



Interim Report Q2 2022

Announcement no. 44/2022

### Sveinn Sölvason, President and CEO, Comments:

*"The macro environment remains volatile, with external factors affecting sales and supply chain challenges driving higher cost and delays in delivery of products. However, sales growth continues to be strong in EMEA and APAC with the exception of China. We are very pleased with how the Power Knee has been received in the market and are optimistic about the potential of powered prosthetics. While managing through this volatile environment that is impacting our operational cost, our focus remains on providing innovative mobility solutions to more individuals."*

### Highlights Q2 2022

- Sales amounted to USD 181 million. Sales growth was 2% in local currency and declined by 1% organic. In 1H 2022, sales amounted to USD 351 million, sales growth was 5% in local currency and increased by 2% organic.
- Prosthetics declined by 1% organic and Bracing & Supports (B&S) also declined by 1% organic. Prosthetics grew by 2% in 1H 2022 and B&S by 2%.
- Sales growth was negatively impacted by USD 12 million due to currency movements in Q2 2022 compared to Q2 2021, which corresponds to about a 6%-point negative effect on the reported growth rate.
- Gross profit margin was 61% in Q2 2022 compared to 63% in Q2 2021. Supply chain cost increases are expected to increase cost of goods sold by USD 15 million on a full-year basis in FY 2022 from pre-pandemic levels in FY 2019, compared to an increase of USD 10 million in FY 2021. Gross profit was 61% in 1H 2022 compared to 64% in 1H 2021. Össur implemented sales price increases in Q1 2022 and seeks to increase prices further in 2022 and 2023.
- EBITDA amounted to USD 33 million in Q2 2022, and the EBITDA margin was 18% compared to 22% in Q2 2021.
- Net profit in Q2 2022 amounted to USD 14 million or 8% of sales compared to USD 19 million or 10% of sales in Q2 2021. Net profit in 1H 2022 amounted to USD 24 million compared to USD 31 million in 1H 2021.
- Cash generated by operations amounted to USD 17 million or 10% of sales in Q2 2022 and amounted to USD 31 million or 9% of sales in 1H 2022.
- NIBD/EBITDA was 2.7x at the end of Q2 2022, within the target ratio of 2.0x-3.0x.
- The financial guidance for the full year has been revised as per announcement no. 42/2022 on 18 July 2022. The financial guidance for the full year 2022 is 4-6% organic sales growth (previous 6-9%), 18-20% EBITDA margin before special items (previous 20-21%), 3-4% CAPEX of sales, and an effective tax rate of 23-24%. Currently, management estimates that organic sales growth and EBITDA margin before special items for FY 2022 will be around the middle of the new guidance range.

Key Financials and Guidance	1H 2022	1H 2021	Q2 2022	Q2 2021	Guidance FY 2022
Net sales in USD million	351	351	181	190	
Sales growth, organic	2%	16%	(1)%	32%	4-6%
EBITDA margin before special items	17%	20%	18%	22%	18-20%
CAPEX as % of sales	4%	3%	5%	3%	3-4%
Effective tax rate	24%	24%	24%	23%	23-24%

USD millions	1H 2022	1H 2021	Q2 2022	Q2 2021	FY 2021	FY 2020	FY 2019	FY 2018
<b>Income Statement</b>								
Net sales	351	351	181	190	719	630	686	613
Gross profit	216	223	111	120	455	391	439	387
Operating expenses (excl. other income / exp.)	181	177	91	91	360	338	341	304
EBITDA	60	71	33	42	149	93	141	107
EBITDA before special items	60	71	33	42	149	93	150	115
EBIT	35	47	21	30	97	28	98	79
Net profit	24	31	14	19	66	8	69	80
<b>Sales Growth</b>								
Sales growth USD	% 0	22	(5)	41	14	(8)	12	8
Growth breakdown:								
Organic growth	% 2	16	(1)	32	10	(10)	5	5
Currency effect	% (5)	7	(6)	8	3	0	(4)	1
Acquired/divested business	% 3	(1)	3	1	1	2	11	2
<b>Balance Sheet</b>								
Total assets	1,220	1,263	1,220	1,263	1,247	1,214	1,091	914
Equity	622	605	622	605	627	577	569	538
Net interest-bearing debt (NIBD)	367	393	367	393	363	381	302	180
<b>Cash Flow</b>								
Cash generated by operations	31	58	17	38	128	119	120	92
Free cash flow	6	30	1	21	74	68	63	39
<b>Key Ratios</b>								
Gross profit margin	% 61	64	61	63	63	62	64	63
EBIT margin	% 10	13	11	16	14	4	14	13
EBITDA margin	% 17	20	18	22	21	15	21	18
EBITDA margin before special items	% 17	20	18	22	21	15	22	19
Equity ratio	% 51	48	51	48	50	48	52	59
Net debt to EBITDA before special items*	2.7	3.0	2.7	3.0	2.4	4.1	2.0	1.6
Effective tax rate	% 24	24	24	23	24	38	24	18
Return on equity*	% 9	8	9	8	11	1	12	15
CAPEX / Net sales	% 3.8	3.1	4.6	3.2	3.7	3.8	4.6	5.0
<b>Market</b>								
Market value of equity	1,772	3,128	1,772	3,128	2,724	3,380	3,340	2,055
Number of shares in millions	423	423	423	423	423	423	425	431
Diluted EPS in US cents	5.6	7.3	3.4	4.6	15.5	1.9	16.2	18.7

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

Note: The Company applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

## Management's Report

### Financial Performance

#### Sales

**Sales declined by 1% organic in Q2 2022**

Sales in 1H 2022 amounted to USD 351 million, compared to USD 351 million in 1H 2021, corresponding to a 2% increase organic, a 5% increase including acquisitions (local currency growth) and a flat reported growth (USD growth). Sales in Q2 2022 amounted to USD 181 million compared to USD 190 million in Q2 2021, corresponding to a 1% organic decline, a 2% increase including acquisitions (local currency growth) and a 5% reported decline (USD growth). The adverse FX impact is mainly due to the strengthening of the USD against the EUR and other key currencies.

**Acquired sales amounted to USD 5 million in Q2 2022**

Impact on sales from acquisitions amounted to USD 5 million in Q2 2022 corresponding to about a 3%-point positive effect on the reported growth rate. Currency movements in Q2 2022 impacted sales growth negatively by USD 12 million, which corresponds to about a 6%-point negative effect on the reported growth rate.

Sales By Geographical Segment (USD million)	Q2 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*	1H 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Americas	87	(4%)	1%	0%	(3%)	165	(1%)	2%	0%	2%
EMEA	79	3%	5%	-13%	(5%)	157	6%	5%	-11%	1%
APAC	15	(3%)	0%	-8%	(11%)	29	(4%)	0%	-6%	(10%)
<b>Total</b>	<b>181</b>	<b>(1%)</b>	<b>3%</b>	<b>-6%</b>	<b>(5%)</b>	<b>351</b>	<b>2%</b>	<b>3%</b>	<b>-5%</b>	<b>0%</b>

Sales By Product Segment (USD million)	Q2 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*	1H 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Prosthetics	113	(1%)	2%	-6%	(5%)	219	2%	3%	-5%	(0%)
Bracing & Supports	68	(1%)	4%	-8%	(4%)	132	2%	4%	-6%	0%
<b>Total</b>	<b>181</b>	<b>(1%)</b>	<b>3%</b>	<b>-6%</b>	<b>(5%)</b>	<b>351</b>	<b>2%</b>	<b>3%</b>	<b>-5%</b>	<b>0%</b>

\*growth/(decline)

Prosthetics sales amounted to USD 219 million in 1H 2022 and increased by 2% organic. In Q2 2022, prosthetics sales amounted to USD 113 million and declined by 1% organic. In the quarter, sales of bionic products accounted for 18% of prosthetics component sales compared to 19% in Q2 2021. Due to supply chain challenges including shortages of certain raw materials and components, Össur has experienced back orders, including on the Power Knee that is in high demand. Bracing and Supports (B&S) sales amounted to USD 132 million in 1H 2022 and increased organically by 2%. B&S sales amounted to USD 68 million in Q2 2022 and declined by 1% organic. B&S sales are growing in EMEA and APAC while the macro environment in Americas has negatively impacted elective procedures which has affected volumes.

**Continuous  
organic growth in  
EMEA**

EMEA continued to show growth in the second quarter of the year as well as all key markets in APAC, apart from China. Sales in Australia also started to normalize in the quarter. However, sales in Americas were softer than anticipated as the market was particularly affected by the current supply chain challenges and because of some capacity constraints due to labor shortages. As projected, China was impacted by COVID-19 related lockdowns in the quarter and some uncertainty remains around the impact of the pandemic in the remainder of the year.

Össur continues to suspend sales to Russia due to the ongoing war. Sales to Russia amounted to around 1% of sales in FY 2021. In addition, Össur has an outstanding receivable amounting to USD 1 million in connection with sales to Russia that is expected to be collected. Össur has pledged to donate prosthetic products and clinical expertise to Ukrainian people in need and has been awarded a EUR 200,000 grant from the Icelandic Ministry for Foreign Affairs' Sustainable Development Goals (SDG) Partnership Fund to facilitate the accompanying clinical education.

**Operations**

**Gross profit  
margin 61% in Q2**

Gross profit for 1H 2022 amounted to USD 216 million or 61% of sales compared to USD 223 million or 64% of sales for 1H 2021. In Q2 2022, gross profit amounted to USD 111 million or 61% of sales compared to USD 120 million or 63% of sales in Q2 2021. The gross profit margin in Q2 2022 continued to be affected by further temporary variable cost increases due to higher freight cost and inflation in raw material prices. Supply chain challenges, including a shortage of certain raw materials and components, have had a short-term negative effect on productivity. In FY 2021, cost of goods sold increased by USD 10 million from pre-pandemic levels in FY 2019 due to supply chain related cost increases. In the Q1 2022 Company Announcement, higher freight cost and inflation in raw material prices were estimated to increase cost of goods sold by USD 13 million on a full year basis in FY 2022 from pre-pandemic levels in FY 2019 but are now expected to increase by USD 15 million. Thereof, freight cost was around USD 5 million and raw materials were around USD 3 million in 1H 2022 and around USD 4 million are estimated in freight and around USD 3 million in raw material in 2H 2022. High ocean and air freight rates as well as increased use of air and expedited sea freight to support production and demand are the main drivers for higher freight cost. Management estimates that most of this increase in cost of goods sold is temporary in nature.

COGS increases vs. pre-pandemic levels in FY 2019 (USD million)	Initial Estimate (Q4 2021)	Previous Estimate (Q1 2022)	Updated Estimate (Q2 2022)
	FY 2021	FY 2022	FY 2022
Freight	7	5	8
Raw material	3	4	5
<b>Total</b>	<b>10</b>	<b>9</b>	<b>13</b>

Price increases were implemented with an approximately 2.5% price increase for Prosthetics and B&S product sales, effective in most markets mid Q1 2022. Sales price increases in 2022 and 2023 are estimated to largely absorb the before mentioned cost increases. However, some unpredictability can be expected in terms of sales price increases covering further inflation.

**OPEX was flat in  
Q2 2022**

Operating expenses amounted to USD 91 million or 50% of sales in Q2 2022 compared to USD 91 million or 48% of sales in Q2 2021. OPEX growth was around 5% organic but FX effects resulted in a flat OPEX growth for the quarter. Customer activities, higher payroll and cost in relation to further investments in the Emerging Markets platform and digital initiatives continue to be the main items impacting OPEX growth.

## Operating profit

**EBITDA margin of 18% in Q2**

In 1H 2022, EBITDA amounted to USD 60 million or 17% of sales compared to USD 71 million or 20% of sales in 1H 2021. In Q2 2022, EBITDA amounted to USD 33 million or 18% of sales compared to USD 42 million or 22% of sales in Q2 2021. Currency impact on the EBITDA margin including hedge was positive by about 50 basis points in the quarter, due to the hedge.

## Financial Items, Income Tax and Net Profit

Net financial expenses in Q2 2022 amounted to USD 1 million, compared to USD 5 million in Q2 2021. Net financial expenses in 1H 2022 amounted to USD 3 million, compared to USD 6 million in 1H 2021.

**Effective tax rate of 24% in Q2**

Income tax amounted to USD 5 million in Q2 2022, corresponding to a 24% effective tax rate compared to USD 6 million in Q2 2021, corresponding to a 23% effective tax rate. In 1H 2022, income tax amounted to USD 8 million, a 24% effective tax rate compared to USD 10 million in 1H 2021, also a 24% effective tax rate.

Net profit in Q2 2022 amounted to USD 14 million compared to USD 19 million in Q2 2021. Diluted earnings per share in Q2 2022 amounted to 3.4 US cents compared to 4.6 US cents in Q2 2021. In 1H 2022, net profit amounted to USD 24 million compared to USD 31 million in 1H 2021. Diluted earnings per share in 1H 2022 amounted to 5.6 US cents compared to 7.3 US cents in 1H 2021.

## Cash Flow

### Cash generated by operations and capital expenditures

**Cash generation of USD 17 million in Q2**

Cash generated by operations amounted to USD 17 million or 10% of sales in Q2 2022 compared to USD 38 million or 20% of sales in Q2 2021. Cash generated by operations amounted to USD 31 million or 9% of sales in 1H 2022 compared to USD 58 million or 16% of sales in 1H 2021. Cash generated by operations was adversely affected by a temporary increase in receivables but mainly due to inventory buildup, largely as safety stock due to long lead times and uncertainty in the supply chain.

**CAPEX was 5% of sales in Q2**

Capital expenditures for Q2 2022 amounted to USD 8 million or 5% of sales, compared to USD 6 million or 3% of sales in Q2 2021.

### Bank balances and cash equivalents

**Cash and undrawn facilities amounted to USD 152 million**

Bank balances and cash equivalents amounted to USD 68 million at the end of Q2 2022 and USD 85 million of existing credit facilities are undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of Q2 2022, therefore, amounted to USD 152 million.

## Capital Structure

### Net-interest bearing debt

**NIBD/EBITDA at 2.7x**

Net interest-bearing debt, including lease liabilities, amounted to USD 367 million at the end of Q2 2022 compared to USD 363 million at year-end 2021. Net interest-bearing debt to EBITDA corresponded to 2.7x at the end of Q2 2022.

### Share buybacks

**On-going share buyback program**

On 14 February 2022, Össur initiated a new share buyback program. 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, by distributing capital to shareholders in line with the Company's Capital Structure and Capital Allocation Policy. At the end of Q2 2022, treasury shares totaled 2,034,490.

## Financial Guidance

Guidance	Guidance FY 2022	Actual FY 2021
Sales growth, organic	4-6%	10%
EBITDA margin before special items	18-20%	21%
CAPEX as % of sales	3-4%	4%
Effective tax rate	23-24%	24%

The financial guidance for the full year 2022 has been revised as per announcement no. 42/2022 on 18 July 2022, due to lower-than-expected sales and higher-than-expected supply chain cost for FY 2022. The financial guidance for the full year 2022 is 4-6% organic sales growth (previous 6-9%) and 18-20% EBITDA margin before special items (previous 20-21%). Currently, management estimates that organic sales growth and EBITDA margin before special items for FY 2022 will be around the middle of the new guidance range. Other items are unchanged, 3-4% CAPEX of sales, and an effective tax rate of 23-24%.

Although sales have been strong in many key markets in EMEA and APAC in the first half of the year, sales have been slower than expected in Americas, COVID-19 has impacted sales in China and sales to Russia have been suspended from 24 February 2022 due to the ongoing war. In addition, shortage of certain raw materials and components, primarily for the new Power Knee, adversely affected sales in Q2 2022, as well as FX changes (primarily strong USD). Furthermore, freight rates and raw material inflation are expected to increase cost of goods sold by USD 15 million on a full-year basis in FY 2022 from pre-pandemic levels in FY 2019, USD 6 million more than was estimated and communicated in the Q4 2021 Company Announcement when the guidance for FY 2022 was presented. Thereof, around USD 9 million are estimated in freight cost and around USD 6 million in raw material prices. Össur implemented sales price increases in Q1 2022 and seeks to increase prices further in 2022 and 2023 which are eventually estimated to absorb the before mentioned supply chain cost increases.

The revised financial guidance assumes that Q3 and Q4 will largely be unaffected by COVID-19. The key factors impacting sales growth will be effect from price increases, stability in product supply, impact from new product launches, successful execution in Emerging Markets, and effect from COVID-19. In addition, at current FX rates, sales are estimated to be negatively affected by ~6%-points in 2022. The estimated adverse FX impact is mainly due to the strengthening of the USD against the EUR and other key currencies.

At current foreign exchange rates, keeping all other factors constant, the EBITDA margin is expected to be negatively impacted by about 40 basis points in 2022 when compared to 2021. Additional information on foreign exchange assumptions can be found in the next section.

## Financial 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 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 2.8-3.3 million when unhedged. The same movement in ISK/USD is estimated to have an annual impact on EBITDA in the range of +/- USD 2.7-3.2 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 2021	1.1832	0.0079
Average exchange rate Q1 2022	1.1223	0.0078
Average exchange rate Q2 2022	1.0653	0.0077
Closing rate 20 July 2022	1.0199	0.0073
Estimated average exchange rate for 2022*	1.0568	0.0075
Change in estimated exchange rate 2022 compared to last year's average	-11%	-4%

\* Estimated average exchange rate is calculated as the exchange rate of Q1 2022 and Q2 2022 combined with the closing rate on 20 July 2022 for the remainder of the year.

## Other Matters

### New Chief Financial Officer

Gudny Arna Sveinsdottir has been appointed Chief Financial Officer (CFO) of Össur and will join the Össur Executive Committee on 1 September 2022. Mrs. Sveinsdottir has held various CFO positions in her career and worked and lived in the US, Switzerland and Sweden.

### Humanitarian Aid to Ukraine

Össur has pledged to donate prosthetic products and clinical expertise to Ukrainian people in need and has been awarded a EUR 200,000 grant from the Icelandic Ministry for Foreign Affairs' Sustainable Development Goals (SDG) Partnership Fund to facilitate the accompanying clinical education.

In partnership with the non-profit organization Prosthetika and Ukrainian prosthetic specialists, Össur will donate products and offer clinical support and education in an effort to ensure necessary rehabilitation and sustainable clinical care.

To initiate our support, Össur invited two clinical experts from Ukraine to Amsterdam for product training in May. Subsequently, more than a dozen newly amputated patients will be fitted with Össur donated products in Ukraine with further support planned in the fall.

## Financial Calendar and Conferences

### Q2 2022 conference call details

Össur will host a conference call on 21 July 2022 at **9:00 CEST / 7:00 GMT / 3:00 ET**. To participate in the call please click on this link: [Össur Conference Call](#).

A webcast can be followed on the Össur website: [www.ossur.com/investors](http://www.ossur.com/investors).

### Financial Calendar

Interim Report Q3 2022	25 October 2022
Interim Report Q4 2022 and Annual Report 2022	31 January 2023
Annual General Meeting	10 March 2023

### Conferences

Pareto Securities' Healthcare Conference (SE)	7 September 2022
Goldman Sachs European Medtech Conference (UK)	7-8 September 2022
ABGSC Small & Mid Cap Seminar (DK)	21 September 2022
SEB Nordic Seminar (virtual)	21-23 November 2022

## For Further Information

### Contact Details

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## About Össur

Össur (Nasdaq Copenhagen: OSSR) is a global leader in non-invasive orthopaedics that helps people live a Life Without Limitations®. A recognized "Technology Pioneer" with a rich 50-year history, Össur focuses on improving people's mobility through the delivery of innovative technologies in Prosthetics and Bracing & Supports. Significant investment in research and development have led to over 2,000 patents, award-winning designs, successful clinical outcomes, and consistently strong market positions. Össur is signatory to the UN Global Compact, UN Women's Empowerment Principles, contributes to the UN Sustainable Development Goals and became Carbon Neutral in 2021. Össur operates globally and employs around 4,000 employees. [www.ossur.com](http://www.ossur.com)

## Forward-Looking Statements

This press release includes "forward-looking statements" which involve risks and uncertainties that could cause actual results to differ materially from results expressed or implied by these statements. Össur hf. undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.