



Announcement Össur hf. No. 19/2010
Reykjavik, 27 July 2010

EXCELLENT SALES GROWTH

Sales - Sales growth in the second quarter was very good, 12% measured in local currency. Total sales amounted to USD 90 million compared to USD 81 million in the second quarter of 2009. Both major product segments show double digit growth, prosthetics 15% and bracing and supports 11%, measured in local currency.

Profitability – Profits remain strong and EBITDA amounted to USD 20 million or 22% of sales and gross profit amounted to USD 56 million or 62% of sales. Overall margins remain stable and increased profits are driven by good sales growth. Net profit amounted to USD 14 million compared to USD 2 million for the same period in 2009. Net profit is significantly impacted by positive exchange gains flowing through financial items.

Jon Sigurdsson, President & CEO, comments:

"Overall performance in the second quarter was strong across all markets, and main product segments delivered double digit growth. New product launches in bracing and supports, in the first half of the year, have created excitement and are contributing to the growth in the B&S segment. The sales growth in prosthetics in the quarter is fuelled by good sales across all major product lines as well as the continued success of the bionic products."

Highlights of the quarter:

- **Good performance in bracing and supports** - Sales of bracing and supports products were excellent in the Americas in the second quarter. This is the second consecutive quarter showing positive results in the Americas and sales growing above the market growth. Sales of bracing and supports in EMEA grew in line with the market.
- **Growth across all product lines in prosthetics** - Sales of prosthetics in both the Americas and EMEA continue to perform well and grow above the market growth rate. Sales of bionic products accounted for 15% of the prosthetics sales in the quarter. More moderate growth is expected in the second half of the year.

Guidance – Management estimates LCY organic sales growth will be at the top end, or even slightly above the previously guided range of 4-6% for the full year. LCY organic EBITDA growth is expected to be above 10%.

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

Today, Tuesday 27 July 2010 Jon Sigurdsson, President and CEO, and Hjörleifur Pálsson, CFO, will host a conference call for investors, analysts and shareholders presenting and discussing the results of the second quarter of 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)20 3043 2436 or +46 (0)8 505 598 53

The United States: +1 866 458 40 87

Iceland: 800 8660

Key Financial Figures (USD millions)

| | | YTD 2010 | YTD 2009 | 2009 | 2008 | 2007 |
|--|---------|----------|----------|--------|--------|--------|
| Income Statements | | | | | | |
| Net sales | | 176.5 | 158.5 | 330.6 | 346.8 | 332.0 |
| Gross profit | | 109.6 | 97.1 | 201.8 | 214.2 | 192.0 |
| Operating expenses ² | | 81.0 | 77.8 | 154.1 | 167.7 | 171.2 |
| Profit from operations | | 30.2 | 19.6 | 48.2 | 56.0 | 39.7 |
| Net profit | | 23.3 | 9.9 | 22.8 | 28.5 | 7.6 |
| EBITDA | | 37.4 | 29.8 | 67.0 | 79.4 | 64.4 |
| Balance sheet | | | | | | |
| Total assets | | 580.1 | 598.9 | 628.2 | 603.8 | 635.8 |
| Equity | | 311.5 | 263.6 | 312.2 | 249.6 | 250.3 |
| Net interest-bearing debt (NIBD) | | 130.8 | 213.2 | 157.6 | 234.3 | 283.1 |
| Cash flow | | | | | | |
| Cash generated by operations | | 30.3 | 32.3 | 85.8 | 71.5 | 61.5 |
| Cash provided by operating activities | | 18.3 | 24.7 | 69.2 | 52.8 | 45.7 |
| Cash flows from investing activities | | (4.9) | (3.7) | (16.4) | (6.6) | (17.8) |
| Cash flows from financing activities | | (25.3) | (16.6) | (4.3) | (30.6) | (25.3) |
| Free Cash flow | | 15.4 | 21.0 | 58.6 | 46.2 | 38.8 |
| Key figures | | | | | | |
| Sales growth | % | 11.3 | (12.4) | (4.7) | 4.5 | 33.5 |
| Operating margin | % | 17.1 | 12.4 | 14.6 | 16.0 | 12.0 |
| EBITDA margin | % | 21.2 | 18.8 | 20.3 | 22.9 | 19.4 |
| Equity ratio | % | 53.7 | 44.0 | 49.7 | 41.3 | 39.4 |
| Ratio of net debt to EBITDA ¹ | | 1.8 | 3.2 | 2.4 | 2.9 | 4.4 |
| Current ratio | | 2.2 | 1.8 | 2.3 | 1.1 | 0.9 |
| Return on equity | % | 11.6 | 10.8 | 8.1 | 11.0 | 4.0 |
| Market | | | | | | |
| Market value of equity ³ | | 641.3 | 384.7 | 529.2 | 349.3 | 672.0 |
| Number of shares | | 454 | 423 | 454 | 423 | 423 |
| Diluted EPS ¹ | US Cent | 8.15 | 6.57 | 5.30 | 6.73 | 1.94 |
| Diluted Cash EPS ¹ | US Cent | 11.71 | 11.65 | 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 closing price on 30.06.2010 on NASDAQ OMX, Iceland and Copenhagen.

Second Quarter Business Overview

Performance in the second quarter was good, excellent sales growth across all markets and major segments. Bracing and supports in Americas are performing well and growing above the market growth. Product launches in the first half of the year had a positive effect on the sales trend in bracing and supports during the quarter. Excellent sales growth in prosthetics is fuelled by good growth across all product lines as well as the success of the bionic products.

Consolidation of manufacturing

To further consolidate Össur's manufacturing platform, it has been decided to establish a new manufacturing unit in Mexico. The new manufacturing operation will focus on manufacturing of bracing and supports products. The objective with the new plant is to shorten the supply chain, increase efficiency and consolidate the M&O operation. The first phase, to move the spinal manufacturing, is expected to be finalized by the end of this year. Össur currently has four main manufacturing locations for bracing and supports. In addition Össur sources products directly from several vendors.

Further expansion

In June Össur acquired the South African distributor Orthopaedic Partner Africa Ltd. This acquisition is in line with Össur's strategy to consolidate local sales channels and strengthen the Össur brand in South Africa. The new subsidiary will be named Össur South Africa. The acquisition will have an immaterial effect on the Company's financials.

Product launches

One of the main focus points for this year is the product pipeline. In the first half of the year sixteen new products were launched, twelve in the first quarter and four in the second quarter. A strong product pipeline is very important and new products launched in the first half were an import contributor to the growth in the quarter. Products launched in the second quarter were focused on improvements and upgrades of existing products. As previously communicated, the PROPRIO FOOT will be launched in the third quarter.



Techform® Casting Tape

Techform® Casting Tape is engineered to produce an extremely strong, durable finished cast every time. In addition to the great value, strength and durability offered by Techform Standard, the Premium version incorporates a patented rub-responsive formula and unique fabric to produce a premium finished cast.



Talux Sandal Toe

Talux emulates many of the anatomical features of the human foot. Talux is specially designed to provide fluid, natural walking motion in a variety of terrains, for amputees of low to moderate activity.

Talux now comes with a sandal toe, to accommodate a greater variety of footwear options.



Iceross Comfort Wave

Iceross Comfort is an exceptional liner for residual limbs with bony prominences prone to pressure peaks, and/or conical residual limbs. Iceross Comfort is designed with Össur's stabilizing matrix, a size-specific distal attachment and a nylon outer cover.

Iceross Comfort is now available with the Wave feature for easier flexing at the knee.

Income Statements Second Quarter

| USD '000 | Q2 2010 | % of sales | Q2 2009 | % of sales | Change |
|-----------------------------------|---------------|--------------|---------------|--------------|---------------|
| Net sales | 90,021 | 100.0% | 81,345 | 100.0% | 10.7% |
| Cost of goods sold | (34,467) | -38.3% | (31,284) | -38.5% | 10.2% |
| Gross profit | 55,554 | 61.7% | 50,061 | 61.5% | 11.0% |
| Other income | 64 | 0.1% | 120 | 0.1% | -46.7% |
| Sales & marketing expenses | (23,645) | -26.3% | (23,105) | -28.4% | 2.3% |
| Research & development expenses | (4,738) | -5.3% | (4,813) | -5.9% | -1.6% |
| General & administrative expenses | (11,224) | -12.5% | (10,490) | -12.9% | 7.0% |
| Profit from operations | 16,011 | 17.8% | 11,773 | 14.5% | 36.0% |
| Financial income | 119 | 0.1% | 70 | 0.1% | 70.0% |
| Financial expenses | (3,921) | -4.4% | (4,080) | -5.0% | -3.9% |
| Net exchange rate difference | 5,692 | 6.3% | (4,481) | -5.5% | -227.0% |
| Profit before tax | 17,901 | 19.9% | 3,282 | 4.0% | 445.4% |
| Income tax | (4,308) | -4.8% | (927) | -1.1% | 364.7% |
| Net profit for the period | 13,593 | 15.1% | 2,355 | 2.9% | 477.2% |
| EBITDA | 19,568 | 21.7% | 16,958 | 20.8% | 15.4% |
| EBITDA adjusted* | 20,043 | 22.3% | 17,927 | 22.0% | 11.8% |

*Adjusted for one-time income and expenses

Sales

Sales in the quarter were very good and both major segments showed double digit growth. Total sales amounted to USD 90.0 million compared to USD 81.3 million in the second quarter of 2009. Exchange rate trends had negative impact on sales amounting to USD 1.3 million. Total sales growth was 12% and organic sales growth was 10%, both measured in local currency.

The second quarter was excellent in the Americas, delivering 18% sales growth in LCY. Initiatives and investments in sales platforms as well as a strong product pipeline underpin the positive trend in the bracing and supports segment in the Americas. Prosthetics show strong growth across all product lines.

Sales in EMEA were good in the quarter, growing 7% in local currency. Sales of prosthetics were excellent, growing above the market growth and bracing and supports sales also performed in line with market growth rates. Organic sales growth in Compression therapy was 5%, measured in local currency.

In May Össur EMEA participated in the ORTHOPÄDIE + REHA-TECHNIK, which is the largest O&P tradeshow in Europe. New products were successfully introduced at the tradeshow with a special focus on mechanical solutions.

Asia continues to deliver good sales growth in all major markets.

Sales by region

| USD '000 | Q2 2010 | % of sales | Growth USD | Growth LCY | Organic growth LCY |
|--------------|---------------|-------------|------------|------------|--------------------|
| Americas | 46,755 | 51.9% | 19% | 18% | 12% |
| EMEA | 39,539 | 43.9% | 2% | 7% | 7% |
| Asia | 3,727 | 4.1% | 17% | 13% | 13% |
| Total | 90,021 | 100% | 11% | 12% | 10% |

Sales by segments

| USD '000 | Q2 2010 | % of sales | Growth USD | Growth LCY | Organic Growth LCY |
|---------------------|---------------|-------------|------------|------------|--------------------|
| Bracing & supports | 44,204 | 49.1% | 10% | 11% | 6% |
| Prosthetics | 41,424 | 46.0% | 14% | 15% | 15% |
| Compression therapy | 4,053 | 4.5% | 0% | 7% | 5% |
| Other | 340 | 0.4% | -45% | -42% | -47% |
| Total | 90,021 | 100% | 11% | 12% | 10% |

Gross profit

Gross profit amounted to USD 56 million or 62% of sales which is at the same level as in the second quarter of 2009. Gross profit margins have remained stable in past quarters.

Operating expenses

Sales and marketing cost has increased slightly due to expanding of sales coverage while R&D and G&A remain at similar levels. Overall operational expenses remain flat in absolute terms.

Profit from operations amounted to 16.0 million and 18% of sales compared to USD 11.8 million and 15% of sales in the second quarter of 2009. Increased profit is driven by good sales growth and lower amortization.

Amortization of intangible assets in the quarter, relating to acquisitions made in the previous years, amounted to USD 1.8 million, compared to USD 3.3 million in 2009.

Financial items, tax and net profit

Net financial income for the quarter amounted to USD 1.9 million compared to net financial expenses of USD 8.5 million in the second quarter of 2009. Financial items are affected by significant exchange rate movements.

Income tax was USD 4.3 million, corresponding to a 24% effective tax rate, compared to USD 0.9 million and 28% effective tax rate in 2009. Taxes are in line with expectations.

Net profit amounted to USD 13.6 million, compared to USD 2.4 million in 2009. Net profit is up by USD 11.2 million between years. Increased profits are driven up by good sales growth and positive exchange gains flowing through financial items.

EBITDA

EBITDA amounted to USD 19.6 million and 22% of sales compared to 17.0 and 21% in the second quarter of 2009, growing 15%.

Balance Sheets

| USD '000 | 30 June 2010 | 31 Dec. 2009 | Change |
|--|-----------------|-----------------|------------|
| Non-current assets | 417,279 | 448,446 | -7% |
| Current assets | 162,870 | 179,771 | -9% |
| Total assets | 580,149 | 628,217 | -8% |
| Stockholders' equity | 311,510 | 312,223 | 0% |
| Non-current liabilities | 193,330 | 237,045 | -18% |
| Current liabilities | 75,309 | 78,949 | -5% |
| Total equity and liabilities | 580,149 | 628,217 | -8% |
| Current ratio | 2.2 | 2.3 | |
| Equity ratio | 54% | 50% | |
| Net interest bearing debt / EBITDA LTM | 1.8 | 2.4 | |
| Debt/EBITDA | 2.6 | 3.7 | |

Össur's balance sheet remains healthy. Decrease between the end of the quarter and the end of 2009 is due to the weakening of the Euro against the USD.

In the second quarter, Össur's interest SWAP agreements were transferred from Kaupthing Bank to Arion Bank in accordance with a settlement agreement made with the respective banks. Part of the agreement was to pay up all unpaid interest from January 2009, which had been accrued for. This negatively affected the cash flow by approximately USD 6 million. The SWAP agreements were originally entered into in 2005 in relation to Össur's refinancing.

In the second quarter Össur prepaid USD 10.0 million of debt.

Cash Flow

| USD '000 | Q2 2010 | % of sales | Q2 2009 | % of sales |
|---|---------|---------------|---------|---------------|
| Cash generated by operations | 18,875 | 21% | 22,318 | 27% |
| Net cash provided by operating activities | 10,025 | 11% | 17,696 | 22% |

Cash generated by operations amounted to USD 19 million compared to USD 22 million in the second quarter of 2009. Exchange rate movements had a substantial impact on cash flows. In 2009 cash flows were positively impacted by a special focus to bring down inventories and accounts receivable.

Capital investments were unusually low and amounted to USD 1.6 million or 1.8% of sales, compared to USD 2.2 million and 2.7% of sales in the same period of 2009. The Company's guidance for capital investments is 2.5-3.5%.

Income Statements January-June

| (USD '000) | YTD 2010 | % of sales | YTD 2009 | % of sales | Change |
|-----------------------------------|-----------------|-------------------|-----------------|-------------------|---------------|
| Net sales | 176,489 | 100.0% | 158,525 | 100.0% | 11.3% |
| Cost of goods sold | (66,847) | -37.9% | (61,439) | -38.8% | 8.8% |
| Gross profit | 109,642 | 62.1% | 97,086 | 61.2% | 12.9% |
| Other income | 1,482 | 0.8% | 347 | 0.2% | 327.1% |
| Sales & marketing expenses | (48,408) | -27.4% | (47,168) | -29.8% | 2.6% |
| Research & development expenses | (9,840) | -5.6% | (9,778) | -6.2% | 0.6% |
| General & administrative expenses | (22,722) | -12.9% | (20,865) | -13.2% | 8.9% |
| Profit from operations | 30,154 | 17.1% | 19,622 | 12.4% | 53.7% |
| Financial income | 150 | 0.1% | 140 | 0.1% | 7.1% |
| Financial expenses | (7,713) | -4.4% | (7,467) | -4.7% | 3.3% |
| Net exchange rate difference | 8,455 | 4.8% | 733 | 0.5% | 1053.5% |
| Profit before tax | 31,046 | 17.6% | 13,028 | 8.2% | 138.3% |
| Income tax | (7,760) | -4.4% | (3,100) | -2.0% | 150.3% |
| Net profit for the period | 23,286 | 13.2% | 9,928 | 6.3% | 134.5% |
| EBITDA | 37,400 | 21.2% | 29,821 | 18.8% | 25.4% |

Further information:

Jon Sigurdsson, President & CEO Tel: +354 515 1300
Hjörleifur Pálsson, CFO Tel: +354 515 1300
Sigurborg Arnarsdóttir, IR Manager Tel: +354 664 1044

Financial Calendar:

| Upcoming Events | Date | Location |
|---|---------------------|---------------------------|
| Road Show | 6-9 September 2010 | Europe |
| Goldman Sachs Conference | 8-9 September 2010 | London, UK |
| Conference for Private Investors (Dansk Aktiemesse) | 30 September 2010 | Copenhagen, DK |
| Jefferies Global Specialty Pharma and European Healthcare Conference | 5-6 October 2010 | London, UK |
| Third Quarter | 26 October 2010 | Copenhagen/London |
| 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.