



Announcement Össur hf. No. 01/2011  
Reykjavik, 7 February 2011

## EXCELLENT SALES GROWTH

**Sales** – Sales growth was excellent, 9% measured in local currency with strong contribution from both bracing and supports and prosthetics. Total sales amounted to USD 359 million compared to USD 331 million in 2009. Performance in bracing and supports was strong, with sales gradually increasing during the year resulting in 12% growth measured in local currency. Sales of prosthetics were good, growing 8% measured in local currency.

**Profitability** – Össur continues to deliver stable margins. EBITDA amounted to USD 74 million or 21% of sales and gross profit amounted to USD 223 million or 62% of sales. Net profit amounted to USD 35 million and 10% of sales compared to USD 23 million and 7% of sales in 2009. Increased profit is primarily driven by sales growth.

### Jon Sigurdsson, President & CEO, comments:

*"Overall the results for 2010 are very satisfying. The product pipeline has been strong and an important contributor to this year's success. In 2010 we have seen exciting mechanical solutions, breakthrough bionic products like the PROPRIO FOOT as well as new bracing and support products launched. Excellent sales growth in prosthetics is supported by solid performance in both EMEA and Americas. Success of the bracing and supports segment in Americas is very positive and confirms our strength in this segment."*

### Highlights of the year:

- **Strong product pipeline** – The product pipeline was very strong in 2010. A total of 22 new products were launched including the PROPRIO FOOT which is the second product in the Bionic Platform. Products such as Miami Lumbar and Rebound Walker which were launched during the year contribute to the growth in the bracing and supports segment.
- **Expanding sales platform in Americas** – Extensive change in the sales structure and strategy in Americas in 2009 is returning good growth in 2010. Investments in distribution channels and increasing the sales coverage, have yielded good results and combined with a strong product pipeline have resulted in the bracing and support segment in Americas growing above the market growth rate.

**Guidance 2011** – Management estimates LCY organic sales growth for 2011 to be in the range of 4-6%. EBITDA adjusted is estimated to be in the range of 20-21% for the year.

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### Conference call tomorrow 8 February at 12:00 CET/ 11:00 GMT/ 6:00 EST

Tuesday 8 February 2011 Jón Sigurðsson, President and CEO, and Hjörleifur Pálsson, CFO, will host a conference call for investors, analysts and shareholders presenting and discussing the results of the fourth quarter and the full year results for 2010. The conference call will be conducted in English and can be heard on Össur's website: [www.ossur.com](http://www.ossur.com)

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

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The United States: +1 866 458 40 87

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## Key Financial Figures (USD millions)

		2010	2009	2008	2007	2006
<b>Income Statement</b>						
Net sales		359	331	347	332	249
Gross profit		223	202	214	192	155
Operating expenses <sup>1</sup>		164	154	168	171	127
Profit from operations		60	48	56	40	20
Net profit		35	23	28	8	4
EBITDA		74	67	79	64	39
<b>Balance sheet</b>						
Total assets		607	628	604	636	613
Equity		344	312	250	250	162
Net interest-bearing debt (NIBD)		133	158	234	283	350
<b>Cash flow</b>						
Cash generated by operations		64	86	71	62	25
Cash provided by operating activities		40	69	53	46	16
Cash flows from investing activities		(19)	(16)	(7)	(18)	(179)
Cash flows from financing activities		(46)	(4)	(31)	(25)	154
Free Cash flow		34	60	46	39	6
<b>Key figures</b>						
Sales Growth USD	%	8.5	(4.7)	4.5	33.5	55.6
Operating margin	%	16.8	14.6	16.0	12.0	8.0
EBITDA margin	%	20.7	20.3	22.9	19.4	15.9
Equity ratio	%	56.6	49.7	41.3	39.4	26.4
Ratio of net debt to EBITDA		1.8	2.4	2.9	4.4	8.9
Ratio of debt to EBITDA		2.6	3.5	3.3	4.6	0.6
Current ratio		1.9	2.3	1.1	0.9	3.0
Return on equity	%	10.2	8.1	11.0	4.0	1,190
<b>Market</b>						
Market value of equity <sup>2</sup>		778	529	349	672	606
Number of shares		454	454	423	423	385
Price/earnings ratio, (P/E)		22.3	23.2	12.3	88.7	138.9
Diluted EPS	US Cent	7.77	5.30	6.73	1.94	1.13
Diluted Cash EPS	US Cent	10.87	9.66	12.29	8.24	6.27

### Notes

1. Excluding other income.

2. Market value based on closing price at 31.12.2010 on Nasdaq OMX, Iceland and Denmark.

## 2010 STRONG PERFORMANCE

Overall performance was good in 2010 and both bracing and supports and prosthetics show excellent growth. Sales growth in 2010 was 9%, measured in local currency. Sales of bracing and supports have been increasing throughout the year and sales growth measured in local currency was 12%. In 2010 organic sales of bracing and supports has turned around from a decline in 2009 to 4% organic growth in 2010, measured in local currency. Overall sales of prosthetics were good, delivering 8% growth measured in local currency. Bionic sales accounted for 15% of the prosthetic sales in 2010

### Expanding sales platform in Americas

In 2010 Össur has been capitalizing on changes carried out in Americas in 2009, where the main focus was on aligning the bracing and supports sales channel. Changes were made in the leadership team, sales structure and a region specific strategy was implemented to gain access to new sales channels.

### Strong product pipeline

In 2010 the product pipeline has been strong and 22 products have been launched, 10 bracing and support products and 12 prosthetic products. The strong product pipeline has been very important in the bracing and supports segment and an important contributor to strengthening Össur's presence in this segment. The new products are contributing to growth in 2010.

### Mexico facility operational

In 2010 a new manufacturing unit was established in Mexico focusing on manufacturing of bracing and supports products. The objective with the new manufacturing facility is to shorten the supply chain, increase efficiency and consolidate the M&O operation. Össur currently has four manufacturing locations for bracing and supports. In addition Össur sources products directly from several vendors.

### Össur's delisting request from NASDAQ OMX Iceland

In November 2010 Össur announced that the Board of Directors of Össur had decided to request delisting from NASDAQ OMX Iceland. NASDAQ OMX Iceland and certain Icelandic shareholders have indicated their interest to discuss the Board's decision at a shareholder meeting. To meet the interest of these shareholders the Board's decision will be put on the agenda for the Company's Annual General Meeting, held 4 March 2011. Following the AGM it is expected that NASDAQ OMX Iceland will finish processing the delisting request.

### Key products launched in 2010:



#### PROPRIO FOOT®

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.



#### Miami Lumbar™

The Miami Lumbar is an easy-to-use spinal orthosis for post-surgical immobilization, pain relief, and the protection of injured ligaments or muscles. The support belt enables step-down treatment options for every state of the recovery process.



#### 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.



#### Rebound™ Air Walker

The Rebound walker is designed to provide superior compression, simplified application and usage and improved comfort. It has a fully-integrated air pump and release valve for consistent compression.

## Income Statements Full Year 2010

USD '000	2010	% of sales	2009	% of sales	Change
Net sales	358,538	100.0%	330,580	100.0%	8.5%
Cost of goods sold	(135,916)	-37.9%	(128,765)	-39.0%	5.6%
<b>Gross profit</b>	<b>222,622</b>	<b>62.1%</b>	<b>201,815</b>	<b>61.0%</b>	<b>10.3%</b>
Other income	1,587	0.4%	496	0.2%	220.0%
Sales & marketing expenses	(97,232)	-27.1%	(92,567)	-28.0%	5.0%
Research & development expenses	(19,731)	-5.5%	(19,080)	-5.8%	3.4%
General & administrative expenses	(47,001)	-13.1%	(42,424)	-12.8%	10.8%
<b>Profit from operations</b>	<b>60,245</b>	<b>16.8%</b>	<b>48,240</b>	<b>14.6%</b>	<b>24.9%</b>
Financial income	320	0.1%	254	0.1%	26.0%
Financial expenses	(15,959)	-4.5%	(15,587)	-4.7%	2.4%
Net exchange rate difference	3,096	0.9%	(2,670)	-0.8%	-216.0%
<b>Profit before tax</b>	<b>47,702</b>	<b>13.3%</b>	<b>30,237</b>	<b>9.1%</b>	<b>57.8%</b>
Income tax	(12,340)	-3.4%	(7,475)	-2.3%	65.1%
<b>Net profit for the period</b>	<b>35,362</b>	<b>9.9%</b>	<b>22,762</b>	<b>6.9%</b>	<b>55.4%</b>
<b>EBITDA</b>	<b>74,358</b>	<b>20.7%</b>	<b>66,988</b>	<b>20.3%</b>	<b>11.0%</b>
<b>EBITDA adjusted*</b>	<b>74,929</b>	<b>20.9%</b>	<b>68,687</b>	<b>20.8%</b>	<b>9.1%</b>

\*Adjusted for one-time expenses

### Sales

Total sales amounted to USD 358.5 million compared to USD 330.6 million in 2009. Exchange rate trends had negative impact on sales amounting to USD 5.1 million. Total sales growth was 9% and organic sales growth was 6%, both measured in local currency.

The year was very good in the Americas, delivering 15% sales growth in local currency. Both bracing and supports and prosthetics contributed to the overall good performance in Americas. Performance of the bracing and supports segment shows a positive trend and confirms that investments and increased efforts in this segment are materializing.

EMEA showed moderate growth in 2010 or 3% measured in local currency. Sales in bracing and supports were weak, however prosthetics sales were above market growth. Bracing and supports sales were affected by lower contribution than expected from certain products. Sales of Compression therapy was flat in 2010, measured in local currency.

Asia showed excellent growth in 2010, delivering 11% organic growth, measured in local currency. The growth in Asia is supported by strong prosthetics growth and excellent growth in bracing and supports.

### Sales by regions

USD '000	2010	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Americas	185,642	52%	16%	15%	8%
EMEA	156,377	44%	0%	3%	2%
Asia	16,519	5%	15%	11%	11%
<b>Total</b>	<b>358,538</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>

### Sales by segments

USD '000	2010	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Bracing & supports	179,410	50%	11%	12%	4%
Prosthetics	159,849	45%	8%	8%	8%
Compression therapy	17,543	5%	-3%	0%	0%
<b>Total</b>	<b>358,538</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>

## Gross profit

Gross profit amounted to USD 222.6 million or 62% of sales which is at the same level as in 2009. Gross profit margins have remained consistent in past years.

## Operating expenses

Decreasing amortization had positive effects on operating expenses. However, investment in sales coverage increases sales and marketing expenses for the year. Looking beyond currency impact, one-time items and acquisitions economies of scale have had positive effect on general and administrative expenses resulting in a slight decline.

Profit from operations amounted to 60.2 million or 17% of sales compared to 48.2 or 15% of sales in 2009.

Amortization of intangible assets, relating to acquisitions made in previous years, amounted to USD 5.4 million, compared to USD 10.6 million in 2009. Amortization in 2011 will remain at similar level as in 2010.

## Financial items, tax and net profit

Net financial expenses amounted to USD 12.5 million compared to USD 18.0 million in 2009. Exchange rate movements have material effect on financial items.

In the fourth quarter Össur expensed additional USD 1 million in relation to the Company's interest rate swap agreements.

Income tax was USD 12.3 million, corresponding to a 26% effective tax rate, compared to USD 7.5 million and 25% effective tax rate in 2009.

Net profit amounted to USD 35.4 million, compared to USD 22.8 million in 2009. Exchange rate effects on financial items have some impact on net profit, however increased profit is primarily driven by excellent sales growth.

## EBITDA

EBITDA amounted to USD 74.4 million and 21% of sales compared to USD 67.0 million and 20% of sales in 2009. EBITDA adjusted amounted to USD 75 million and 21% of sales compared to USD 69 million and 21% of sales in 2009. Adjustments in 2010 include one-time cost related to severance payments and the Mexico facility and one-time income include USD 1.2 million due to the sales of a real-estate in California. In 2009 EBITDA was primarily adjusted for one-time expenses relating to severance payments.

## Balance Sheets

USD '000	31 Dec. 2010	31 Dec. 2009	Change
Non-current assets	441,548	448,446	-2%
Current assets	165,530	179,771	-8%
<b>Total assets</b>	<b>607,078</b>	<b>628,217</b>	<b>-3%</b>
Stockholders' equity	343,558	312,223	10%
Non-current liabilities	178,145	237,045	-25%
Current liabilities	85,375	78,949	8%
<b>Total equity and liabilities</b>	<b>607,078</b>	<b>628,217</b>	<b>-3%</b>
Current ratio	1.9	2.3	
Equity ratio	57%	50%	
Net interest bearing debt / EBITDA LTM	1.8	2.4	
Debt/EBITDA	2.5	3.5	

Össur's balance sheets remain healthy and the equity ratio is at record high 57%. Net debt to EBITDA is 1.8.

As previously communicated Össur intends to internationalize its debt financing. Össur is already in discussions with financing banks and expects to close the refinancing in the first quarter of 2011 at market terms which are more favorable than current terms. Further information will be disclosed when the refinancing has been completed.

## Cash Flow

USD '000	2010	% of sales	2009	% of sales
Cash generated by operations	64,331	18%	85,770	26%
Net cash provided by operating activities	39,995	11%	69,155	21%

Cash generated by operations amounted to USD 64.3 million compared to USD 85.8 million in 2009. In 2009 cash flows were positively impacted by a special focus to bring down inventories and accounts receivables.

Capital investments in 2010 are within the benchmark and amounted to USD 9.3 million or 3% of sales, compared to USD 9.7 million and 3% of sales in 2009. The Company's guidance for capital investments is 2.5-3.5%.

## Q4 2010 EXCELLENT SALES GROWTH

**Sales** – Overall sales growth was excellent, 10% measured in local currency with strong contribution from bracing and supports, growing 16% measured in local currency. Sales growth in bracing and supports is positively affected by investments in sales channel access. Organic sales growth was 3%, measured in local currency. Sales of prosthetics were strong, delivering 6% growth measured in local currency. Total sales amounted to USD 94.6 million compared to USD 87.9 million in 2009.

### Income Statements Q4 2010

(USD '000)	Q4 2010	% of sales	Q4 2009	% of sales	Change
Net sales	94,612	100.0%	87,871	100.0%	7.7%
Cost of goods sold	(36,078)	-38.1%	(34,863)	-39.7%	3.5%
<b>Gross profit</b>	<b>58,534</b>	<b>61.9%</b>	<b>53,008</b>	<b>60.3%</b>	<b>10.4%</b>
Other income	(25)	0.0%	131	0.1%	-119.1%
Sales & marketing expenses	(25,844)	-27.3%	(23,451)	-26.7%	10.2%
Research & development expenses	(5,148)	-5.4%	(5,132)	-5.8%	0.3%
General & administrative expenses	(13,157)	-13.9%	(10,834)	-12.3%	21.4%
<b>Profit from operations</b>	<b>14,360</b>	<b>15.2%</b>	<b>13,722</b>	<b>15.6%</b>	<b>4.6%</b>
Financial income	40	0.0%	69	0.1%	-42.0%
Financial expenses	(4,226)	-4.5%	(4,073)	-4.6%	3.8%
Net exchange rate difference	1,155	1.2%	793	0.9%	45.6%
<b>Profit before tax</b>	<b>11,329</b>	<b>12.0%</b>	<b>10,511</b>	<b>12.0%</b>	<b>7.8%</b>
Income tax	(3,268)	-3.5%	(2,437)	-2.8%	34.1%
<b>Net profit for the period</b>	<b>8,061</b>	<b>8.5%</b>	<b>8,074</b>	<b>9.2%</b>	<b>-0.2%</b>
<b>EBITDA</b>	<b>17,876</b>	<b>18.9%</b>	<b>17,812</b>	<b>20.3%</b>	<b>0.4%</b>
<b>EBITDA adjusted*</b>	<b>18,605</b>	<b>19.7%</b>	<b>17,812</b>	<b>20.3%</b>	<b>4.4%</b>

\*Adjusted for one-time expenses

### Össur's Annual General Meeting

Össur's Annual General Meeting will be held on 4 March at the Company's headquarters, Grjótháls 5, Reykjavík Iceland. Agenda and proposals will be made publicly available on 11 February via official distribution channels. The full agenda and supporting material will also be available on Össur's web, [www.ossur.com/investors/AGM](http://www.ossur.com/investors/AGM)

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### Financial Calendar:

Upcoming Events	Date	Location
Q4 and Full Year Road Show	8-15 February	Copenhagen/London/ Central Europe
Össur Annual General Meeting	4 March	Reykjavík, Iceland
Q1 Results	4 May	Copenhagen
Q2 Results	28 July	Copenhagen
Goldman Sachs Healthcare Conference	7-8 September	London
Q3 Results	27 October	Copenhagen
Q4 Results	8 February 2012	Reykjavík, Iceland

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**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.*