



Announcement Össur hf. No. 06/2011
Reykjavik, 4 May 2011

EXCELLENT PERFORMANCE

Sales – Sales growth was excellent, 11% measured in local currency. Total sales amounted to USD 97 million compared to USD 86 million in the first quarter of 2010. Performance in bracing and supports was excellent in Americas and moderate in EMEA. Overall sales growth of bracing and supports was 20%, measured in local currency. Sales growth in prosthetics was 5% measured in local currency.

Profitability – Össur continues to deliver good profits and margins are stable. EBITDA amounted to USD 18 million or 19% of sales and gross profit amounted to USD 61 million or 63% of sales. Net profit amounted to USD 8 million or 8% of sales.

Jón Sigurðsson, President & CEO, comments:

"The first quarter results are a good start of the year. We are pleased with the results and the overall performance is excellent. Strong contributors to the growth are some of the important products launched last year. Both main product segments show good growth and the bracing and supports segment in Americas is growing well above the market growth rate and we are gaining market share. We will continue to focus on strengthening our product offering and the product pipeline for 2011 contains some exciting products."

Highlights of the quarter:

- **Excellent bracing and supports growth** – In the first quarter of 2011 the bracing and supports segment in Americas delivered record growth and Össur is gaining share in the market. New products launched in 2010, such as Miami Lumbar and Rebound Walker, are amongst the best selling products and strong contributors to the growth in this segment.
- **Mexico facility** – Össur continues to build up its manufacturing facility for bracing and supports in Mexico. In 2010 manufacturing of spinal products was moved from Allentown and Paulsboro and this year knee brace manufacturing is being moved from Foothill Ranch in California to Mexico.
- **Financing** – In March 2011 Össur signed an agreement with three international banks, ING Bank, Nordea and SEB, on long-term financing in the amount of USD 231 million. The financing is a milestone for Össur as the Company has now established international access to both debt and equity financing.

Guidance 2011 – Management maintains estimates of LCY organic sales growth for 2011 in the range of 4-6%. EBITDA ratio adjusted is estimated to be in the range of 20-21% of sales for the year, as reported in the 2010 full year report.

Conference call tomorrow 5 May at 12:00 CET/ 10:00 GMT/ 6:00 EDT

Thursday 5 May 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 first quarter of 2011. 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 2011	YTD 2010	2010	2009	2008
Income Statement						
Net sales		97	86	359	331	347
Gross profit		61	54	223	202	214
Operating expenses ²		46	41	164	154	168
Profit from operations		15	14	60	48	56
Net profit		8	10	35	23	28
EBITDA		18	18	74	67	79
Balance sheet						
Total assets		594	606	607	628	604
Equity		360	312	344	312	250
Net interest-bearing debt (NIBD)		138	143	133	158	234
Cash flow						
Cash generated by operations		12	11	64	86	71
Cash provided by operating activities		1	8	40	69	53
Cash flows from investing activities		(3)	0	(19)	(16)	(7)
Cash flows from financing activities		(32)	(14)	(46)	(4)	(31)
Free Cash flow		(2)	8	33	60	46
Key figures						
Sales Growth USD	%	12.2	12.0	8.5	(4.7)	4.5
Operating margin	%	15.6	16.4	16.8	14.6	16.0
EBITDA margin	%	18.8	20.6	20.7	20.3	22.9
Equity ratio	%	60.7	51.5	56.6	49.7	41.3
Ratio of net debt to EBITDA ¹		1.9	2.0	1.8	2.4	2.9
Ratio of debt to EBITDA ¹		2.1	3.0	2.5	3.5	3.3
Current ratio		2.0	2.6	1.9	2.3	1.1
Return on equity ¹	%	9.8	8.0	10.2	8.1	11.0
Market						
Market value of equity		726	700	778	529	349
Number of shares		454	454	454	454	423
Price/earnings ratio, (P/E) ¹		22.1	28.1	22.3	23.2	12.3
Diluted EPS ¹	US Cent	7.40	5.48	7.77	5.30	6.73
Diluted Cash EPS ¹	US Cent	10.37	9.32	10.87	9.66	12.29

Notes

1. Financial ratios for YTD 2011 and 2010 are based on operations for the preceeding 12 months.
2. Excluding other income.

KEY HIGHLIGHTS

In the first quarter Össur demonstrated good performance. Overall sales growth was 11%, and organic growth 5%, both measured in local currency. Sales of bracing and supports were excellent, growing 20%, and organic growth 8%, both measured in local currency. Overall sales of prosthetics were good, growing 5%, measured in local currency, all organic.

Update on Mexico facility

The new manufacturing unit in Mexico, which will focus on manufacturing of bracing and supports products, is well under way. In 2010 manufacturing of spinal products was moved to Mexico and at year end 2010 the Mexico facility had around 40 employees. During 2011 manufacturing of all bracing and supports products, currently manufactured in California, will be transferred to Mexico. At year end 2011 around 160 people are expected to be employed in Mexico. Impact from savings amounting to USD 4 million is expected to materialize in 2012, increasing the competitiveness of Össur.

Financing

In March 2011 Össur signed an agreement with three international banks, ING Bank, Nordea and SEB, on long-term financing in the amount of USD 231 million. Thereof USD 120 million in the form of term loan and USD 111 million revolving credit facility. Initial interest terms are 145 bps + LIBOR/EURIBOR. Terms are subject to a margin grid. The financing is for five years, maturing in 2016. The financing marks a milestone for Össur as the Company has now established international access to both debt and equity financing. The terms are favorable, reflecting Össur's strong financial profile and good prospects.

Bionic platform

Bionic sales accounted for 13% of the prosthetic sales in the first quarter. Competition in the segment for microprocessor knees has increased and new products have been introduced to the market that are competing products to the Rheo Knee and are reimbursed by the same reimbursement codes.

Further building on this high-tech platform some exciting introductions are expected in 2011. Amongst new products to be launched is the second generation of the Power Knee. This product has been in limited launch and in testing since 2006. Several units of the second generation of the Power Knee have already been reimbursed by reimbursement systems in Europe. The product has not been fully commercialized and sales generated from the Power Knee are not expected to have a material impact on sales in 2011.

Another exciting product in the bionic segment is an integrated Bionic Prosthetic Leg, leveraging the proven functionality and capabilities of Rheo Knee and Proprio Foot into a single, fully integrated unit. Working in concert within the Integrated Bionic Leg, foot and knee interact seamlessly and with unprecedented functionality. This revolutionary new product, which is the first of its kind in the market, has been in user testing for over a year and will be available on a limited basis in late 2011. This product will have limited impact on sales in 2011.

New products in Q1 2011

In the first quarter four products and product upgrades were launched, three bracing and supports products and one in the prosthetics segment.

Income Statements Q1 2011

USD '000	Q1 2011	% of sales	Q1 2010	% of sales	Change
Net sales	96,995	100.0%	86,468	100.0%	12.2%
Cost of goods sold	(35,558)	-36.7%	(32,380)	-37.4%	9.8%
Gross profit	61,437	63.3%	54,088	62.6%	13.6%
Other income	56	0.1%	1,418	1.6%	-96.1%
Sales & marketing expenses	(27,409)	-28.3%	(24,763)	-28.6%	10.7%
Research & development expenses	(4,621)	-4.8%	(5,102)	-5.9%	-9.4%
General & administrative expenses	(14,305)	-14.7%	(11,498)	-13.3%	24.4%
Profit from operations	15,158	15.6%	14,143	16.4%	7.2%
Financial income	36	0.0%	31	0.0%	16.1%
Financial expenses	(3,467)	-3.6%	(3,792)	-4.4%	-8.6%
Net exchange rate difference	(862)	-0.9%	2,763	3.2%	-131.2%
Profit before tax	10,865	11.2%	13,145	15.2%	-17.3%
Income tax	(2,843)	-2.9%	(3,452)	-4.0%	-17.6%
Net profit for the period	8,022	8.3%	9,693	11.2%	-17.2%

EBITDA	18,270	18.8%	17,832	20.6%	2.5%
EBITDA adjusted*	18,750	19.3%	16,586	19.2%	13.0%

*Adjusted for one-time items

Sales

Total sales amounted to USD 97 million compared to USD 86 million in the first quarter of 2010. Exchange rate movements had a slight positive impact on sales. Total sales growth was 11% and organic sales growth was 5%, both measured in local currency.

Performance in Americas was excellent, delivering 19% sales growth and 7% organic growth, both measured in local currency. Össur continues to gain share in the bracing and support market and new products continue to be a strong contributor to the sales growth as well as increased sales coverage and investments made in 2010. Prosthetics sales in Americas were flat in the quarter.

EMEA showed overall good growth in the first quarter or 5%, while organic growth was 3%, both measured in local currency. Performance in bracing and supports was mixed across the different European markets, generally strong performance except for France and Southern Europe. Prosthetics sales were excellent, fuelled by good sales across conventional product lines. Sales of compression therapy declined by 7%, measured in local currency. Supply chain and stock up issues affected the performance in the segment.

Asia showed excellent performance in the first quarter, delivering 10% growth, all organic, measured in local currency. Growth in Asia is supported by strong growth in both bracing and supports and prosthetics. Effects of the earthquake in Japan are uncertain.

Sales by regions

USD '000	Q1 2011	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Americas	49,873	52%	19%	19%	7%
EMEA	42,994	44%	5%	5%	3%
Asia	4,128	4%	13%	10%	10%
Total	96,995	100%	12%	11%	5%

Sales by segments

USD '000	Q1 2011	% of sales	Growth USD	Growth LCY	Organic Growth LCY
Bracing & supports	52,317	54%	21%	20%	8%
Prosthetics	39,970	41%	6%	5%	5%
Compression therapy	4,456	5%	-8%	-7%	-7%
Other	252	0%	-55%	-55%	-55%
Total	96,995	100%	12%	11%	5%

Gross profit

Gross profit amounted to USD 61 million or 63% of sales which is at similar level as in the first quarter of 2010. The gross profit margin has been consistent in the range of 62-63% for the past quarters.

Operating expenses

Operating expenses are affected by acquisitions made in 2010 as generally operating expenses have been higher in recently acquired companies compared to Össur. Looking beyond currency impact and acquisitions economies of scale have had a positive effect on general and administrative expenses resulting in a lower ratio to sales. However sales and marketing expenses have increased due to investments in sales platform and increased sales coverage. Research and Development expenses are stable.

Profit from operations amounted to 15.1 million or 16% of sales compared to 14.1 or 16% of sales in the first quarter of 2010.

Financial items, tax and net profit

Net financial expenses amounted to USD 4.3 million compared to USD 1.0 million in the first quarter of 2010. Positive exchange rate movements had a material effect on financial items in the first quarter of 2010.

The refinancing completed in March will lower the financing cost of the Company going forward. As part of the refinancing, excess cash was used to repay existing debt. Cost of financing will consequently decrease due to both lower amount of interest bearing debt and more favorable interest terms. The new financing is denominated in USD and EUR and is extended directly to USD and EUR denominated business units. As a result of this financing structure, exchange rate effects flowing through the financial items in the income statement should be materially lower than in the past.

As part of the refinancing Össur closed its interest rate swap agreement, which had a negative value of USD 5.4 million at settlement date. The swap remains effective and will be expensed over the next seven quarters. A new interest rate swap agreement has been signed, which results in roughly 50% of the interest payments of the new term loan will be bearing fixed interest from June 2011.

Income tax was USD 2.8 million, corresponding to a 26% effective tax rate, compared to USD 3.5 million and 26% effective tax rate in the same period in 2010.

Net profit amounted to USD 8.0 million, compared to USD 9.7 million in the first quarter of 2010. Comparison between years is affected by one-time gain in the first quarter 2010 amounting to USD 1.2 million as well as negative exchange rate effects amounting to USD 0.9 million in 2011 compared to positive effects in 2010 amounting to USD 2.8 million.

EBITDA

EBITDA amounted to USD 18.3 million and 19% of sales compared to USD 17.8 million and 21% of sales in the first quarter 2010. EBITDA adjusted for one-time items amounted to USD 18.8 million and 19% of sales compared to USD 16.6 million and 19% of sales in 2010. Adjustments in the first quarter 2011 amounted to USD 0.5 million mainly relating to severance payments. Adjustment in 2010 amounted to USD 1.2 million due to one-time gain related to sale of a real estate in California.

Balance Sheets

USD '000	31 March. 2011	31 Dec. 2010	Change
Non-current assets	451,903	441,548	2%
Current assets	142,111	165,530	-14%
Total assets	594,014	607,078	-2%
Stockholders' equity	360,488	343,558	5%
Non-current liabilities	162,543	178,145	-9%
Current liabilities	70,983	85,375	-17%
Total equity and liabilities	594,014	607,078	-2%
Current ratio	2.2	1.9	
Equity ratio	61%	57%	
Net interest bearing debt / EBITDA LTM	1.8	1.8	
Debt/EBITDA	2.1	2.5	

Össur's balance sheets remain healthy and the equity ratio is at record high 61%. Net debt to EBITDA is 1.8.

Cash Flow

USD '000	Q1 2011	% of sales	Q1 2010	% of sales
Cash generated by operations	12,483	13%	11,401	13%
Net cash provided by operating activities	1,448	1%	8,276	10%

As part of the refinancing, 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.

Capital investments in the quarter are within the benchmark and amounted to USD 3.4 million or 3.5% of sales, compared to USD 2.5 million and 2.9% of sales in the same period in 2010. The Company's guidance for capital investments is 2.5-3.5%.

Authorization to purchase Treasury Shares

In connection with the Company's obligations under stock option agreements vesting in the next 12 months, the Board has granted the Management an authorization to purchase up to 5,000,000 treasury shares before 23 February 2012.

Further information:

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Financial Calendar:

Upcoming Events	Date	Location
Europac Conference	9 June	New York
ABG Sundal Collier	10 June	New York
Q2 Results	28 July	Copenhagen
Goldman Sachs Healthcare Conference	7-8 September	London
Dansk Aktiemesse	20 September	Copenhagen
Jefferies European Healthcare Conference	27-28 September	London
Q3 Results	27 October	Copenhagen
Össur Capital Markets Day	30 November	TBD
Q4 Results	8 February 2012	Copenhagen
2012 Annual General Meeting	16 March 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.