



Capital Markets Day 2017

27 September 2017Copenhagen

Agenda

| 8:00 - 8:30 | Registration |
|-------------------------------|--|
| 8:30 - 8:35 | Welcome |
| | Jón Sigurðsson, President & CEO |
| 8:35 – 8:40 | Opening note Niels Jacobsen, Chairman of the Board of Directors |
| 8:40 – 9:00 | Strategic focus areas Jón Sigurðsson, President & CEO |
| 9:00 – 9:45 | Growth and innovation in Bracing & Supports Jason Thorne, VP B&S Global Marketing Dr. Þorvaldur Ingvarsson, EVP of R&D |
| | |
| 9:45 – 10:00 | Break |
| 9:45 – 10:00 10:00 – 11:00 | Break Growth and innovation in Prosthetics Kim De Roy, VP Prosthetics Global Marketing Dr. Þorvaldur Ingvarsson, EVP of R&D Bebe Vio, Össur Ambassador |
| | Growth and innovation in Prosthetics Kim De Roy, VP Prosthetics Global Marketing Dr. Þorvaldur Ingvarsson, EVP of R&D |
| 10:00 – 11:00 | Growth and innovation in Prosthetics Kim De Roy, VP Prosthetics Global Marketing Dr. Þorvaldur Ingvarsson, EVP of R&D Bebe Vio, Össur Ambassador Efficiency and financial profile |



Forward looking statements



This presentation contains forward-looking statements, which reflect the Management's current views with respect to certain future events and financial performance. Although the statements are based upon estimates the Management believes to be reasonable, there is no assurance that these statements will be achieved.

Statements containing the financial outlook for 2017 and the following years naturally involve risks and uncertainties, and consequently actual results will differ, and may differ materially, from those projected or implied in the forward-looking statements.

The risks and uncertainties may include unexpected developments in the international currency exchange and securities markets, financing, market driven price decreases for Össur's products, delay or failure of development products, production problems and unexpected cost increases, development of new technologies by competitors, the introduction of competing products within Össur's core areas, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws.

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Opening note

Niels Jacobsen, Chairman of the Board of Directors





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Strategic focus areas

Jón Sigurðsson, President & CEO



A global leader in non-invasive orthopaedics





Global medical device company

- More than USD 500 million in sales
- Prosthetics and Bracing & Supports
- Over 3,000 employees across the globe



Innovation driven

- ~4-5% of sales invested in R&D
- Over 1,200 patents
- New product launches every year



Profitable growth

- Organic and acquisitive sales growth
- ~4% average historical 5Y organic growth
- 19% average historical 5Y EBITDA margin

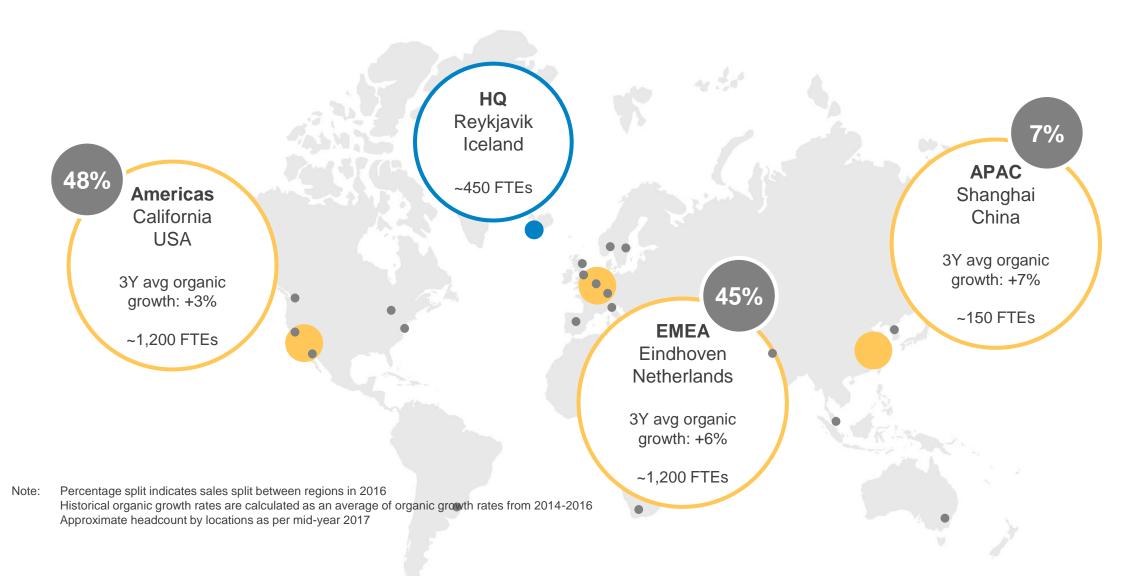


Shareholders

- Listed on Nasdaq in Copenhagen in 2009
- Market capitalization of ~2 billion USD
- Largest shareholder William Demant Invest A/S

With well diversified global operations we are able to serve our customers locally





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Össur's vision is to maintain a leading position in non-invasive orthopaedics

MAIN FOCUS AREAS



Innovation

Technology trade-up



Growth

Maintain sustainable growth



Efficiency

Conduct business efficiently





We focus on technology upgrades and indication based innovation so we can improve people's mobility

PROSTHETIC TECHNOLOGY TRADE UP











Note: Manufacturer sales price indicators in USD

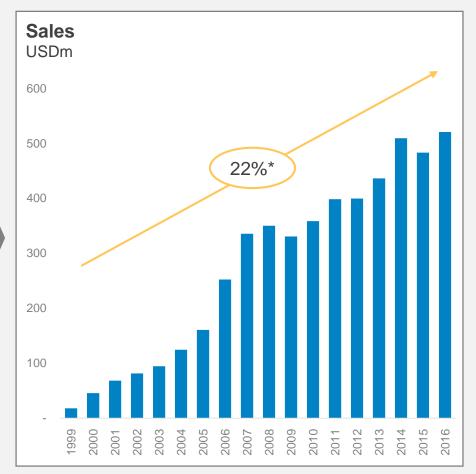




We create value for individuals and healthcare systems by providing innovative products and services







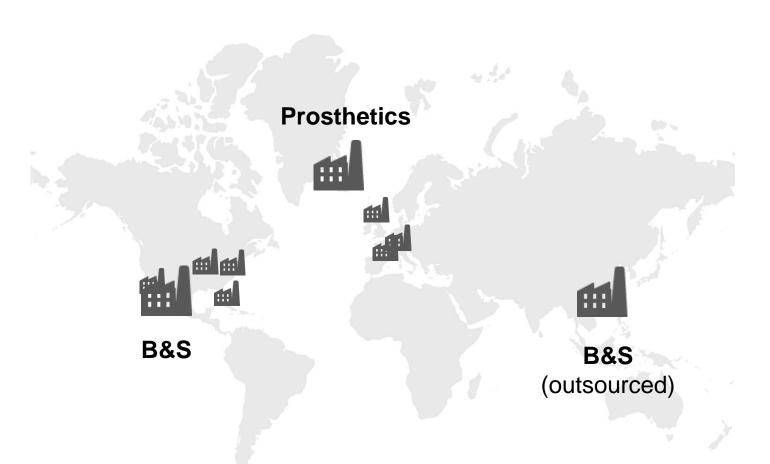
^{*} Compound annual growth rate

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We continuously seek ways to optimize our operations with the objective to increase efficiency in global service offerings





Manufacturing efficiency

- Consolidated scalable platform
- Growing Mexico platform
- Manufacturing efficiency and continuous improvement culture

Operational efficiency

- Economies of scale
- Shared service center in Poland
- Global process optimizations
- Efficient and effective post-merger integrations

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Value creation



GROWTH

Introducing current priorities to grow and innovate in Prosthetics and B&S



Introducing efficiency initiatives to increase profitability







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Growth and innovation in Bracing & Supports

Jason Thorne, VP of B&S Global Marketing

Dr. Þorvaldur Ingvarsson, EVP of R&D

We have grown our B&S business organically and through acquisitions

Bracing & Supports



Sub-segment

User profile

Improving mobility

Injury solutions

People recovering from fractures, ligament injuries or need a post operative treatment

Products stabilizing joints and improving healing

OA



People living with osteoarthritis

Non surgical treatment by unloading affected joint with braces





#2 in the world





Source: Össur management estimates

^{*} Increased penetration of high-end bracing

^{**} Orthotic & Prosthetic clinics

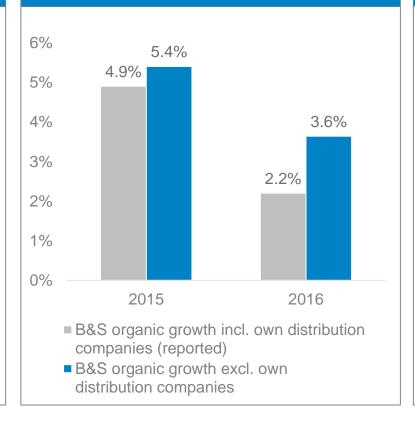
Impact from own distribution companies







Growth in B&S in line with market growth, excluding own distribution companies



Key points

Impact of internal restructuring efforts

- Negative impact on organic growth rates of about 1% on average over 2015-2016
- Restructuring efforts finalized in 2017

Strategically important

The companies provide important channel access

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Megatrends are creating opportunities in multiple areas

Aging and more active population



OA, stroke and diabetes on the rise



Health care expenditure



Health technology assessment



New technology



Consolidation in patient care



From volume to value



Improved treatment options





Clear growth priorities that strengthen our competitive position





SEGMENT AND VALUE PROPOSITION



- High quality innovative solutions to enhance healing
- Complete product lines
- Competitive pricing
- Operational, clinical and reimbursement support



- High-end unloading solution for pain relief and enhanced mobility for OA patients
- Effective and economical solution that is less expensive than traditional surgical treatments



GROWTH PRIORITIES



Untapped market opportunities

2

Differentiation based on value add service to customers

Indication based innovation approach across the product portfolio

4

Grow the market with the introduction of new technology



Above market growth rates with positive impact on gross profit margin with product mix improvements

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1

We still have numerous opportunities to capture market share with a global market share of 6-8%



Americas US

Strengthen presence and gain access to KOL*

EMEA

Western Europe

B&S entrance into selected markets and strengthen access

EMEA

Emerging markets

Go direct in selected emerging markets

APAC

Emerging markets

Increase market share in selected markets

^{*} Key opinion leaders

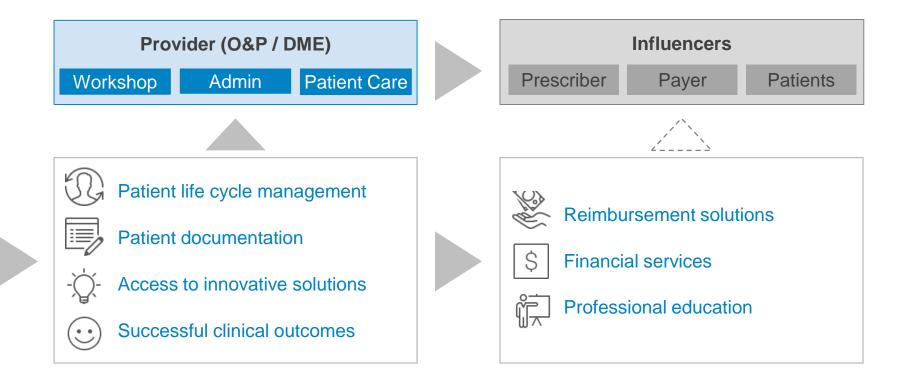
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ÖSSUR_®

PARTNERSHIP SERVICES

Partnership services to better access payers, prescribers and end-users to drive technology trade-up





Partnership service program implemented to establish a strategic partnership with patient care providers

Develop and implement initiatives that lead to amputees and B&S patients requesting Össur products

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Product development is based on an indication based innovation



20

1. Yearly incidence*

2. Select high potential indication

3. Bracing for patient

4. Medical evidence

5. Cost savings and value creation

>50 million knee injury

~2 million have surgery

Post-op primary knee injury (ACL / PCL**)



Enhanced healing and improved mobility

Support by clinicallyrelevant outcomes and designed to optimize healing while maintaining function and mobility

Support, delay or substitute surgery and less work absence with cost savings for the healthcare system and patients

>25 million knee OA

~1 million have total knee replacement surgery Knee OA unloading brace



Pain relief and improved mobility 35%

reduction in prescription anti-inflammatories***

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

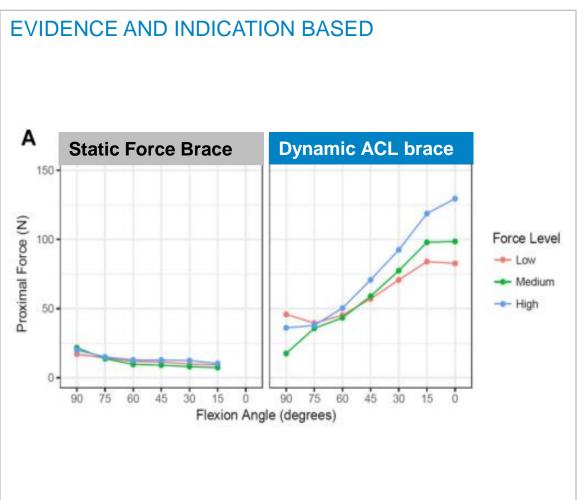
^{**} ACL stands for anterior cruciate ligament and PCL stands for posterior cruciate ligament

^{***} Briggs, K.K., Matheny, L.M., and Steadman, J.R. 2012. Improvement in quality of life with use of an unloader knee brace in active patients with OA: A prospective cohort study. J Knee Surg 25, 417-422.

New product launches and upgrades are key contributors to growth







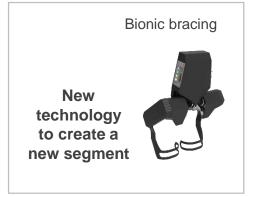
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^{*} ACL stands for anterior cruciate ligament and PCL stands for posterior cruciate ligament

Technology innovation

We balance our R&D approach with innovative technology and ventures into new market segments

3D knitted OA brace Leveraging 3D knitting technology for knee OA





Product lifecycle management for high-end products

Unloader® One



New market segments





Bionic bracing is an example of ventures derived from our open innovation culture



What is open innovation at Össur about?



Expand innovation reach



Several EU-funded collaborative research projects in 2017



Focused Product Innovation unit collaborating with academic, clinical and technology leaders



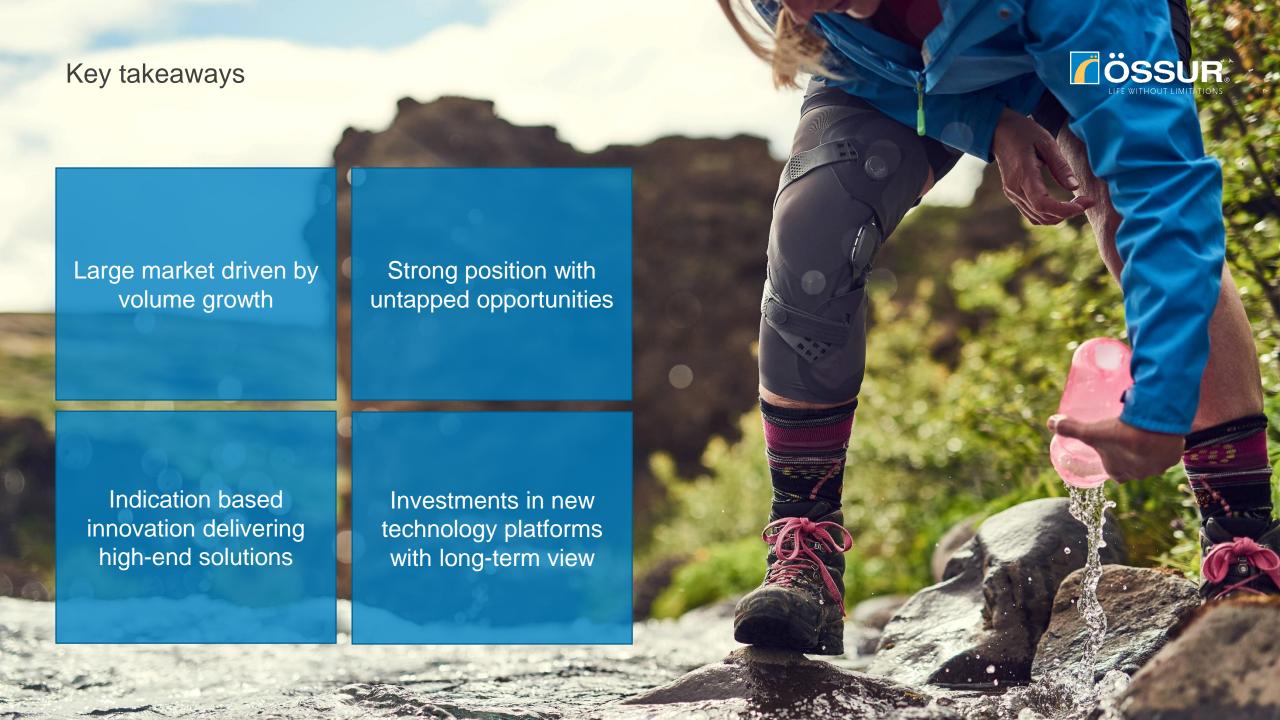
Insourcing of technologies and outsourcing aspects of product design, e.g. 3D knitted injury line

Bionic bracing



- Wearable, intelligent and active bionic brace capable of providing assistance and improving the quality of life
- Suitable for anyone who needs biomedical device support in day-to-day activities
- Technology also applicable for workers in other industrial and service fields

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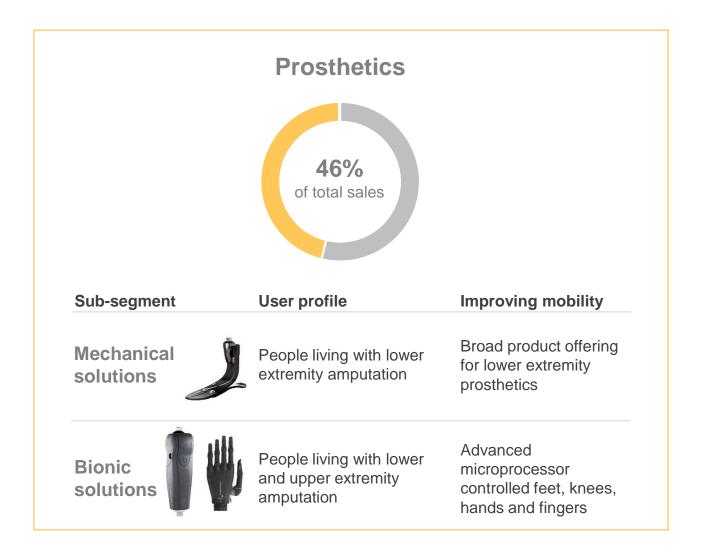


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Growth and innovation in Prosthetics

Kim De Roy, VP of Prosthetics Global Marketing Dr. Þorvaldur Ingvarsson, EVP of R&D Bebe Vio, Össur Ambassador

Full range of prosthetic solutions

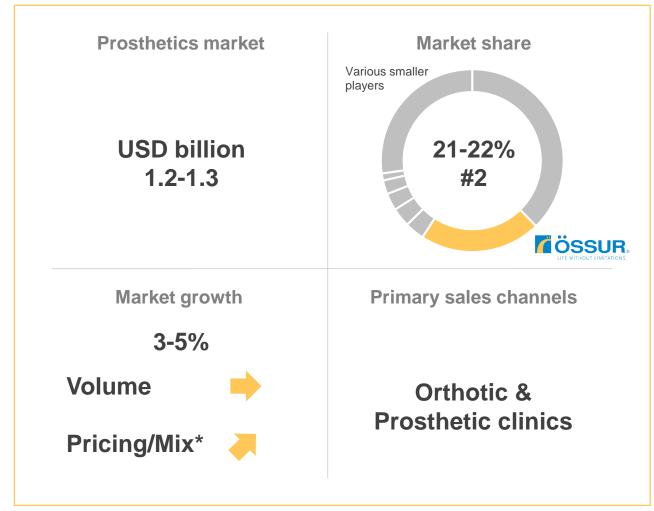






#2 in the world





Source: Össur management estimates

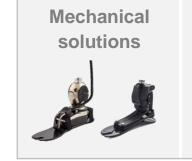
^{*} Increased penetration of high-end prosthetics

Clear growth priorities that strengthen our competitive position





SEGMENT AND VALUE PROPOSITION







- High-end innovative solutions
- Broad portfolio of products and solutions that meet individual needs of each customer
- Advanced microprocessor solutions (bionics) for feet, knees and hands
- Operational, clinical and reimbursement support



GROWTH PRIORITIES



Untapped market opportunities

2

Customer value creation with forward integration

3

Grow the market with technology trade-up approach across the product portfolio

4

Acquisitions



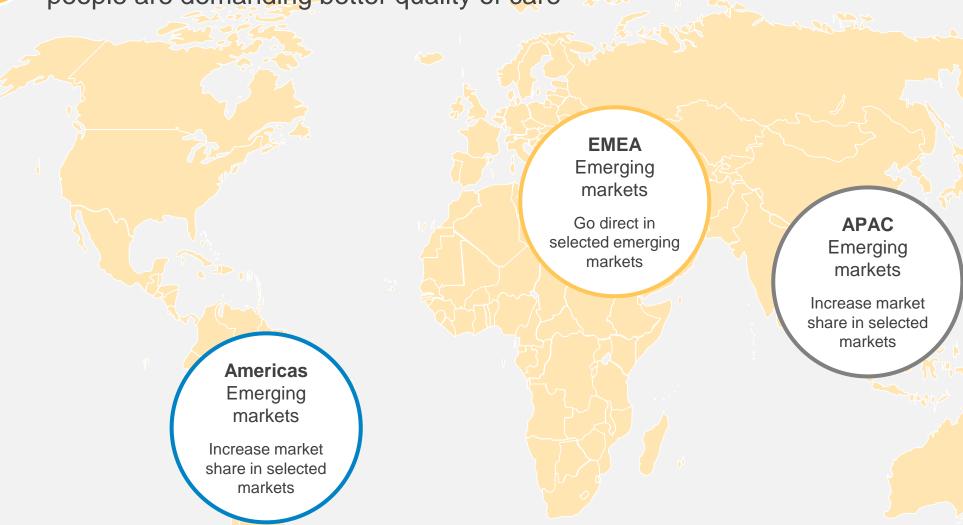
Above market growth rates with positive impact on gross profit margin with product mix improvements

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1

Reimbursement and healthcare systems are developing and people are demanding better quality of care





Forward integration to get closer to our customers



Workshop and **Components and solutions End-user Prescriber** Payer patient care Custom made Manu-Sales & Amputees Innovation prosthetics facturing marketing Public insurance People Selecting the Orthopaedic recovering from right brace surgeon Private injuries or **Prosthetics** operations insurance Clinical support, Healthcare Bracing & supports fitting and professionals People living Self pay consultation with osteoarthritis Forward integration in selected markets

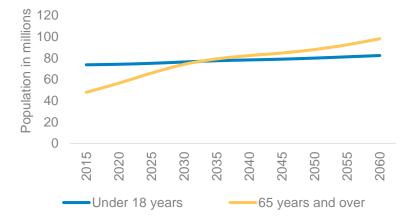
Healthcare systems, insurance companies, medical associations, end-users and families influence other stakeholders

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How one of the megatrends is creating opportunities for technology trade-up

Aging and more active population

Population projections in the US by age*



- The age group 65 and older is estimated to increase from ~15% in 2015 to ~24% in 2060
- Amputees over 85 years expected to double from 28,000 to 60,000 per year by 2030**

with opportunities based on healthcare economics***



Only 30-40% of new amputees receive a prosthetic leg with majority receiving a mechanical solution



People are however less likely to fall with a bionic solution where the average additional cost following a fall can be \$25,000 if hospitalized



Costs to patients can however be much higher as indirect costs, such as lost wages, are not included.



The study therefore provides evidence that it may not be economical to withhold bionics from patients



^{*}United States Census Bureu: 2014 National Population Projections Tables.

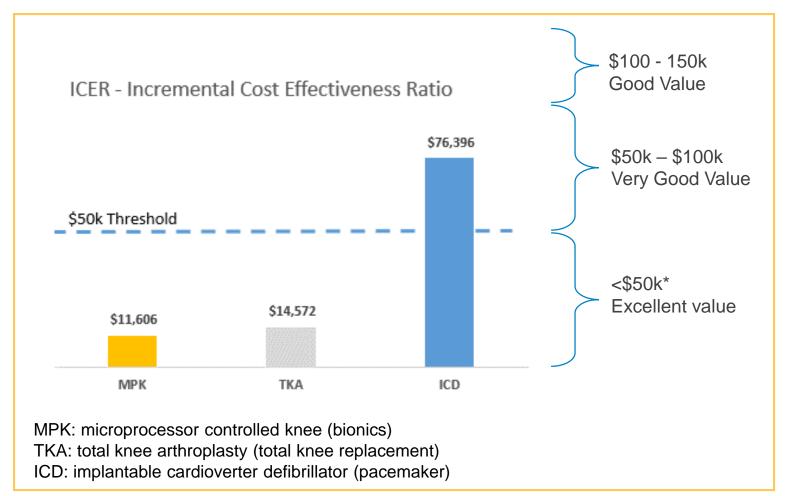
^{**}Fletcher et al., 2002.

^{***}Mundell, et al., 2017



Research supporting technology trade-up and the cost effectiveness of bionic knees (1/2)





- MPKs result in an increase of 0.91 quality adjusted life years (QALY) (\$10.604 increase/person)
- Corresponding ICER is \$11.606 to generate an additional QALY
- Statistics support the costeffectiveness of the MPK's for above knee amputees

Source: L., Hangsheng, et.al. Economic Value of Advanced Transfemoral Prosthetics. Santa Monica, CA: RAND Corporation, 2017

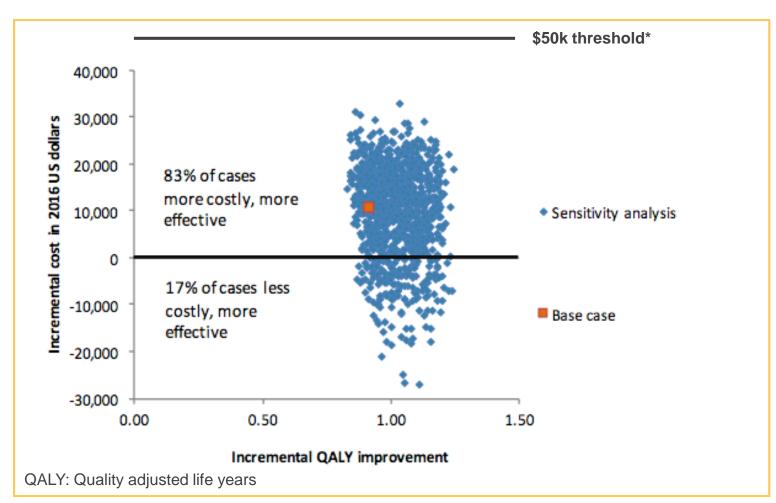
* Thresholds defined with consensus of the Institute for Clinical and Economic Review. 2017

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Research supporting technology trade-up and the cost effectiveness of bionic knees (2/2)



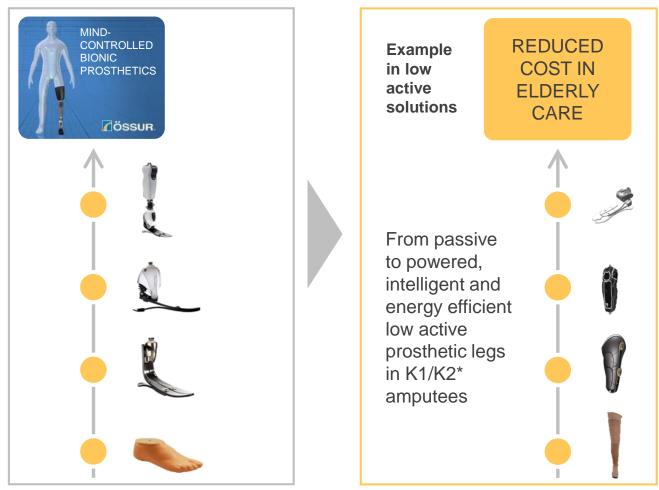


Source: L., Hangsheng, et.al. Economic Value of Advanced Transfemoral Prosthetics. Santa Monica, CA: RAND Corporation, 2017 * Thresholds defined with consensus of the Institute for Clinical and Economic Review, 2017

- Probabilistic sensitivity analysis:
 ICER varies from –\$25,355 to
 \$36,357 per QALY
- Best case: MPK's dominate Non-MPK's, resulting in lower cost and greater QALY's
- Worst case: Cost is higher (\$36,357)
 but still well below \$50k threshold
- Health-economic benefits of the use of MPK is robust in various sensitivity analyses

3

Technology trade-up in the low active prosthetics segment



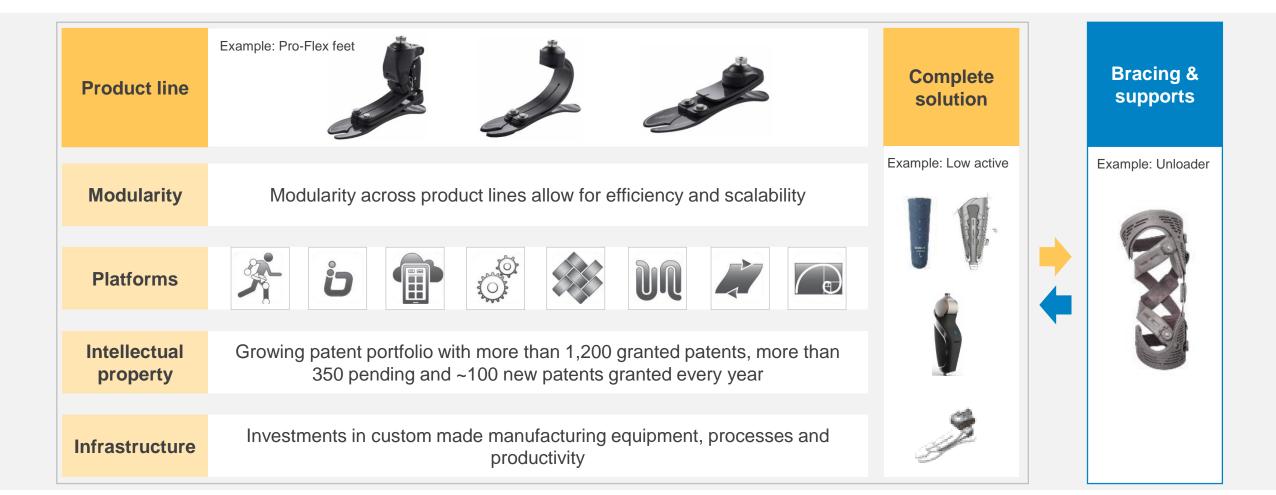
^{*} K-level is a rating system used by Medicare to indicate a person's rehabilitation potential. Ratings are from 0 to 4 and it indicates a person's potential to use a prosthetic device. K0 indicates inability to move and a prosthesis would not help whereas K4 could be a prosthetic demand of an athlete.





Össur is an innovation powerhouse with the ability to leverage our pillars of innovation across solutions and segments

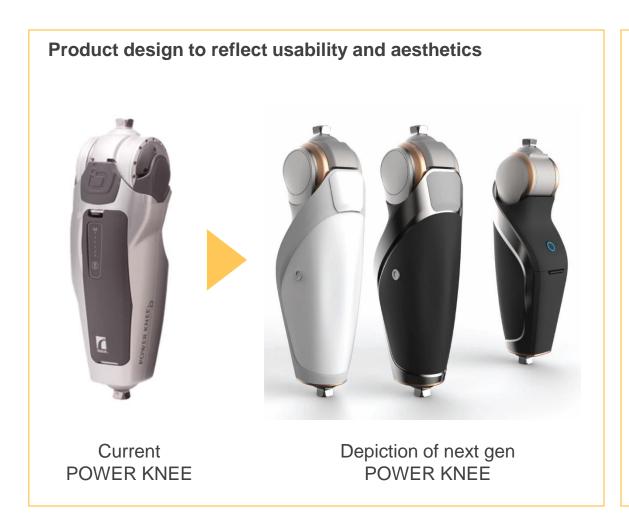




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Design integrated into product development process







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New generation of prosthetics will focus on the seamless integration of technology and human function

The goal is to have all Össur bionic devices mind-control compatible

Update on mind-controlled prosthetics

- Technology functioning for
 - Feet
 - Knees
 - Hands
- Sensor technology submitted for FDA approval
- Clinical studies to follow an FDA approval

We will accelerate our investments in bionics and mind-controlled prosthetics going forward





Össur has a history of efficiently integrating acquired companies







OBJECTIVES

Profitable Growth Innovation Customer Focus

BASED ON

Synergies
Shared competence

| | Description | Goal | Status |
|-------|--|--|-------------|
| Sales | Leverage Össur's sales channels and relationships | Maintain sales growth | On track |
| cogs | Knowledge transfer of Össur's best-in-class capabilities | Alignment and efficiency in global manufacturing processes | On track |
| OPEX | Leverage Össur's infrastructure for economies of scale | Increase EBITDA margin to ~20% | On track |

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Significant untapped market opportunitiy in upper extremities



Upper extremity market

- 5-10% of total amputations with >60% younger than 65
- Combined market size in North America and Western Europe estimated around USD 100 million which is about 10-15% of the total prosthetics market









1950s

Passive upper

extremity prosthesis

1960/70s

Standard myoelectric upper extremity prosthesis

2000s

Multi-articulated upper extremity prosthesis

USD Andicative opportunity space for upper extremities
~100
million

Entrance into the upper extremity market with opportunities for technology trade-up, conversion of non-users, new technology, solutions and markets

Source: Össur management estimates

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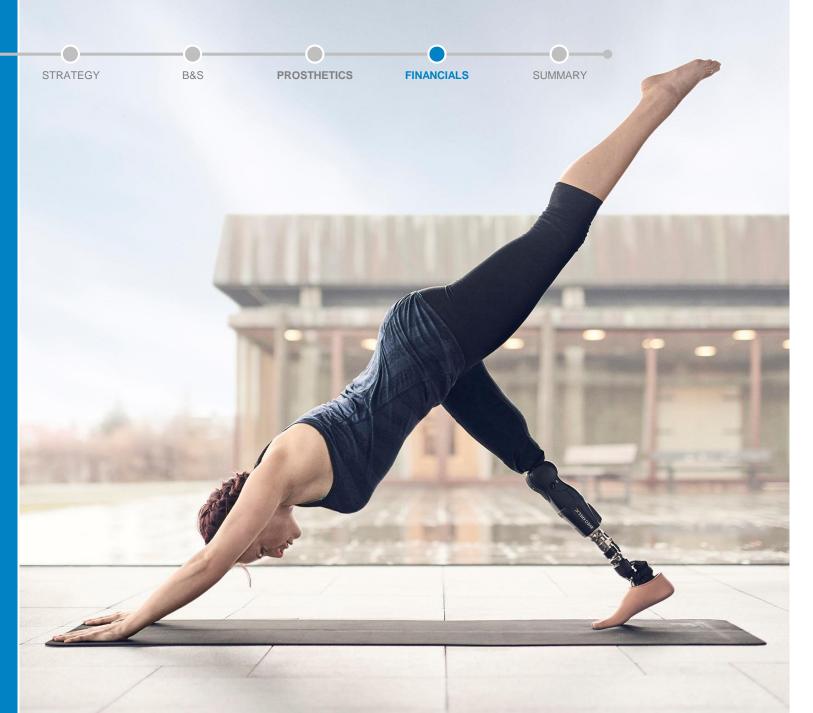






Bebe Vio

Össur Ambassador





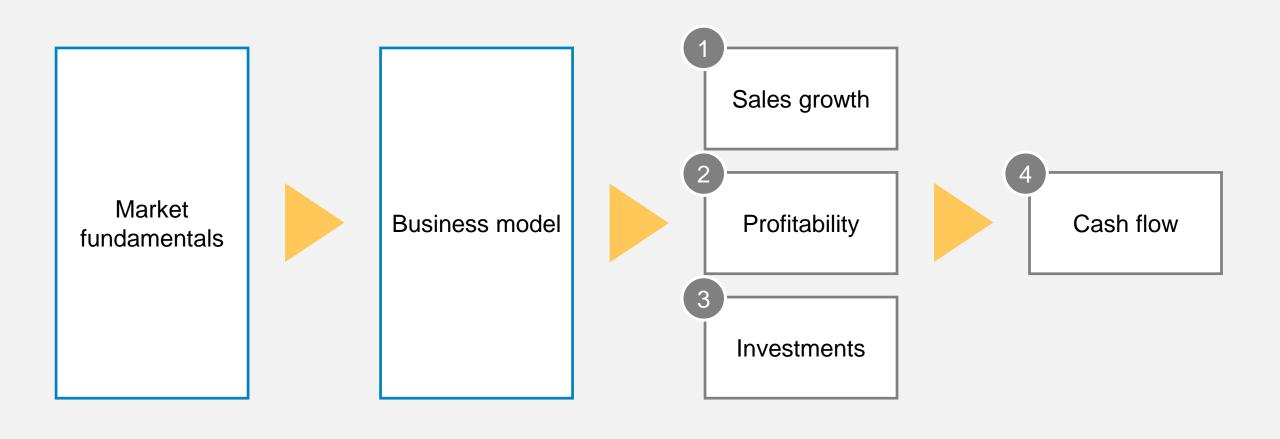
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Efficiency and financial profile

Sveinn Sölvason, CFO

Introduction to efficiency and financial profile





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Growth and market fundamentals in brief

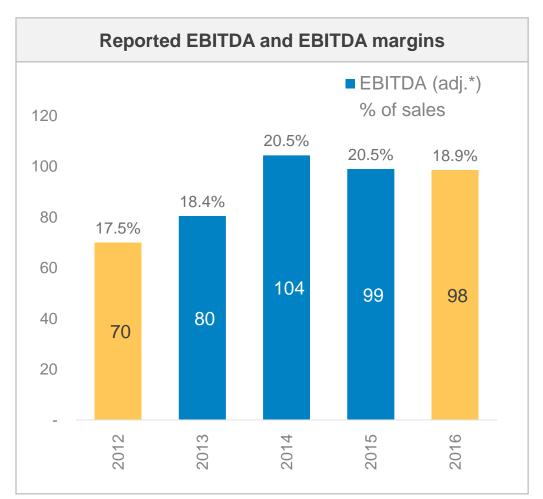
| Segment | Market share and growth | Market trends for Össur products | Growth priorities |
|--------------------|---|--|--|
| Bracing & supports | Market share 6-8% #2 Market growth 3-5% | Volume growthModerate price pressurePositive product mix impact | Untapped market opportunities Customer value creation Forward integration and |
| Prosthetics | Market share 21-22% #2 Market growth 3-5% | Moderate volume growth Relatively stable pricing with positive product mix impact | acquisitions Indication based innovation Technology trade-up New technology |

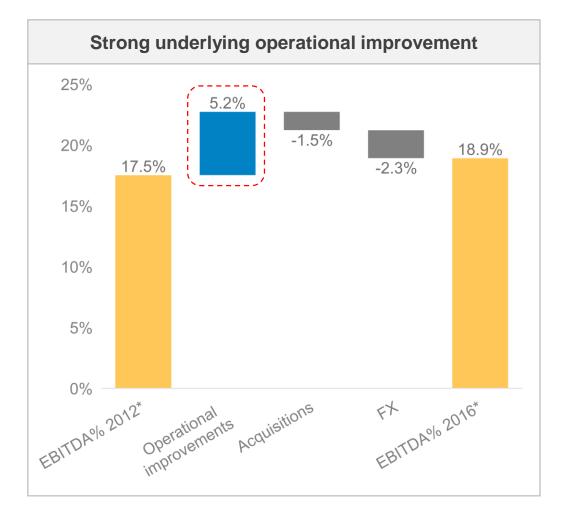




Össur has a history of underlying margin improvements but overall margin diluted by acquisitions and currency headwind







Note: Operational improvements are calculated by subtracting sales and EBITDA of acquired companies during the period from the 2016 operational results and adjusting for changes in currencies by converting the remaining 2016 operational results on the average exchange rates of 2012.

^{*} Before special items

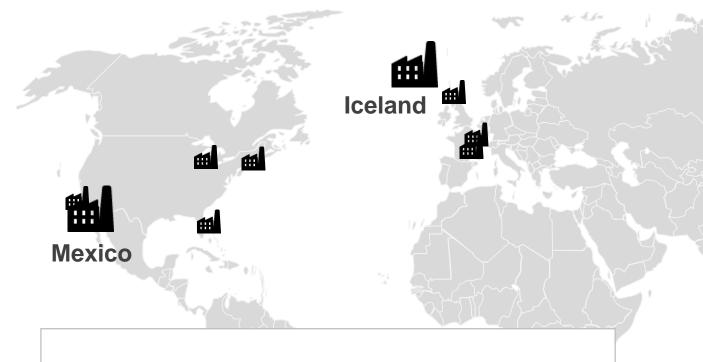
Various initiatives have been identified to enable further efficiency



| Function | Scalability of cost function | | Upcoming efficiency initiatives | | |
|----------|------------------------------|--|---------------------------------|-----------------|-----------------------|
| | | | 1. Manufacturing | 2. Distribution | 3. Strategic sourcing |
| cogs | High | Consolidated scalable platformContinuous improvements | | | |
| S&M | Medium | Direct salesforce in key marketsEmerging markets build-outCustomer service program | | | |
| G&A | High | Shared service center in PolandGlobal process optimizationEconomies of scale | | | |
| R&D | Low | Indication based innovationTechnology trade-up | | | |

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1. Manufacturing & 2. Distribution Further optimization of our footprint





- Simplify our manufacturing and distribution organization
- Further growth of the Mexico operation



#

China



3. Strategic sourcing Initiatives to enable cost savings

Savings potential identified Savings potential Addressable spend Total spend

Key levers across numerous categories

- Volume concentration
- Best-practice evaluation
- Global sourcing
- Process improvement
- Vendor relationships



Savings potential from planned efficiency initiatives





Estimated financial impact

Costs ~USD 15 million and CAPEX ~USD 4 million over the next three years Savings per year, by end of 2020, around USD ~10 million

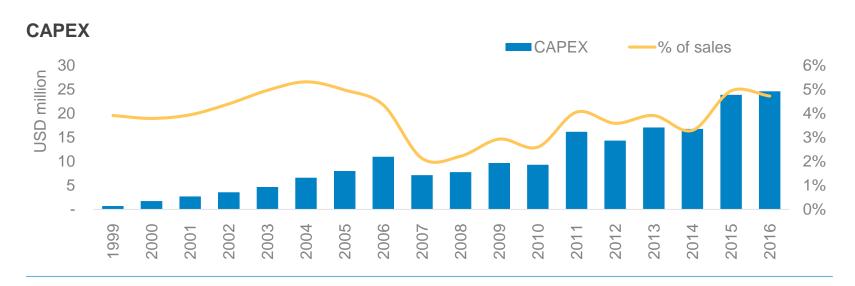
Strengthen innovation by investing a portion of the realized savings in R&D

~USD 3 million estimated to be expensed in Q3 2017 as special items

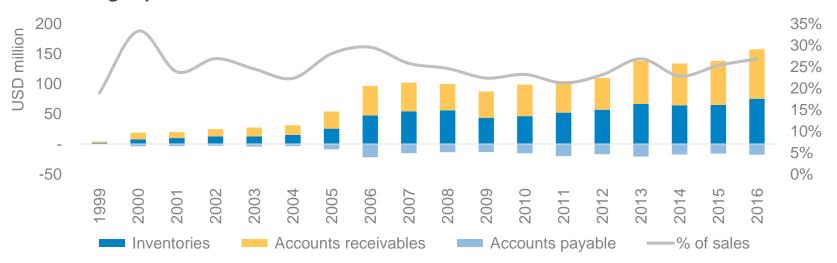
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Össur aims to allocate capital with frugality ...



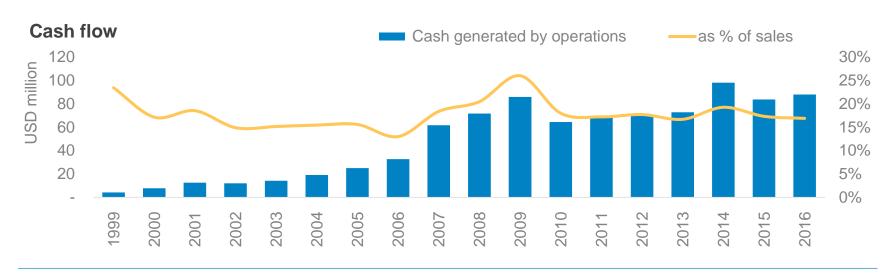
Net working capital

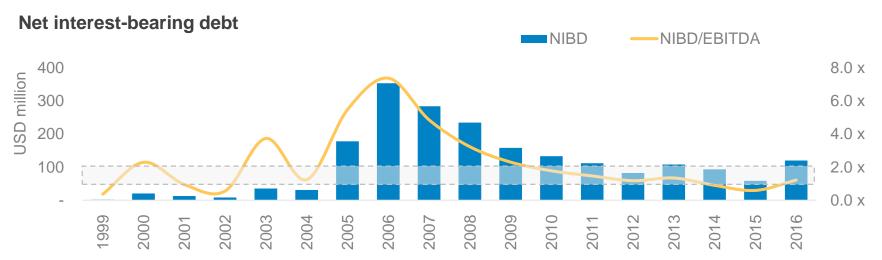






... to enable a strong cash flow generation







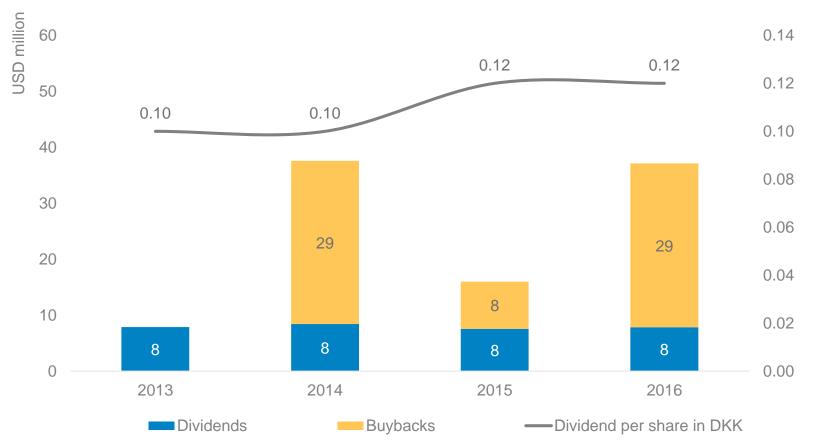




Capital return to shareholders



Dividends and buybacks









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Closing remarks

Jón Sigurðsson, President and CEO

Our strategy supports long-term growth and efficiency ambitions



Innovation

Technology trade-up

Indication based innovation

New technologies



Existing products and markets

Untapped market opportunities

Acquisitions

Customer value creation



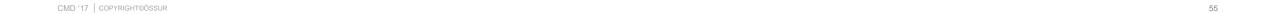
Product mix

Economies of scale

Efficiency initiatives



Goal is to grow above the market and increase profitability



WE IMPROVE PEOPLE'S MOBILITY



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