



Announcement Össur hf. No. 15/2010
Reykjavik, 27 April 2010

GOOD PERFORMANCE IN FIRST QUARTER

Sales growth - Sales in the first quarter were strong and displayed a growth of 8% measured in local currency. Total sales amounted to USD 86 million compared to USD 77 million in the first quarter of 2009. Both major segments show growth, prosthetics 11% and bracing and supports 6% measured in local currency.

Profitability - Össur continues to deliver solid profitability. EBITDA amounted to USD 18 million or 21% of sales and the gross profit amounted to USD 54 million or 63% of sales. Net profit amounted to USD 10 million or 11% of sales increasing by 28% compared to the first quarter of 2009.

Jon Sigurdsson, President & CEO, comments:

"We are pleased with the results for the first quarter. Prosthetics continue to deliver strong growth and confirm the success of the bionic platform. We saw strong bracing and supports sales in the US giving us comfort that the right setup has been created in order to capitalize on the market opportunities in this segment. The product pipeline is exciting and in the quarter twelve new products were launched, which is very important to fuel continued growth in both prosthetics and bracing and supports."

Key achievements in the first quarter:

- **Strong performance in bracing and supports sales in the US** - Sales of bracing and supports products were good in the Americas in the first quarter, following significant changes that were made to the B&S organization. Bracing and supports sales in EMEA declined in the quarter.
- **Excellent performance in prosthetics** - Sales of prosthetics in both the Americas and EMEA were strong. The success of the bionic product line continues and sales of bionic products were 12% of the prosthetic sales in the quarter.
- **Successful launches of new products** - In the first quarter a total of twelve new products were launched, six prosthetic products and six bracing and supports products. The most important product launches were the Miami J collar, an important spinal product, and the Rebound Air Walker which has created excitement and is well received by the market.

Healthcare reforms - In the first quarter the US healthcare reforms were passed into law. The healthcare reforms will affect the Company's US operations, however the possible implications for Össur are uncertain as details of the reform are still subject to change. The most important effects of the reforms are expected to materialize in 2013-2014.

Guidance - Based on the positive results for the first quarter, the management has revised previously announced guidance for the year. Revised guidance for 2010 is 4-6% organic LCY sales growth and organic LCY EBITDA growth above 10%, compared to previous guidance of 3-4% organic LCY sales growth and 8-10% organic LCY EBITDA growth.

Conference call at 12:00 CET/ 10:00 GMT/ 6:00 EST

Today, Tuesday 27 April 2010 Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will host a conference call for investors, analysts and shareholders presenting and discussing the results of the first quarter 2010. The conference call will be conducted in English and can be heard on Össur's website: www.ossur.com

To participate in the meeting please call one of the following telephone numbers:

Europe: + 44 (0) 207 509 5139
The United States: +1 718 354 1226
Iceland: 800 9313

Key Financial Figures (USD millions)

	YTD 2010	YTD 2009	2009	2008	2007	
Income Statements						
Net sales	86.5	77.2	330.6	346.8	332.0	
Gross profit	54.1	47.0	201.8	214.2	192.0	
Operating expenses ²	41.4	39.4	154.1	167.7	171.2	
Profit from operations	14.1	7.8	48.2	56.0	39.7	
Net profit	9.7	7.6	22.7	28.5	7.6	
EBITDA	17.8	12.9	67.0	79.4	64.4	
Balance sheet						
Total assets	606.4	581.6	628.2	603.8	635.8	
Equity	312.5	247.0	312.2	249.6	250.3	
Net interest-bearing debt (NIBD)	143.2	222.7	157.6	234.3	283.1	
Cash flow						
Working capital from operating activities	8.5	9.0	44.5	58.1	43.9	
Cash provided by operating activities	8.3	7.0	69.2	52.8	45.7	
Cash flows from investing activities	(0.3)	(1.6)	(16.4)	(6.6)	(17.8)	
Cash flows from financing activities	(14.0)	(9.6)	(4.3)	(30.6)	(25.3)	
Free Cash flow	7.9	5.4	58.6	46.2	38.8	
Key figures						
Sales growth	%	12.0	(13.2)	(4.7)	4.5	33.5
Operating margin	%	16.4	10.2	14.6	16.0	12.0
EBITDA margin	%	20.6	16.7	20.3	22.9	19.4
Equity ratio	%	51.5	42.5	49.7	41.3	39.4
Ratio of net debt to EBITDA ¹		2.0	3.2	2.4	2.9	4.4
Current ratio		2.6	1.8	2.3	1.1	0.9
Return on equity	%	8.0	12.0	8.1	11.0	4.0
Market						
Market value of equity ³		700.3	310.1	529.2	349.3	672.0
Number of shares		454	423	454	423	423
Diluted EPS ¹	US Cent	5.48	6.95	5.30	6.73	1.94
Diluted Cash EPS ¹	US Cent	9.32	12.29	9.66	12.29	8.24

Notes

1. Financial ratios for YTD 2010 and YTD 2009 are based on operations for the preceding 12 months.
2. Excluding other income and restructuring expenses.
3. Market value based on the last trade on 31.3.2010 on NASDAQ OMX, Iceland and Copenhagen.

Business Overview

Overall a good quarter, excellent growth in prosthetics, good progress in bracing and supports in the US and successful product launches. January was marked with heavy snowfall and difficult weather conditions in our key markets affecting activity and sales. However sales increased during the quarter and March was a particularly strong month. The success of the bionic product line continues and sales of the bionic line accounted for 12% of the total prosthetic sales in the quarter.

Successful product launches - Six products in bracing and supports and six in prosthetics

One of the main focus points for this year is the Company's product pipeline. In the first quarter twelve new products were launched. Most important product launches were the Rebound Air Walker, the Miami J collar and the Iceross Cushion liners.

Important product launches in Q1



Rebound™ Air Walker. The new Rebound circumferential, pneumatic walker features a host of details designed to provide superior compression, simplified application and usage, improved comfort and, ultimately, successful patient outcomes. It has a fully-integrated air pump and release valve for consistent compression and incorporates ventilated panels to make it more breathable.



Miami J ® Advanced. Based on the same scientifically proven principles as the popular Miami J cervical collar, the new Miami J Advanced collar is size-adjustable, has a fully removable tracheotomy opening and soft over-moulded edges. The Miami J Advanced is yet another addition to the recent products introduced into the Össur spinal product range. The collar follows on the heels of the Miami Lumbar belt, the TLSO attachment for the Miami Lumbar belt, and the ReSolve Halo Vest which has also been re-engineered.

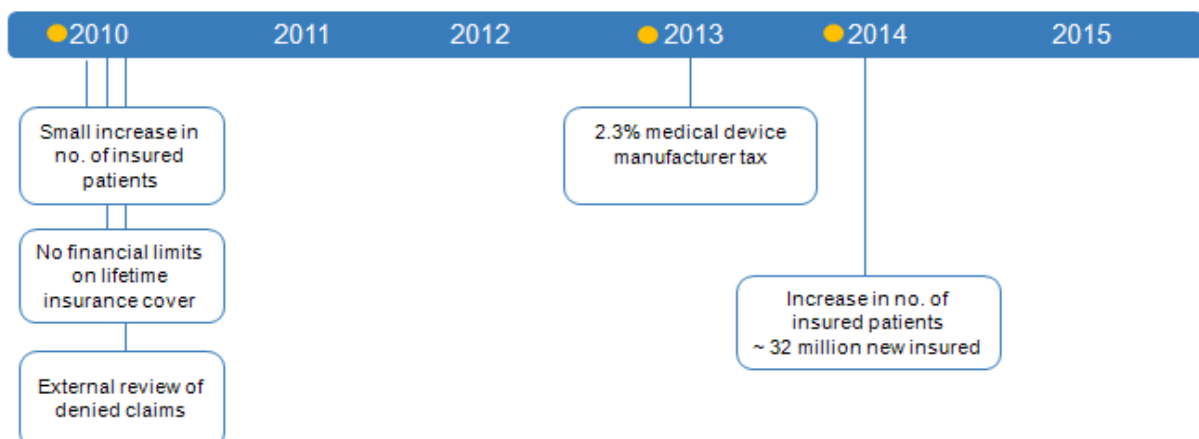


Iceross Cushion liners. With the addition of three new liners in a Cushion suspension version, Össur's most popular Iceross liners are now available in three suspension methods; Seal-In, locking and cushion. This addition enables prosthetists to choose Iceross liners regardless of their preferred suspension method.

US healthcare reforms

In the first quarter the US healthcare reforms were passed through the parliament. These reforms are the most extensive healthcare changes in the US since 1965 and highly controversial. The reforms in its current form are likely to have some positive impact on Össur's market, such as an increased number of insured patients and eliminations of pre-existing conditions. Prior to these changes patients with pre-existing conditions such as amputations, could be denied of cover if they changed insurance policies. However, tax on medical device companies is likely to have negative impact. The possible implications for Össur are uncertain as details of the reform are still subject to change. The most important effects of the reforms are expected to materialize in 2013-2014.

US healthcare reform timeline



Income Statements

USD '000	Q1 2010	% of sales	Q1 2009	% of sales	Change
Net sales	86,468	100.0%	77,180	100.0%	12.0%
Cost of goods sold	(32,380)	-37.4%	(30,155)	-39.1%	7.4%
Gross profit	54,088	62.6%	47,025	60.9%	15.0%
Other income	1,418	1.6%	227	0.3%	524.7%
Sales & marketing expenses	(24,763)	-28.6%	(24,063)	-31.2%	2.9%
Research & development expenses	(5,102)	-5.9%	(4,965)	-6.4%	2.8%
General & administrative expenses	(11,498)	-13.3%	(10,375)	-13.4%	10.8%
Profit from operations	14,143	16.4%	7,849	10.2%	80.2%
Financial income	31	0.0%	70	0.1%	-55.7%
Financial expenses	(3,792)	-4.4%	(3,387)	-4.4%	12.0%
Net exchange rate difference	2,763	3.2%	5,214	6.8%	-47.0%
Profit before tax	13,145	15.2%	9,746	12.6%	34.9%
Income tax	(3,452)	-4.0%	(2,173)	-2.8%	58.9%
Net profit for the period	9,693	11.2%	7,573	9.8%	28.0%
EBITDA	17,832	20.6%	12,863	16.7%	38.6%
EBITDA adjusted*	16,586	19.2%	13,593	17.6%	22.0%

*Adjusted for one-time income and expenses

Sales

Overall sales were good and both major segments show growth. Total sales amounted to USD 86.5 million, compared to USD 77.2 million in the first quarter of 2009. Exchange rate trends had positive impact on sales amounting to USD 3.4 million. Sales growth was 8% and organic sales growth was 5%, both measured in local currency. Prosthetics continue to exceed market growth, growing 11% and bracing and supports are growing 6% measured in local currency. Organic LCY sales growth in bracing and supports was 1%.

Overall Americas performed well in the quarter and LCY sales growth was 15%. Following extensive changes of the B&S sales organization the sales of bracing and supports show good growth. Sales growth in the B&S segment in the Americas gives comfort that the efforts made in 2009 are returning positive results. Prosthetic sales continue to grow faster than the overall market.

Sales in EMEA were flat in the quarter. Sales of bracing and supports in EMEA declined slightly affecting the overall performance of EMEA. Sales of prosthetics were good. Compression therapy declined by 2% in the first quarter, measured in LCY.

Asia continues to show excellent performance, building a platform for future growth in this region.

Sales by region

USD '000	Q1 2010	% of sales	Growth USD	Grow LCY	Organic growth LCY
Americas	41,767	48.3%	16%	15%	9%
EMEA	41,044	47.5%	7%	0%	0%
Asia	3,657	4.2%	29%	20%	20%
Total	86,468	100%	12%	8%	5%

Sales by segments

USD '000	Q1 2010	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Bracing & supports	43,337	50.1%	11%	6%	1%
Prosthetics	37,720	43.6%	15%	11%	11%
Compression therapy	4,847	5.6%	4%	-2%	-2%
Other	564	0.7%	0%	-7%	3%
Total	86,468	100%	12%	8%	5%

Gross profit

Gross profit amounted to USD 54 million or 63% compared to 61% in the first quarter of 2009. Positive currency effect amounted to USD 2.4 million. The gross profit margins have been stable above 60% in the past quarters.

Operating expenses

Operational expenses remain stable in the quarter. More efficient S&M structure allows for partial reinvestment in direct sales force and emphasis on R&D continues to support a steady product pipeline. G&A remains at similar levels. Further opportunities remain to capitalize on economies of scale to further improve operational performance.

Profit from operations amounted to 14.1 million and 16% of sales compared to USD 7.8 million and 10% of sales in the first quarter 2009. Comparison of profit from operations between quarters is affected by exchange rate trends, one-time income in 2010 and lower amortization of intangible assets. Net of these items, profit from operations remains at similar level as a ratio to sales.

Other income amounted to USD 1.4 million, compared to 0.2 million in the first quarter of 2009. The increase is due to the sale of a real-estate in California amounting to USD 1.2 million.

Amortization of intangible assets in the quarter, relating to acquisitions made in the previous years, amounted to USD 1.3 million, compared to USD 3.1 million in 2009. Amortization of acquisitions is in line with previous guidance of USD 5 million for the full year.

Financial items, tax and net profit

Net financial expenses for the quarter amounted to USD 1.0 million compared to net financial income of USD 1.9 million in the first quarter of 2009. Net exchange rate difference between years is negative by USD 2.5 million. Increase in financial expenses is due to refinancing of a bridge loan facility in Q1 2009 increasing interest rate margins on the Company's long term debt.

Income tax was USD 3.5 million, corresponding to a 26% effective tax rate, compared to USD 2.2 million and 22% effective tax rate in 2009. Changes in the internal debt structure affect the tax rate this quarter and will continue at similar levels going forward.

Net profit amounted to USD 9.7 million, compared to USD 7.6 million in 2009. Comparison between years is affected by one-time gain in 2010, amounting to USD 1.2 million. Exchange rate effects on net profit were positive by USD 1.4 million.

EBITDA

EBITDA amounted to USD 17.8 million and 21% of sales compared to 12.9 and 17% in the first quarter 2009. In the first quarter EBITDA was adjusted for one-time income of USD 1.2 million due to the sales of a real-estate in California. In the first quarter 2009 EBITDA was adjusted for one-time expenses amounting to USD 0.7 million, including severance payments.

Currency effects on Q1 Results		USD '000
Sales		3,354
Cost of goods sold		-921
Profit from Operations		1,393

Balance Sheet

USD '000	31 March 2010	31 Dec. 2009	Change
Non-current assets	435,022	448,446	-3%
Current assets	171,410	179,771	-5%
Total assets	606,432	628,217	-3%
Stockholders' equity	312,457	312,223	0%
Non-current liabilities	227,590	237,045	-4%
Current liabilities	66,385	78,949	-16%
Total equity and liabilities	606,432	628,217	-3%
Current ratio	2.6	2.3	
Equity ratio	52%	50%	
Net interest bearing debt / EBITDA LTM	2.0	2.4	

Össur's balance sheet is healthy. The equity ratio at the end of the period was 52% compared to 50% at the end of 2009. Current net debt to EBITDA is at 2.0 times EBTDA.

Össur has signed an agreement with Arion Bank hf. changing the amortization structure of Company's long term debt. Maturity changes from 2012 to 2015. The loan facility agreement is made up of two tranches. Tranche A, USD 122 million amortizes USD 27 million a year with final maturity October 2014 and Tranche B, USD 81 million payable in one payment October 2015. Weighted margins remain relatively unchanged.

In connection with the changed repayment profile, Össur has prepaid USD 15.0 million of debt thereof USD 5.0 million in Q1. Additionally USD 2.4 million proceeds from sale of fixed assets were used for accelerated payment of long term debt in Q1.

Cash Flow

USD '000	Q1 2010	% of sales	Q1 2009	% of sales
Working capital provided by operating activities	8,479	10%	9,007	12%
Net cash provided by operating activities	8,276	10%	7,003	9%

First quarter is seasonally low in cash flow. Working capital provided by operating activities amounted to USD 8.5 million compared to USD 9.0 in the first quarter of 2009, decreasing by 6%. Capital investments amounted to USD 2.5 million or 2.9% of sales, compared to USD 1.6 million and 2.1% of sales in the same period of 2009. Capital investments continue to be in line with the Company's guidance of 2.5-3.5%.

Further information

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Financial Calendar:

Upcoming Events	Date	Location
Bank of America/Merrill Lynch Conference	25-26 May 2010	London, UK
Investor Event, NASDAQ OMX Conference	9 June 2010	Århus, Denmark
Jefferies Global Life Sciences Conference	11 June	New York, USA
Piper Jaffray Conference	22-23 June 2010	London, UK
Second Quarter	27 July 2010	Copenhagen
Goldman Sachs Conference	8-9 September 2010	London, UK
Third Quarter	26 October 2010	Copenhagen
Fourth Quarter	8 February 2011	Reykjavik and Copenhagen
2011 Annual General Meeting	4 March 2011	Reykjavik, Iceland

Össur press releases by e-mail

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About Össur

Össur (OMX: OSSR) is a global leader in non-invasive orthopaedics that help people live a life without limitations. Its business is focused on improving people's mobility through the delivery of innovative technologies within the fields of braces, supports, prosthetic limbs and compression therapies. A recognized "Technology Pioneer", Össur invests significantly in research and product development; its award-winning designs ensuring a consistently strong position in the market. Successful patient and clinical outcomes are further empowered via Össur's educational programs and business solutions. Headquartered in Iceland, Össur has major operations in the Americas, Europe and Asia, with additional distributors worldwide.

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.