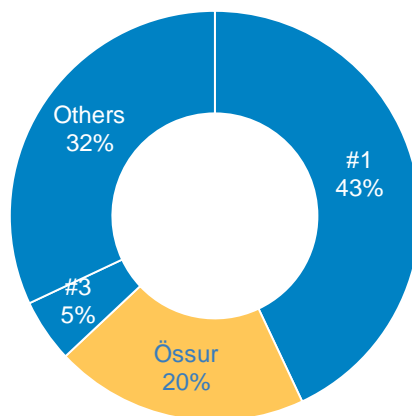
THE PROSTHETICS MARKET

Kim De Roy
Dr. Thorvaldur Ingvarsson

Prosthetics	SEGMENT		USER PROFILE	IMPROVING PEOPLE'S MOBILITY
		Mechanical products	People living with lower extremity amputation	Complete product offering for lower extremity prosthetics
		Bionic products		Advanced microprocessor controlled feet and knees

GLOBAL MARKET

- Market size: ~\$1B
- Market growth: 3-4%
- Össur share ~20% #2
- Consolidated market



KEY TRENDS

Aging and more active population

Health care budget pressure

Consolidation of patient care

Vascular diseases & diabetes

PROSTHETICS BUSINESS MODEL

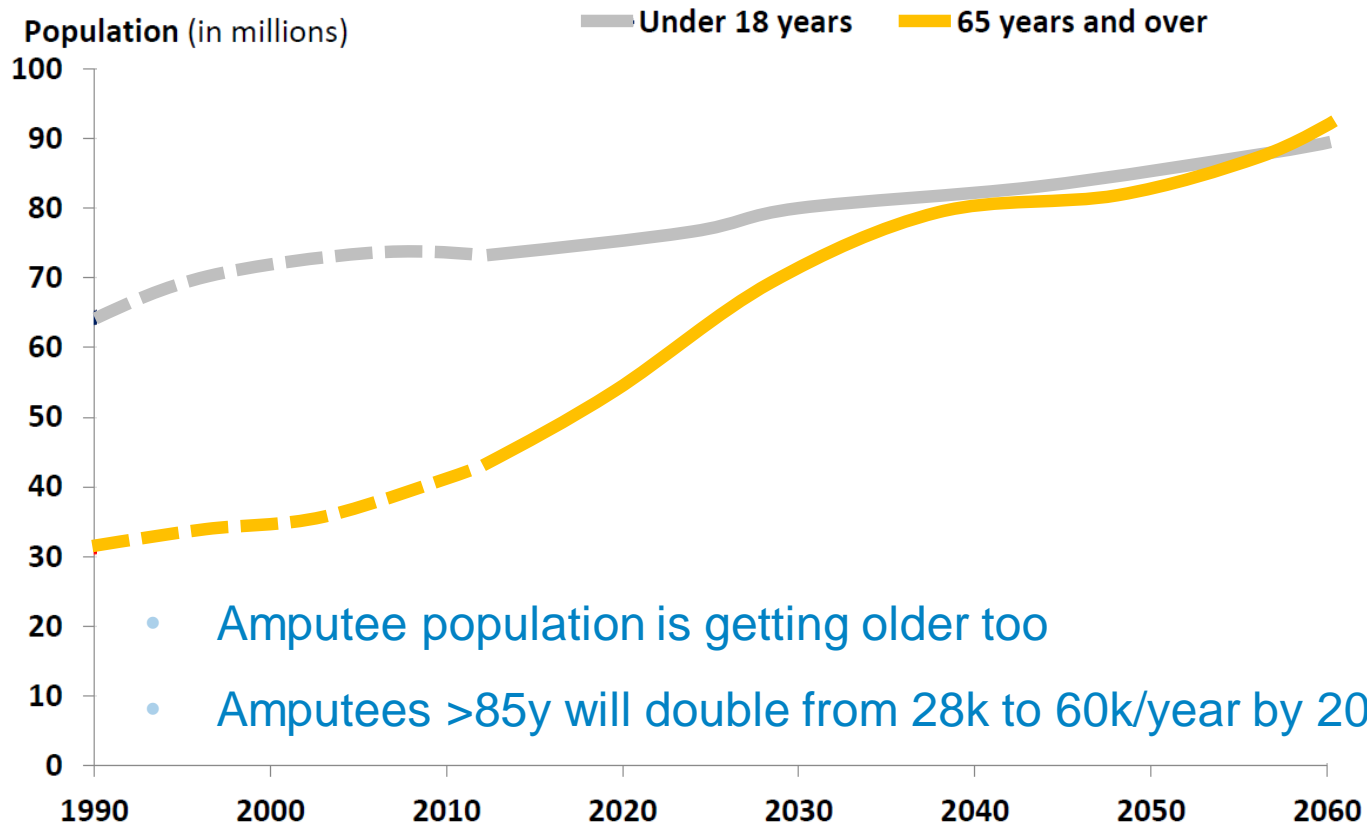


AMPUTEE POPULATION

AMPUTEE POPULATION

1 2 3 4

POPULATION UNDER 18 YEARS AND 65 YEARS AND OVER: 1990 TO 2060



- Amputee population is getting older too
- Amputees >85y will double from 28k to 60k/year by 2030*

GROWING THROUGH INNOVATION

- *LOW ACTIVE SOLUTIONS*

TECHNOLOGY TRADE UP

1 2 3 4

TECHNOLOGY TRADE UP

\$ 18,000



All below + Independent living

\$ 6,500



\$ 3,350



2015:
Dynamics + Safety ↑ + Skin Care ↑

\$ 1,950



2015:
Dynamics + Safety ↑

\$ 450



1999:
Dynamics ↑

\$ 70



Prosthetic foot?

MARKET APPROACH

1 2 3 4

Low Active
Solutions



Vacuum
Solutions



Bionic
Solutions



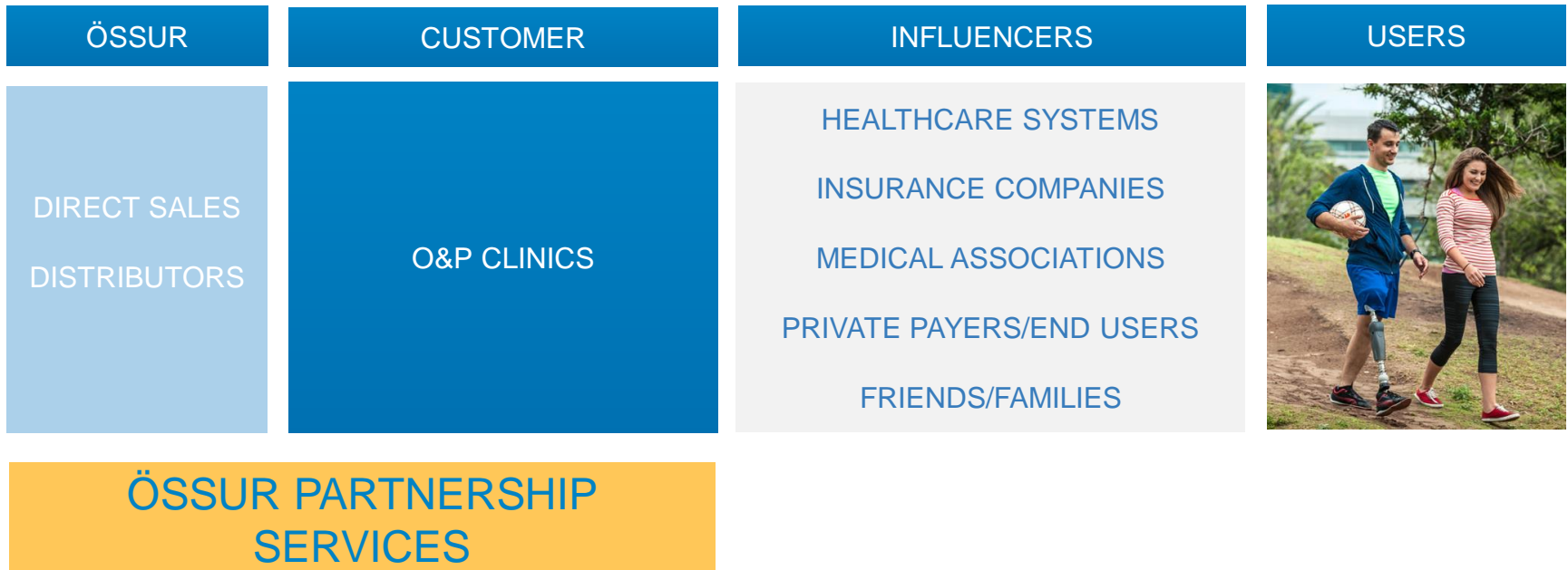
VALUE BASED HEALTHCARE

- Successful clinical outcome
- Evidence based
- Technology trade up
- All amputees & activity levels
- Awareness to Prescriber / Payer / User

MARKET APPROACH

MARKET APPROACH

1 2 3 4



ÖSSUR PARTNERSHIP SERVICES

MARKET APPROACH

1 2 3 4

CLINICAL

OPERATIONAL



Patient Life Cycle Management



Patient Documentation



Access to Innovative Solutions



Successful Clinical Outcomes



Reimbursement Solutions



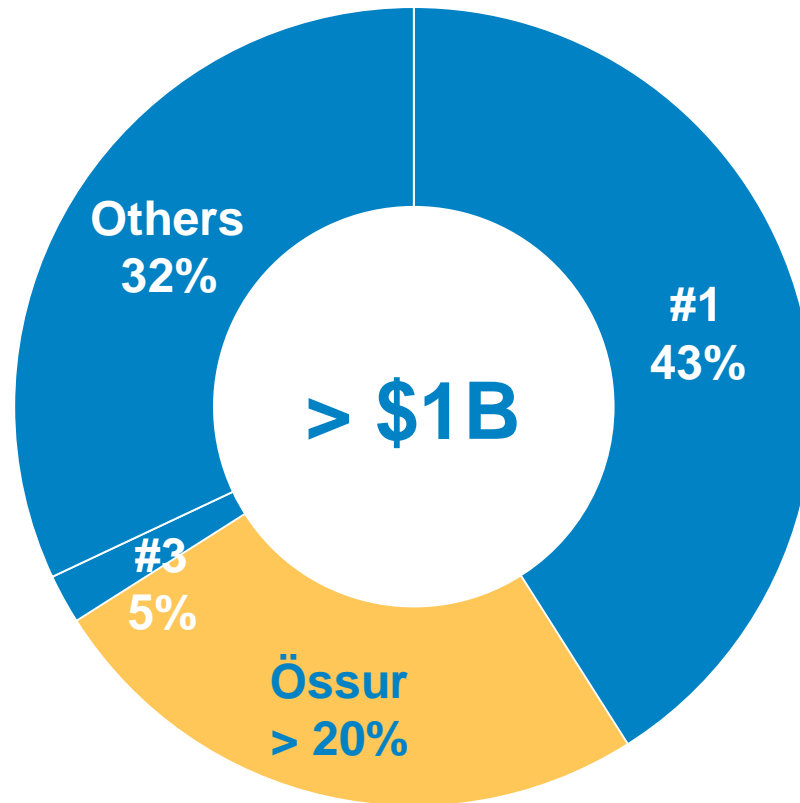
Financial Services



Professional Development

PROFITABLE GROWTH

PROFITABLE GROWTH



- Profitable market share growth
- Profitable market growth

KEY TAKEAWAYS

1.

Amputee population

2.

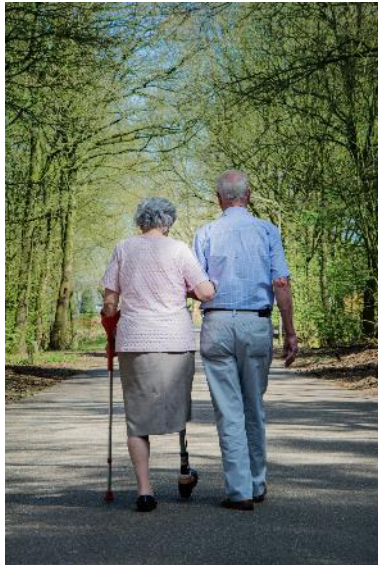
Technology trade up

3.

Market approach

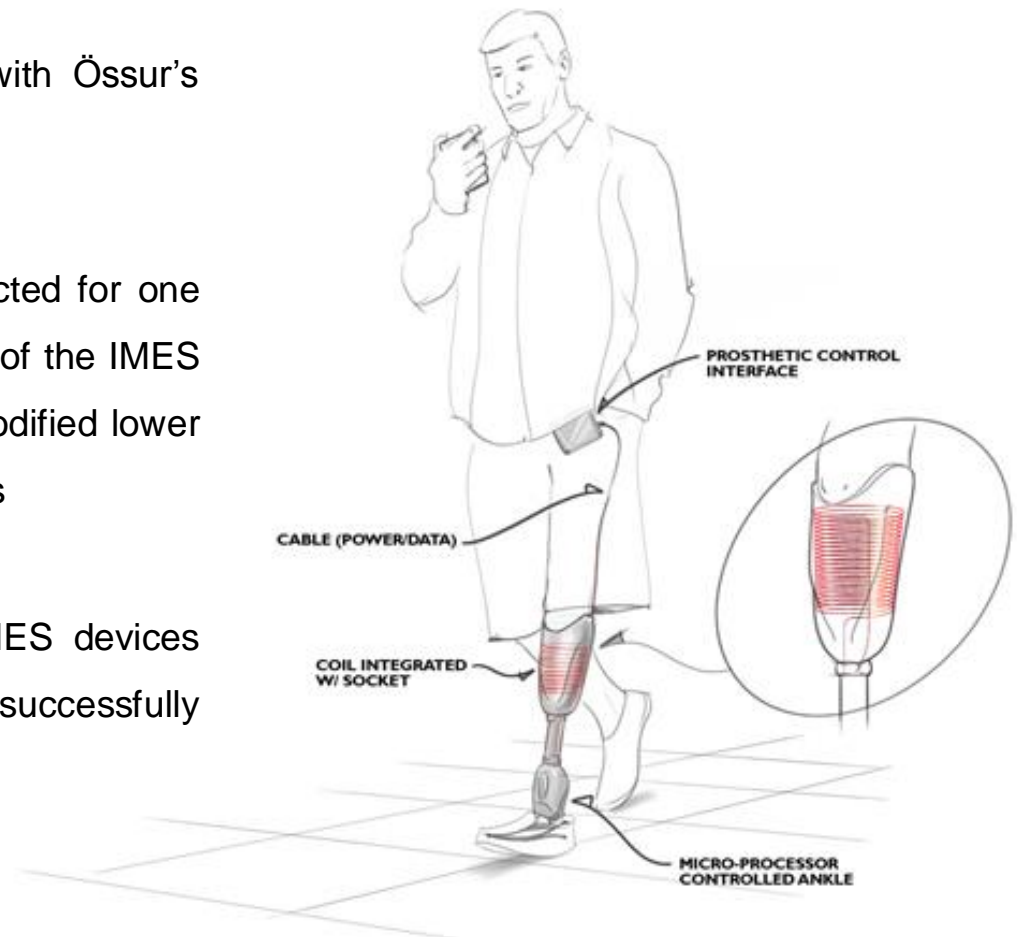
4.

Profitable growth

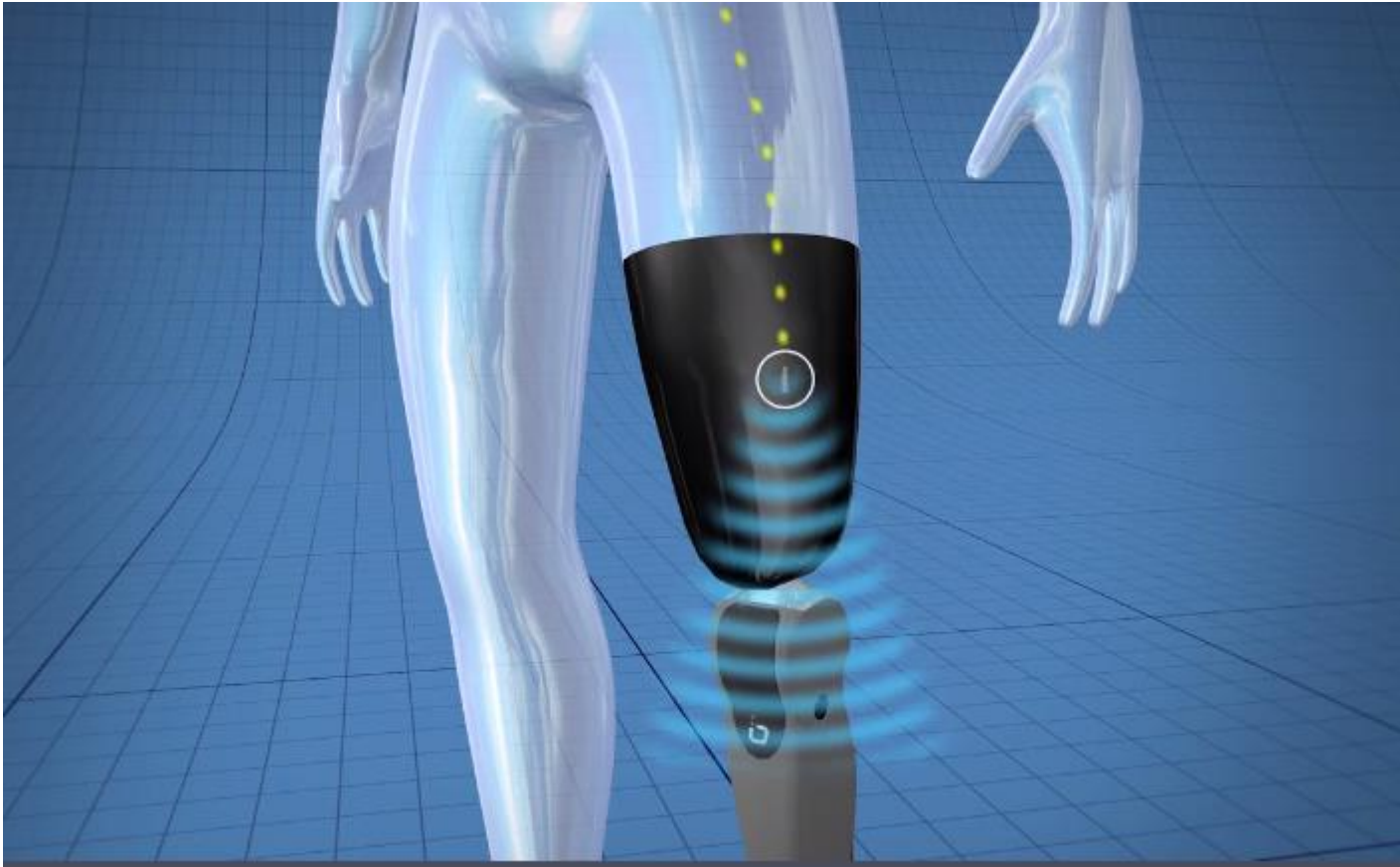


MIND-CONTROLLED PROSTHETICS

- The IMES* system was integrated with Össur's PROPRIO FOOT® and RHEO KNEE®
- A human feasibility study was conducted for one year to demonstrate the **functionality** of the IMES system in conjunction with Össur's modified lower extremity electromechanical prosthesis
- Preliminary results show that the IMES devices can produce a **stable signal** that can successfully be used to **control prosthetic function**



MIND-CONTROLLED PROSTHETICS





FINANCIAL PROFILE AND CAPITAL STRUCTURE

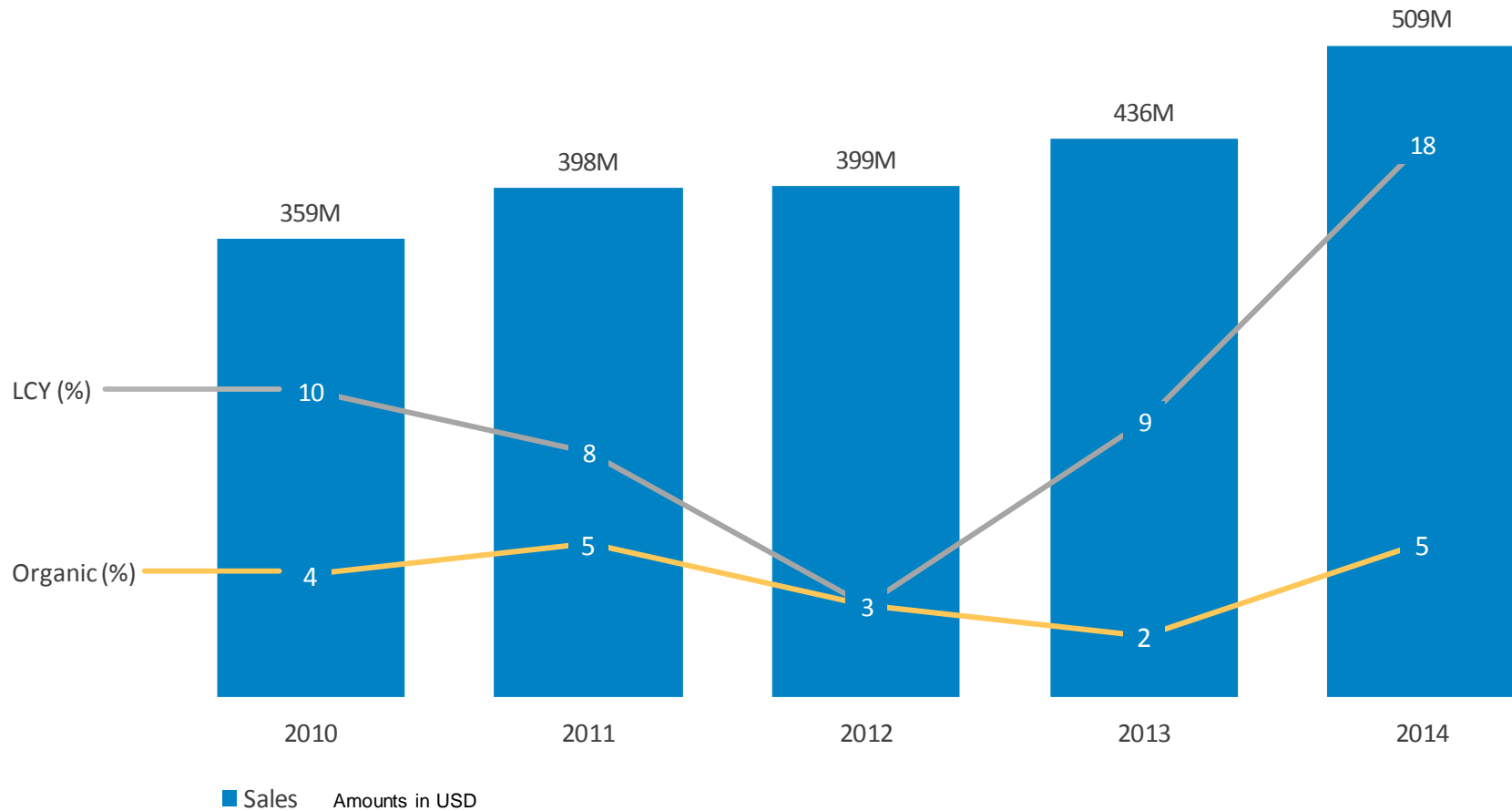
Sveinn Sölvason



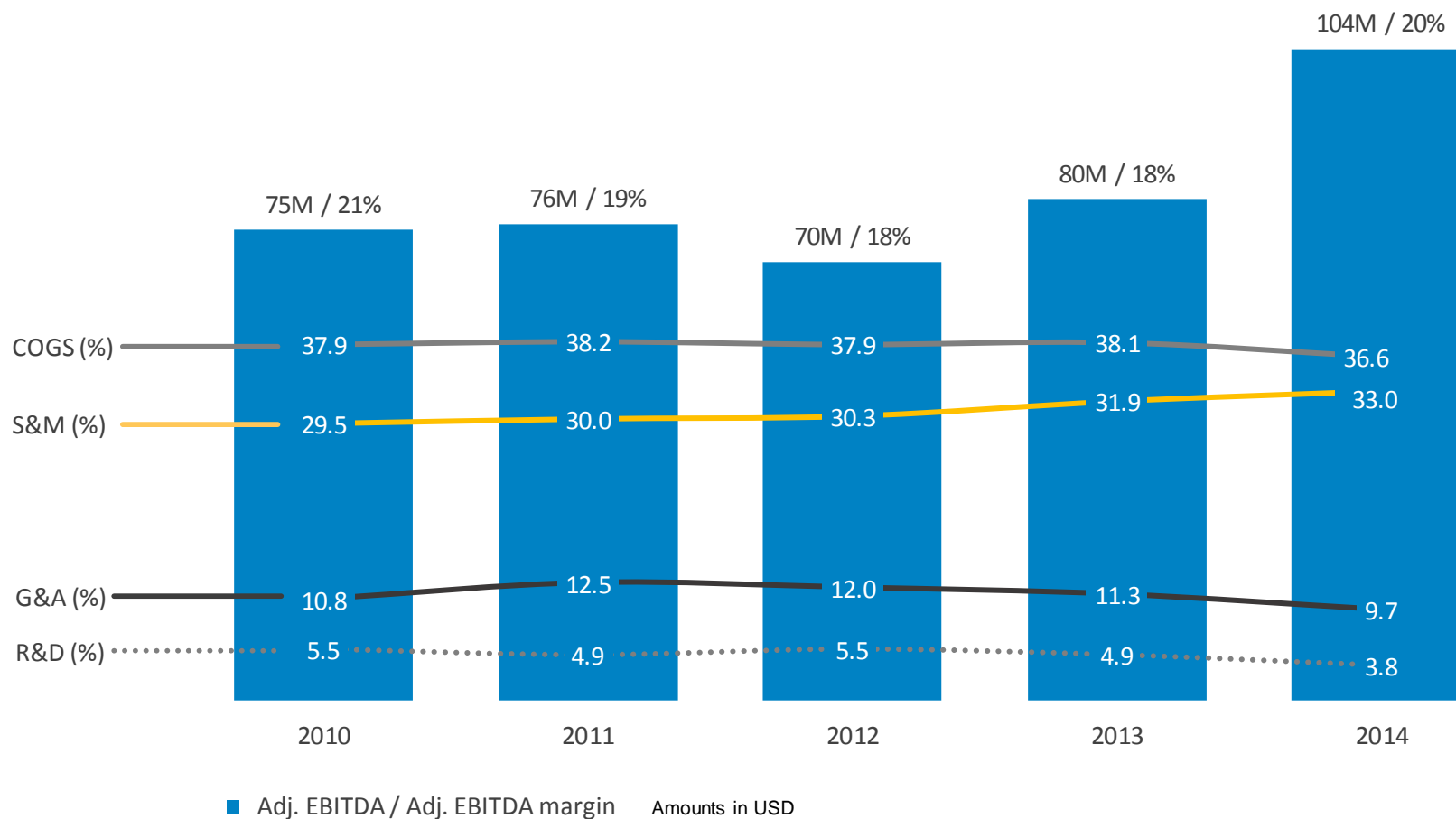
	Market growth	Market trends	Össur key priorities
B&S	~3-4%	<ul style="list-style-type: none"> •• Volume growth •• Moderate price pressure •• Mix relatively unchanged 	<ul style="list-style-type: none"> •• Technology trade up •• Product rationalization
Prosthetics	~3-4%	<ul style="list-style-type: none"> •• Moderate volume growth •• Stable pricing •• Technology trade up 	<ul style="list-style-type: none"> •• Technology trade up •• Forward integration

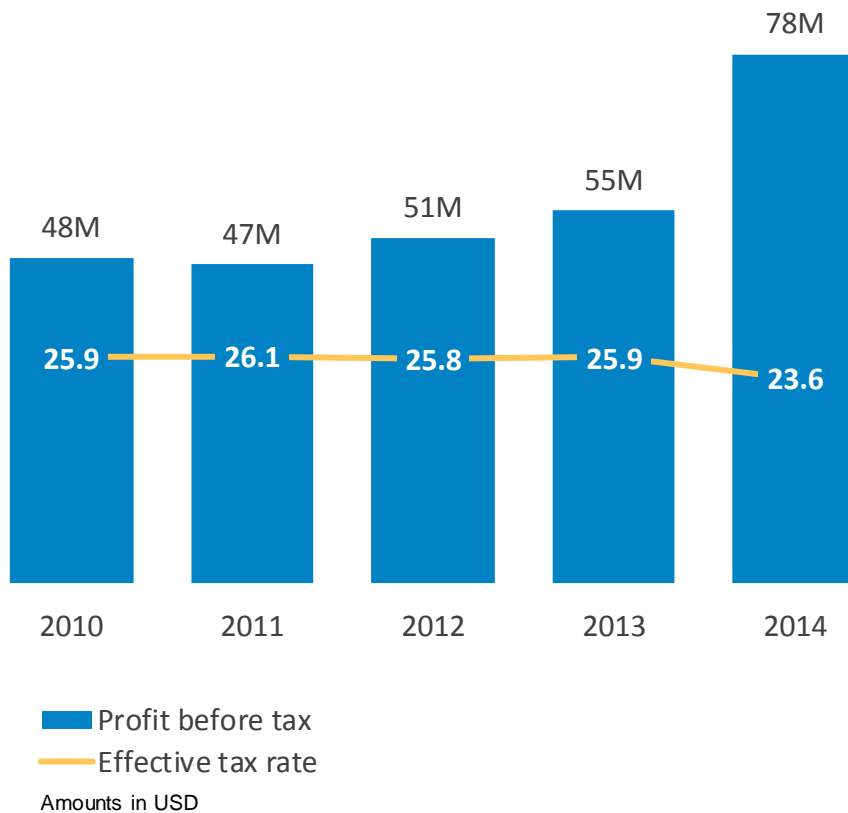
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SALES GROWTH

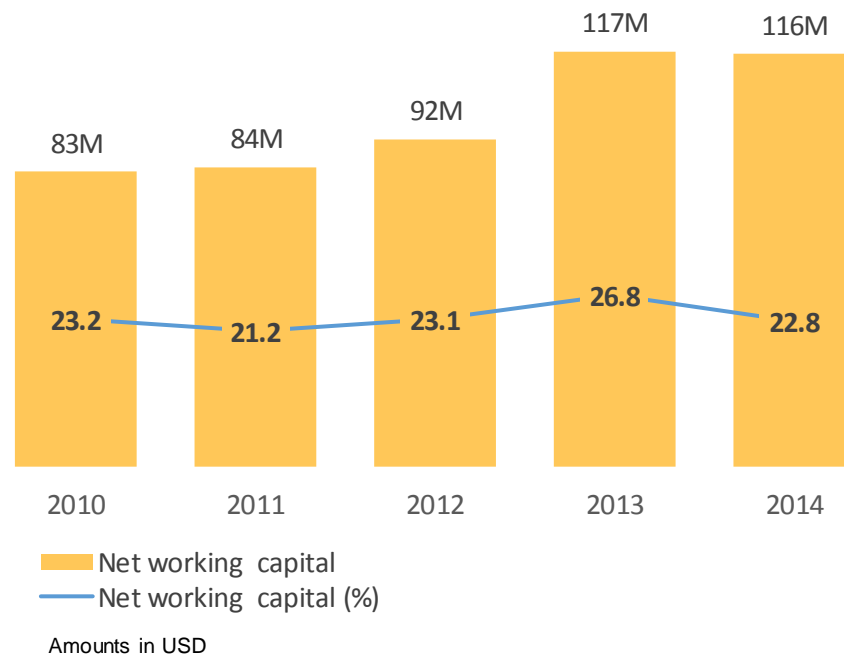
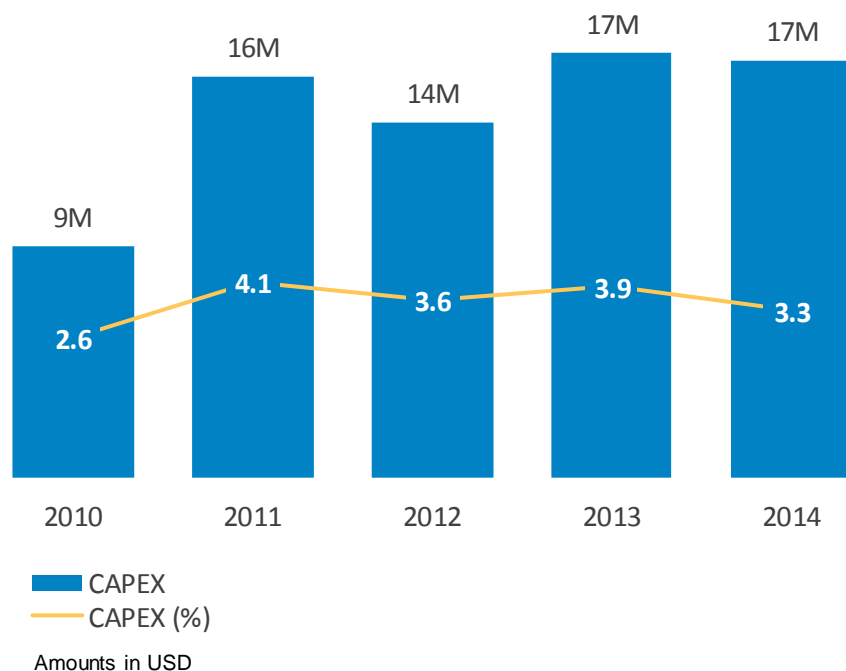


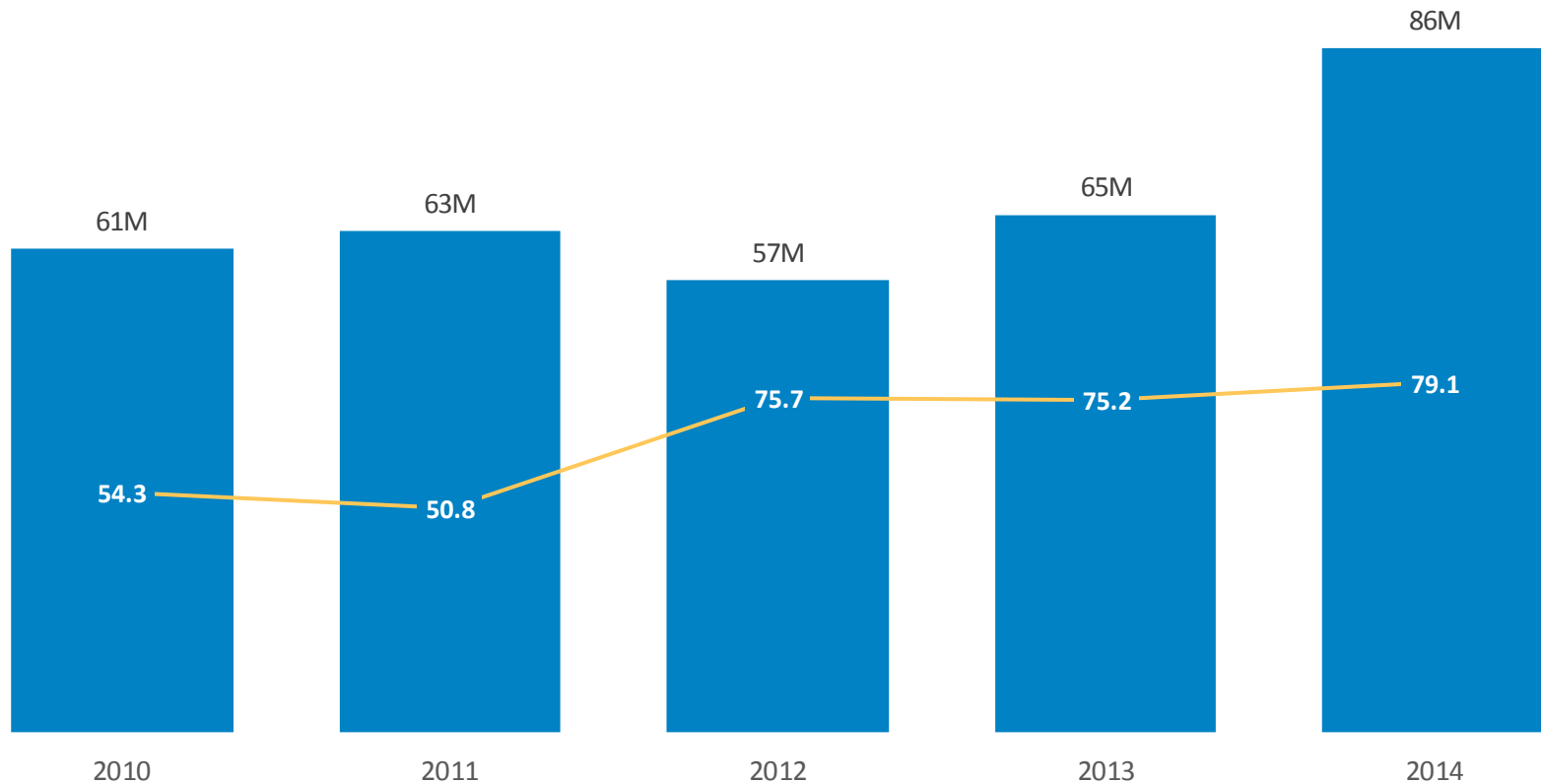

	Scalability of cost function	Key topics and focus areas	Global Process Alignment program
COGS	HIGH	<ul style="list-style-type: none"> Consolidated scalable platform Continuous improvement culture 	<ul style="list-style-type: none"> Warehouse process
S&M	MEDIUM	<ul style="list-style-type: none"> Direct salesforce in key markets Emerging markets build-out Customer service program 	<ul style="list-style-type: none"> Order entry process Product service process Customer feedback process
G&A	MEDIUM	<ul style="list-style-type: none"> Shared service center in Poland for transactional finance operations 	
R&D	MEDIUM	<ul style="list-style-type: none"> Bionics, OA and Functional Healing 	



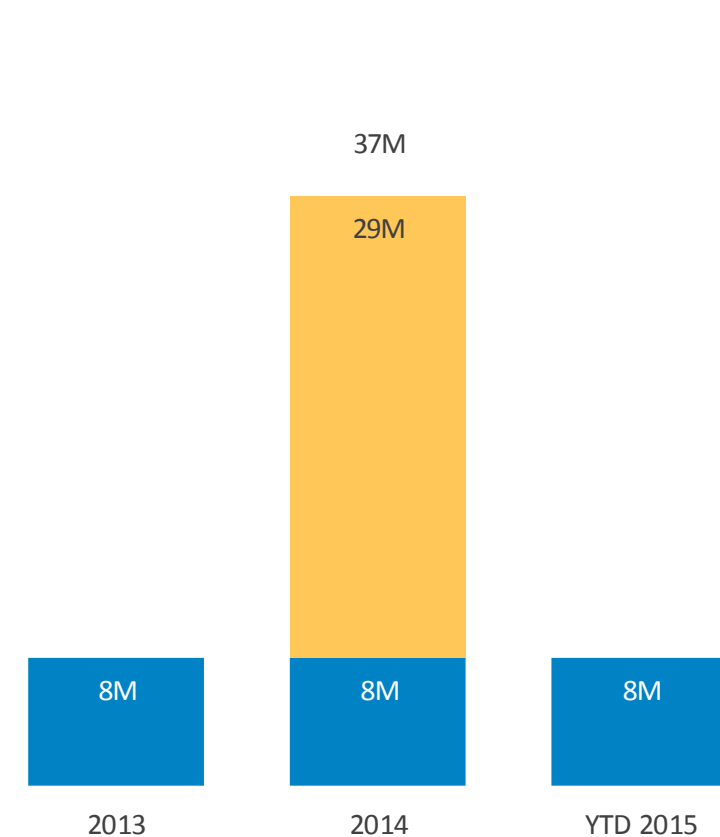


- Historically stable
- Effective tax rate of 25-26% expected in the short / medium term



 EBIT FCF (% of EBIT)

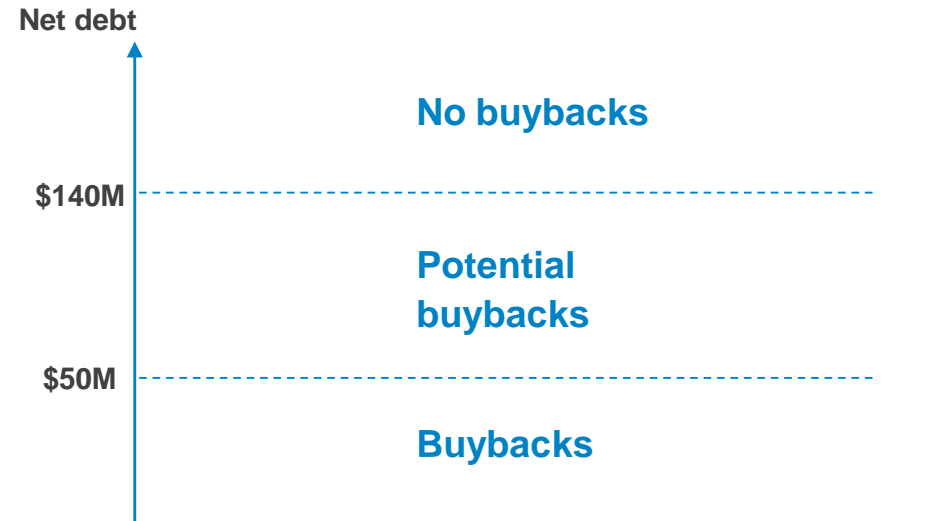
Amounts in USD



■ Share buy backs

■ Cash dividends

Amounts in USD



- Share buy backs used as primary mechanism to maintain net debt level of \$50-140M
- Shares bought back through block trades or safe harbor program in Denmark and/or Iceland



SUMMARY

Growth - Well positioned to grow at or above market growth

Profitability – Stable to slightly improving margins

Cash flow – Continued strong cash generation and return of capital



CLOSING REMARKS

Jón Sigurðsson

KEY TAKEAWAYS



Solid operational results



Strong market position



Technology trade up



Innovation to drive profitable growth



Delivering value to shareholders



WE IMPROVE PEOPLE'S MOBILITY

