



Announcement Össur hf. No. 15/2012  
Reykjavik, 24 April 2012

## GOOD SALES GROWTH

**Sales** – Sales growth was good, 5% measured in local currency. Total sales amounted to USD 100 million compared to USD 97 million in the first quarter of 2011. All markets and product segments contribute to the growth. Sales of bracing and supports were slow with 2% growth, measured in local currency. Sales growth in prosthetics was strong or 7%, measured in local currency.

**Profitability** – Net profit amounted to USD 10 million or 10% of sales, an increase of 22% compared to the first quarter of 2011. EBITDA amounted to USD 18 million or 18% of sales and gross profit amounted to USD 62 million or 62% of sales.

### Jón Sigurðsson, President & CEO, comments:

*"The sales growth in the first quarter was good and in line with our guidance for the full year. As in past quarters all segments and regions are contributing to the growth, with yet another quarter where EMEA is delivering strong overall growth. Among major milestones last year was the introduction of SYMBIONIC LEG, our latest addition to the Company's comprehensive Bionic platform. During the first quarter, the SYMBIONIC LEG has been well received by the market and feedback is positive."*

**Products** – Innovation is a key element driving growth. During the quarter eight new products and product upgrades were launched. Among new products launched is a redesigned version of the PROPRIO FOOT. The new version offers smaller sizes and higher weight limits, broadening the user profile that can use this important product.

**Guidance 2012** – Management reiterates its previously announced guidance for 2012. LCY organic sales growth is expected to be in the range of 4-6% and adjusted EBITDA margin is estimated to be in the range of 20-21% of sales.

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### Conference call tomorrow 25 April at 12:00 CET/ 10:00 GMT/ 6:00 EST

Tomorrow, Wednesday 25 April Jón Sigurðsson, President and CEO, and Hjörleifur Pálsson, CFO, will host a conference call presenting and discussing the results of the first quarter of 2012. 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:**

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 2012	YTD 2011	2011	2010	2009
<b>Income Statement</b>						
Net sales		100	97	401	359	331
Gross profit		62	61	249	223	202
Operating expenses (excl. Other income)		47	46	189	164	154
Profit from operations		15	15	62	60	48
Net profit		10	8	37	35	23
EBITDA		18	18	76	74	67
<b>Balance sheet</b>						
Total assets		601	594	582	607	628
Equity		381	360	367	344	312
Net interest-bearing debt (NIBD)		118	138	111	133	158
<b>Cash flow</b>						
Cash generated by operations		9	12	68	64	86
Cash provided by operating activities		7	1	48	40	69
Cash flows from investing activities		(13)	(3)	(19)	(19)	(16)
Cash flows from financing activities		3	(32)	(65)	(46)	(4)
Free cash flow		4	(2)	32	33	60
<b>Key figures</b>						
Sales growth USD	%	3	12	12	9	(5)
Operating margin	%	15	16	16	17	15
EBITDA margin	%	18	19	19	21	20
Equity ratio	%	63	61	63	57	50
Ratio of net debt to EBITDA		1.6	1.8	1.5	1.8	2.4
Ratio of debt to EBITDA		1.8	2.1	1.7	2.5	3.5
Current ratio		1.8	2.0	1.8	1.9	2.3
Return on equity	%	10	10	10	10	8
<b>Market</b>						
Market value of equity		688	726	676	778	529
Number of shares		454	454	454	454	454
Price/earnings ratio, (P/E)		18.4	22.1	19.2	22.3	23.2
Diluted EPS	US Cent	8.60	7.40	8.11	7.77	5.30
Diluted Cash EPS	US Cent	11.55	10.37	11.03	10.87	9.66

### Notes

1. Financial ratios for YTD 2012 and YTD 2011 are based on operations for the preceding 12 months.

## PRODUCT HIGHLIGHTS

During the quarter, eight new products and product upgrades were launched. Six prosthetic products and two bracing and supports products. SYMBIONIC LEG, which was introduced in September last year has been well received and customer feedback has been positive, such as less mental fatigue, that it feels like a natural leg and users experience less back pain and higher activity level. Sales generated from this product in the first quarter is in line with expectations. This is the latest addition to Össur's bionic platform and unites the proven capabilities of the bionic products, RHEO KNEE and PROPRIO FOOT, into a single integrated unit. The SYMBIONIC LEG is expected to be commercially launched in the second quarter of 2012.

### Q1 2012 Product highlights:



New Philadelphia collar, the only adjustable collar on the market in the lower price range.



Vari-Flex XC with extensive shock absorption, suitable for a wide range of activities.



Quick-Align foot adapter allows the user to easily adjust the heel height.



Redesigned for a broader user profile, smaller sizes and higher weight limit. Also more durable and easier to fit.

## INCOME STATEMENT

Income Statements (USD '000)	Q1 2012	% of sales	Q1 2011	% of sales	Change
Net sales	99,817	100.0%	96,995	100.0%	2.9%
Cost of goods sold	(37,783)	-37.9%	(35,558)	-36.7%	6.3%
<b>Gross profit</b>	<b>62,034</b>	<b>62.1%</b>	<b>61,437</b>	<b>63.3%</b>	1.0%
Other income	(109)	-0.1%	56	0.1%	-294.6%
Sales & marketing expenses	(30,131)	-30.2%	(29,421)	-30.3%	2.4%
Research & development expenses	(5,276)	-5.3%	(4,621)	-4.8%	14.2%
General & administrative expenses	(11,867)	-11.9%	(12,293)	-12.7%	-3.5%
<b>Profit from operations</b>	<b>14,651</b>	<b>14.7%</b>	<b>15,158</b>	<b>15.6%</b>	-3.3%
Financial income	51	0.1%	36	0.0%	41.7%
Financial expenses	(1,905)	-1.9%	(3,467)	-3.6%	-45.1%
Net exchange rate difference	556	0.6%	(862)	-0.9%	-164.5%
<b>Profit before tax</b>	<b>13,353</b>	<b>13.4%</b>	<b>10,865</b>	<b>11.2%</b>	22.9%
Income tax	(3,551)	-3.6%	(2,843)	-2.9%	24.9%
<b>Net profit for the period</b>	<b>9,802</b>	<b>9.8%</b>	<b>8,022</b>	<b>8.3%</b>	22.2%
<b>EBITDA</b>	<b>17,837</b>	<b>17.9%</b>	<b>18,270</b>	<b>18.8%</b>	-2.4%
<b>EBITDA adjusted*</b>	<b>17,837</b>	<b>17.9%</b>	<b>18,750</b>	<b>19.3%</b>	-4.9%

\*Adjusted for one-time items

### Sales

Total sales amounted to USD 100 million compared to USD 97 million in the same period in 2011. Sales performance was good and all product segments and markets are contributing to the growth. Total sales growth was 5%, both measured in local currency and organic. In bracing and supports no material acquisitions have been made since 2010. A small acquisition in the prosthetics segment was made in January 2012 contributing to the prosthetics sales in the quarter. Another small acquisition in bracing and supports was made towards the end of the quarter, having immaterial effect on sales. Both acquisitions made in the quarter were in the US.

Growth in Americas was moderate, or 3%, and 1% organic, both measured in local currency. Sales were slow in both product segments compared to previous quarters. Governmental auditing of prosthetics claims continues, affecting customer behavior. Introduction and sales of the SYMBIONIC LEG in the US has been successful and feedback from customers has been positive.

EMEA delivered strong results in the quarter or 7% sales growth, and 8% organic, both measured in local currency. Overall the prosthetics segment in EMEA is showing very strong performance, supported by well targeted sales and marketing programs and successful product launches. Sales growth in bracing and supports was slow. The marketing program in France to reach out to prescribers is still in its early stage and not affecting sales in this quarter.

Compression therapy delivered an excellent 19% growth. The compression product range has been renewed and streamlined over the past few years. The renewed product range and the medical sales approach are key drivers behind the growth.

Asia delivered 3% organic growth in local currency. It is expected that this slow growth in Asia is temporary and good sales growth is expected for the remainder of the year. Össur Asia is expanding and has established a small subsidiary in Korea.

Sales of PROPRIO FOOT are good while sales of the RHEO KNEE is affected by increased competition. Sales of the SYMBIONIC LEG has been good in the quarter. Sales of Bionic products accounted for 13% of the prosthetics sales in the quarter.

### Sales by region

USD `000	Q1 2012	% of sales	Growth USD	Growth LCY	Organic growth LCY
Americas	51,264	52%	3%	3%	1%
EMEA	44,218	44%	3%	7%	8%
Asia	4,335	4%	5%	3%	3%
<b>Total</b>	<b>99,817</b>	<b>100%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>

### Sales by segments

USD `000	Q1 2012	% of sales	Growth USD	Growth LCY	Organic growth LCY
Bracing & supports	52,288	53%	0%	2%	2%
Prosthetics	42,258	42%	6%	7%	6%
Compression therapy	5,071	5%	14%	19%	19%
Other	200	0%			
<b>Total</b>	<b>99,817</b>	<b>100%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>

### Gross profit

Gross profit amounted to USD 62.0 million or 62% of sales compared to USD 61.4 and 63% in the first quarter of 2011. The gross profit margin of 63% in the first quarter last year was unusually strong.

Savings from the Mexico manufacturing facility have limited impact in the first quarter, but is expected to amount USD 4 million, as previously communicated.

**Operating expenses** Operating expenses are growing in line with sales. Sales and marketing expenses and general and administrative expenses are growing in line with sales whereas research and development expenses increase slightly. Cost structure in acquired companies has been reclassified in line with Össur's cost structure.

Profit from operations amounted to USD 14.7 million or 15% of sales compared to USD 15.2 million or 16% of sales in the same period in 2011.

### Financial items, tax and net profit

Net interest expenses amounted to USD 1.9 million compared to USD 3.5 million in 2011. The reduction in net interest expenses follows favorable refinancing of the company in the first quarter of 2011 as well as a steady reduction in leverage.

Income tax was USD 3.6 million, corresponding to a 27% effective tax rate, compared to USD 2.8 million and 26% effective tax rate in the same period in 2011.

Net profit amounted to USD 9.8 million compared to USD 8.0 million in the first quarter of 2011.

## BALANCE SHEETS

USD '000	31 March 2012	31 Dec. 2011	Change
Non-current assets	452,244	437,427	3%
Current assets	148,832	144,564	3%
<b>Total assets</b>	<b>601,076</b>	<b>581,991</b>	<b>3%</b>
Stockholders' equity	381,299	366,756	4%
Non-current liabilities	138,724	132,832	4%
Current liabilities	81,053	82,403	-2%
<b>Total equity and liabilities</b>	<b>601,076</b>	<b>581,991</b>	<b>3%</b>
Current ratio	1.8	1.8	
Equity ratio	63%	63%	
Net interest bearing debt / EBITDA LTM	1.6	1.5	
Debt/EBITDA	1.8	1.7	

Össur's balance sheets remain strong with a ratio of net interest bearing debt to EBITDA 1.6x.

## CASH FLOW

USD '000	Q1 2012	% of sales	Q1 2011	% of sales
Cash generated by operations	9,309	9%	12,483	13%
Net cash provided by operating activities	7,132	7%	1,448	1%

Cash generated by operations is traditionally lower in quarter one. Cash flow in the quarter was affected by material payments of severance and legal settlements from previous quarter. The Company expects a traditional strong cash flow from operations in the coming quarters.

When comparing between quarters it should be kept in mind that in the first quarter of 2011 Össur closed its interest rate swap agreement and paid the outstanding fair value of USD 5.4 million, affecting net cash provided by operating activities in 2011.

Capital investments amounted to USD 3.4 million or 3.4% of sales, compared to USD 3.4 million and 3.5% of sales in the first quarter of 2011.

### Further information:

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Upcoming events	Date
Q2 2012 Results	25 July 2012
Q3 2012 Results	23 October 2012
Capital Markets Day	28 November 2012
Q4 2012 Results	6 February 2013
<b>2013 Annual General Meeting</b>	<b>15 March 2013</b>

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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.*