



Announcement Össur hf. No. 20/2010
Reykjavik, 25 October 2010

GOOD PERFORMANCE

Sales - Overall sales growth was good, 7% measured in local currency and all segments contributed to growth. Total sales amounted to USD 87 million compared to USD 84 million in the third quarter of 2009. Sales of bracing and supports were strong, growing 12% measured in local currency. Sales of prosthetics were slow in the quarter, growing 3% measured in local currency.

Profitability – EBITDA amounted to USD 19 million or 22% of sales and gross profit amounted to USD 54 million or 62% of sales. Overall margins remain stable. Net profit amounted to USD 4 million compared to USD 5 million for the same period in 2009. Net profit was significantly impacted by negative exchange rate adjustments related to financial items.

Jon Sigurdsson, President & CEO, comments:

"Performance in the bracing and supports segment continues to be good, especially in the US. The product pipeline remains strong and we are pleased to see how the new bracing and supports products are contributing to growth. Amongst new products launched in the quarter is the PROPRIO FOOT which is the second product in Össur's bionic platform. The Bionic platform has created excitement in the market and we are committed to further development within this field."

Highlights of the quarter:

- **PROPRIO Launch** – PROPRIO FOOT was launched in the third quarter. PROPRIO FOOT is the second product in the Bionic Platform to be launched. Össur is paving the way for Proprio as this is the first product of its kind. Sales generated from the foot in the third and fourth quarter of 2010 are expected to have immaterial effect on the Company's total sales for 2010.
- **Sales of bracing and supports** - The bracing and supports segment is growing above the market growth rate. The growth trend in the US is positive and confirms that increased investment in sales coverage in the US is returning. New products in bracing and supports, such as the Miami Lumbar and Rebound Walker, have been well received and are contributing to growth.

Guidance – Management estimates LCY organic sales growth for 2010 to be within the original guided range of 4-6%. EBITDA LCY organic growth is now estimated to be in the range of 5-7% for the year.

Conference call tomorrow 26 October at 12:00 CET/ 10:00 GMT/ 6:00 EST

Tuesday 26 October 2010 Jon Sigurdsson, President and CEO, and Hjörleifur Palsson, CFO, will host a conference call for investors, analysts and shareholders presenting and discussing the results of the third 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

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Key Financial Figures (USD millions)

		YTD 2010	YTD2009	2009	2008	2007
Income Statement						
Net sales		264	243	331	347	332
Gross profit		164	149	202	214	192
Operating expenses ²		120	115	154	168	171
Profit from operations		46	34	48	56	40
Net profit		27	15	23	28	8
EBITDA		56	49	67	79	64
Balance sheet						
Total assets		605	617	628	604	636
Equity		334	276	312	250	250
Net interest-bearing debt (NIBD)		128	197	158	234	283
Cash flow						
Cash generated by operations		48	56	86	71	61
Cash provided by operating activities		31	46	69	53	46
Cash flows from investing activities		(7)	(5)	(16)	(7)	(18)
Cash flows from financing activities		(37)	(24)	(4)	(31)	(25)
Free Cash flow		28	41	60	46	39
Key figures						
Sales Growth USD	%	8.7	(9.2)	(4.7)	4.5	33.5
Operating margin	%	17.4	14.2	14.6	16.0	12.0
EBITDA margin	%	21.4	20.3	20.3	22.9	19.4
Equity ratio	%	55.3	44.8	49.7	41.3	39.4
Ratio of net debt to EBITDA ¹		1.7	3.0	2.4	2.9	4.4
Ratio of debt to EBITDA ¹		2.6	3.8	3.5	3.3	4.6
Current ratio		2.3	1.9	2.3	1.1	0.9
Return on equity ¹	%	11.4	7.2	8.1	11.0	4.0
Market						
Market value of equity ³		857	419	529	349	672
Number of shares		454	423	454	423	423
Price/earnings ratio, (P/E) ¹		24.6	22.2	23.2	12.3	88.7
Diluted EPS ¹	US Cent	7.84	4.46	5.30	6.73	1.94
Diluted Cash EPS ¹	US Cent	11.10	9.22	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.
3. Market value based on closing price at 30.09.2010 on Nasdaq OMX, Iceland and Denmark.

Third Quarter Business Overview

Overall performance was good in the quarter and all segments are showing growth. Sales growth in the third quarter was 7%, measured in local currency. Sales of bracing and supports were strong. Prosthetics sales were slow in the quarter, growing 3% measured in local currency. Organic sales growth in bracing and supports and prosthetics was 6% and 3% respectively, both measured in local currency. In 2010 the product pipeline has been very strong and 19 products have been launched and are contributing to the growth. Sales of Bionic products accounted for 14% of the prosthetics sales in the quarter.

Manufacturing plant in Mexico

As announced in the second quarter Össur is working towards further consolidating the Company's manufacturing platform and has established a new manufacturing unit in Tijuana Mexico. At the end of September the first products were shipped from this new location.

Product launches

Three new products were launched in the quarter, the PROPRIO FOOT, Iceross Junior and an upgraded version of the Unloader One. The product pipeline in 2010 has been very strong and promising products have been launched. In the bracing and supports segment, new products such as the Miami Lumbar and Rebound Walker have been well received and are contributing to the growth in bracing and supports. Both Miami Lumbar and Rebound Walker are examples of products where R&D is leveraging on technology knowhow and material expertise from the prosthetics segment.

The most exciting product in the third quarter is the PROPRIO FOOT. It is the world's first intelligent foot module and the second product in Össur's bionic product line to be fully launched to the market. PROPRIO FOOT has created a lot of excitement and has been accepted into the reimbursement systems of the Centers for Medicare & Medicaid Services as of January 1st this year.



PROPRIO FOOT with EVO

The PROPRIO FOOT provides wide and automated ankle flexion which enables function as close as possible to the human foot today. The PROPRIO FOOT thinks for itself, responding to changing terrain and transforming the approach to stairs and slopes as well as level ground walking.



Iceross Junior

The popular Iceross Junior liner now ables children to decorate and personalize their liner. The liner has been upgraded with new textile that allows for coloring.



Unloader One

The Unloader One osteoarthritis knee brace has been redesigned to make it easier for users to fit it, reduce pressure points and to increase comfort.

Income Statements Third Quarter

USD '000	Q3 2010	% of sales	Q3 2009	% of sales	Change
Net sales	87,437	100.0%	84,184	100.0%	3.9%
Cost of goods sold	(32,991)	-37.7%	(32,463)	-38.6%	1.6%
Gross profit	54,446	62.3%	51,721	61.4%	5.3%
Other income	130	0.1%	18	0.0%	622.2%
Sales & marketing expenses	(22,980)	-26.3%	(21,948)	-26.1%	4.7%
Research & development expenses	(4,743)	-5.4%	(4,170)	-5.0%	13.7%
General & administrative expenses	(11,122)	-12.7%	(10,725)	-12.7%	3.7%
Profit from operations	15,731	18.0%	14,896	17.7%	5.6%
Financial income	130	0.1%	45	0.1%	188.9%
Financial expenses	(4,020)	-4.6%	(4,047)	-4.8%	-0.7%
Net exchange rate difference	(6,514)	-7.4%	(4,196)	-5.0%	55.2%
Profit before tax	5,327	6.1%	6,698	8.0%	-20.5%
Income tax	(1,312)	-1.5%	(1,938)	-2.3%	-32.3%
Net profit for the period	4,015	4.6%	4,760	5.7%	-15.7%
EBITDA	19,082	21.8%	19,355	23.0%	-1.4%
EBITDA adjusted*	19,695	22.5%	19,355	23.0%	1.8%

*Adjusted for one-time expenses

Sales

Sales performance in the quarter was good. Total sales amounted to USD 87.4 million compared to USD 84.2 million in the third quarter of 2009. Exchange rate trends had negative impact on sales amounting to USD 2.6 million. Total sales growth was 7% and organic sales growth was 4%, both measured in local currency.

The third quarter was good in the Americas, delivering 11% sales growth in local currency. Sales of bracing and supports in the quarter was excellent. This performance in the bracing and supports segment is driven by expanded sales coverage as well as this year's strong product pipeline. In prosthetics the quarter was slow.

EMEA showed moderate growth in the quarter, or 3% growth in local currency. Prosthetics sales were good and continue to grow above the market growth. Sales in bracing and supports were slow in this quarter. New products in the bracing and supports segment have not contributed to the sales in EMEA as expected. Discontinued product lines have also affected sales growth. Organic sales growth in Compression therapy was 2%, measured in local currency.

In Asia the third quarter was unusual compared to previous quarters, declining by 1%, measured in local currency. The setback in growth is impacted by reimbursement review in Japan, one of the largest markets in the Asian unit. This is temporarily and outlook for Ossur Asia in the fourth quarter is positive.

Sales by regions

USD '000	Q3 2010	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Americas	47,781	54.6%	11%	11%	6%
EMEA	35,078	40.1%	-5%	3%	3%
Asia	4,578	5.2%	1%	-1%	-1%
Total	87,437	100%	4%	7%	4%

Sales by segments

USD '000	Q3 2010	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Bracing & supports	43,265	49.5%	9%	12%	6%
Prosthetics	40,254	46.0%	0%	3%	3%
Compression therapy	3,459	4.0%	-5%	5%	2%
Other	459	0.5%	-12%	-11%	-5%
Total	87,437	100%	4%	7%	4%

Gross profit

Gross profit amounted to USD 54.4 million or 62% of sales which is at the same level as in the third quarter of 2009. Gross profit margins have remained consistent in past quarters.

Operating expenses

Net of exchange rate effects operational expenses increase slightly. Sales and marketing cost has increased due to increased investment in sales coverage in the US, while G&A shows a slight decrease. R&D cost remains at a similar level.

Profit from operations amounted to 15.7 million or 18% of sales and remains at the same level as in the third quarter of 2009.

Amortization of intangible assets in the quarter, relating to acquisitions made in the previous years, amounted to USD 1.3 million, compared to USD 2.5 million in 2009.

Financial items, tax and net profit

Net financial expenses for the quarter amounted to USD 10.4 million compared to USD 8.2 million in the third quarter of 2009. Exchange rate movements have material effect on financial items.

Income tax was USD 1.3 million, corresponding to a 25% effective tax rate, compared to USD 1.9 million and 29% effective tax rate in 2009.

Net profit amounted to USD 4.0 million, compared to USD 4.8 million in 2009. Exchange rate effects on financial items have significant impact on net profit. Net profit, adjusted for exchange rate differences on financial items (net of tax effects) amounted to USD 9.4 million compared to 8.2 million in the same period 2009.

EBITDA

EBITDA amounted to USD 19.1 million and 22% of sales compared to 19.4 and 23% in the third quarter of 2009. EBITDA adjusted amounted to 19.7 million and 23% of sales. Adjustments in the quarter include severance payments and cost related to the Mexico project.

Balance Sheets

USD '000	30 Sept. 2010	31 Dec. 2009	Change
Non-current assets	434,841	448,446	-3%
Current assets	170,543	179,771	-5%
Total assets	605,384	628,217	-4%
Stockholders' equity	334,554	312,223	7%
Non-current liabilities	196,940	237,045	-17%
Current liabilities	73,890	78,949	-6%
Total equity and liabilities	605,384	628,217	-4%
Current ratio	2.3	2.3	
Equity ratio	55%	50%	
Net interest bearing debt / EBITDA LTM	1.7	2.4	
Debt/EBITDA	2.6	3.5	

Össur's balance sheets remain healthy. Decrease between the end of the quarter and the end of 2009 is mainly due to the weakening of the Euro against the USD and decreased debt.

Cash Flow

USD '000	Q3 2010	% of sales	Q3 2009	% of sales
Cash generated by operations	17,421	20%	24,176	29%
Net cash provided by operating activities	12,541	14%	21,621	26%

Cash generation continues to be good and cash generated by operations amounted to USD 17.4 million compared to USD 24.2 million in the third quarter of 2009. In 2009 cash flows were positively impacted by a special focus to bring down inventories and accounts receivable.

Capital investments are unusually low for the second consecutive quarter and amounted to USD 1.8 million or 2.0% of sales, compared to USD 2.1 million and 2.5% of sales in the same period of 2009. The Company's guidance for capital investments is 2.5-3.5%.

Income Statements January-September

(USD '000)	YTD 2010	% of sales	YTD 2009	% of sales	Change
Net sales	263,926	100.0%	242,709	100.0%	8.7%
Cost of goods sold	(99,838)	-37.8%	(93,902)	-38.7%	6.3%
Gross profit	164,088	62.2%	148,807	61.3%	10.3%
Other income	1,612	0.6%	365	0.2%	341.6%
Sales & marketing expenses	(71,388)	-27.0%	(69,116)	-28.5%	3.3%
Research & development expenses	(14,583)	-5.5%	(13,948)	-5.7%	4.6%
General & administrative expenses	(33,844)	-12.8%	(31,590)	-13.0%	7.1%
Profit from operations	45,885	17.4%	34,518	14.2%	32.9%
Financial income	280	0.1%	185	0.1%	51.4%
Financial expenses	(11,733)	-4.4%	(11,514)	-4.7%	1.9%
Net exchange rate difference	1,941	0.7%	(3,463)	-1.4%	-156.0%
Profit before tax	36,373	13.8%	19,726	8.1%	84.4%
Income tax	(9,072)	-3.4%	(5,038)	-2.1%	80.1%
Net profit for the period	27,301	10.3%	14,688	6.1%	85.9%
EBITDA	56,482	21.4%	49,176	20.3%	14.9%
EBITDA adjusted*	56,324	21.3%	50,875	21.0%	10.7%

*Adjusted for one-time expenses

Össur Capital Markets Day

Össur Capital Markets Day will be held on 1 December at the Admiral Hotel in Copenhagen. Management will present and introduce various aspects of the Company with special focus on US Reimbursement and US Healthcare reforms.

The agenda will be from 8:30-13:00. The full agenda is available on Össur's web, www.ossur.com/investors

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Financial Calendar:

Upcoming Events	Date	Location
Q3 Road Show	27-29 October	Copenhagen/London
Össur Capital Markets Day	1 December	Copenhagen
SEB Enskilda Nordic Seminar	11-12 January 2011	Copenhagen
Fourth Quarter	7 February 2011	Reykjavík and Copenhagen
2011 Annual General Meeting	4 March 2011	Reykjavík, Iceland

Össur press releases by e-mail

If you wish to receive Össur press releases by e-mail please register at the following web-site: <http://www.ossur.com/investormailings>.

About Össur

Össur (NASDAQ 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.