

ÖSSUR Q4 and FULL YEAR RESULTS 2013

Highlights Q4 2013

- Net profit and earnings per share in Q4'13 increased by 75%. Net profit amounted to USD 14 million compared to USD 8 million in Q4'12.
- Sales amounted to USD 128 million compared to USD 98 million in Q4'12, corresponding to a 29% growth and 7% organic growth, both measured in local currency.
- EBITDA in Q4'13 increased by 69% and amounted to USD 24 million and 19% of sales compared to USD 14 million and 15% of sales in Q4'12. Excluding impact from acquired companies, EBITDA margin was 20%.
- Cash generated by operations increased by 14% and amounted to USD 29 million.

Highlights Full Year 2013

- Net profit and earnings per share increased by 8%. Net profit amounted to USD 41 million or 9% of sales, compared to USD 38 million and 9% of sales in 2012.
- Sales amounted to USD 436 million compared to USD 399 million in 2012, corresponding to a 9% growth and 2% organic growth, both measured in local currency.
- Bracing and supports sales growth was 12% and 2% organic, both measured in local currency.
- Prosthetics sales growth was 6% and 4% organic, both measured in local currency.
- Gross profit amounted to USD 270 million and 62% of sales, compared to USD 248 million and 62% of sales in 2012.
- EBITDA amounted to USD 75 million and 17% of sales, compared to USD 70 million and 18% of sales in 2012. EBITDA margin adjusted for one-time expenses and excluding impact from acquisitions amounted to 19% of sales.
- Cash generation continues to be strong and cash flow from operations amounted to USD 73 million and 17% of sales, compared to USD 71 million and 18% of sales in 2012.
- During the year Össur closed three acquisitions. Sales from acquired companies amounted to USD 26 million in 2013.
- Cost savings initiatives, executed in the first half of the year were successful, resulting in USD 5 million in savings for 2013.

Financial Guidance

For 2014 management estimates:

- Local currency growth in the range of 14-16%.
- Organic, LCY sales growth in the range of 2-4%.
- EBITDA margin in the range of 17-19%.
- CAPEX in the range of 2.5-3.5%.
- Effective tax rate around 26%.

Jón Sigurðsson, President & CEO, comments:

"We closed the year with a very strong quarter. The fourth quarter is the second consecutive quarter with good profitability and continued strong cash flow. The cost reduction initiatives executed in the second quarter have delivered expected results. We have yet another good year in EMEA behind us and in Americas we see some positive developments in the second half of the year. Asia delivered excellent growth as in previous years. During the year we closed three acquisitions, strengthening our position and sales channels, primarily in Scandinavia."

Key Financial Figures (USD millions)		2013	2012	2011	2010	2009
Income statements						
Net sales		436	399	398	359	331
Gross profit		270	248	246	223	202
Operating expenses (excl. Other income)		210	191	189	164	154
Profit from operations		60	57	59	60	48
Net profit		41	38	35	35	23
EBITDA		75	70	73	74	67
Balance sheets						
Total assets		706	591	580	607	628
Equity		448	408	365	344	312
Net interest-bearing debt (NIBD)		108	82	111	133	158
Cash flow						
Cash generated by operations		73	71	68	64	86
Cash provided by operating activities		66	58	48	40	69
Cash flows from investing activities		(81)	(27)	(19)	(19)	(16)
Cash flows from financing activities		33	(29)	(65)	(46)	(4)
Free cash flow		49	43	32	33	60
Sales growth						
Sales growth USD	%	9	0	11	9	(5)
Organic growth in LCY	%	2	3	5	6	(1)
Currency effect	%	1	(3)	3	(1)	(4)
Acquired/divested business	%	6	1	4	4	0
Key figures						
Operating margin	%	14	14	15	17	15
EBITDA margin	%	17	18	18	21	20
Equity ratio	%	63	69	63	57	50
Ratio of net debt to EBITDA		1.4	1.2	1.5	1.8	2.4
Ratio of debt to EBITDA		2.0	1.5	1.8	2.5	3.5
Current ratio		1.9	1.9	1.7	1.9	2.3
Return on equity	%	10	10	10	10	8
Market						
Market value of equity		880	606	676	778	529
Number of shares (millions)		454	454	454	454	454
Price/earnings ratio, (P/E)		21.7	15.8	20.0	22.3	23.2
Diluted EPS	US Cent	9.1	8.41	7.66	7.77	5.30
Diluted Cash EPS	US Cent	12.5	11.35	10.58	10.87	9.66

Q4 HIGHLIGHTS

The fourth quarter was strong, both in terms of sales and profitability. Sales in the quarter amounted to USD 128 million. Sales growth was 29% and 7% organic, both measured in local currency. Bracing and supports sales grew by 45% and 8% organic, both measured in local currency while prosthetics sales grew by 15% and 7% organic, both measured in local currency. All regions are contributing to the strong growth in the quarter. Currency effects account for 2 percentage points.

Sales by Segments and Regions Q4 2013

USD '000	Q4 2013	% of sales	Growth	Growth LCY	Organic growth LCY
Bracing and supports	73,431	57%	46%	45%	8%
Prosthetics	49,553	39%	16%	15%	7%
Compression therapy	5,206	4%	2%	-3%	-3%
Other	282				
Total	128,472	100%	31%	29%	7%

USD '000	Q4 2013	% of sales	Growth	Growth LCY	Organic growth LCY
Americas	52,980	41%	7%	8%	6%
EMEA	69,430	54%	59%	54%	5%
Asia	6,062	5%	14%	17%	17%
Total	128,472	100%	31%	29%	7%

EBITDA in Q4'13 increased by 69% and amounted to USD 24 million and 19% of sales compared to USD 14 million and 15% of sales in Q4'12. Excluding impact from acquired companies, EBITDA margin was 20%.

Net profit increased by 75% and amounted to USD 14 million and 11% of sales compared to USD 8 million and 8% of sales in Q4'12.

Cash generated by operations was strong and amounted to USD 29 million or 22% of sales, compared to USD 25 million and 26% of sales in Q4'12, increasing by 14% between years.

2013 FULL YEAR HIGHLIGHTS

The year started out with a weak first quarter, but gradually improved with good results in the third and fourth quarter. Profitability was particularly strong in the second half of the year, impacted by cost reduction initiatives successfully executed in the first half of the year. Performance in EMEA and Asia continued to be strong and effects from regulatory audits in the US market are slowly subsiding and the market is stabilizing.

SALES

Sales amounted to USD 436 million compared to USD 399 million in 2012, corresponding to a 9% growth and 2% organic growth, both measured in local currency, which is in the lower end of the sales growth guidance of 2-4%, as previously communicated. Bracing and supports sales grew by 12% and 2% organic, both measured in local currency. Prosthetics grew by 6% and 4% organic, both measured in local currency. Compression therapy declined by 1%, both organic and in local currency. Sales from acquired companies amounted to USD 26 million and accounted for 6 percentage points of the total growth and 1 percentage points was due to currency effects.

Sales by Segments and Regions 2013

USD '000	2013	% of sales	Growth	Growth LCY	Organic growth LCY
Bracing and supports	233,872	54%	12%	12%	2%
Prosthetics	182,578	42%	6%	6%	4%
Compression therapy	18,892	4%	2%	-1%	-1%
Other	932				
Total	436,274	100%	9%	9%	2%

USD '000	2013	% of sales	Growth	Growth LCY	Organic growth LCY
Americas	206,773	48%	-1%	0%	-1%
EMEA	206,008	47%	21%	19%	5%
Asia	23,493	5%	9%	11%	11%
Total	436,274	100%	9%	9%	2%

Sales in 2013 in Americas were flat. Direct bracing and supports sales continued to deliver moderate growth, while B&S sales in own distribution companies for the full year were negatively impacted by loss of sales due to reimbursement changes for one product segment. However, sales growth in own distribution companies improved in the second half of the year, particularly in Q4 which was also impacted by favorable comparison to Q4 2012. The prosthetics market has shown positive developments towards the end of the year. RAC audits continue, but customers are adapting to new processes and therefore effects from the audits are slowly subsiding. Decline in sales to Össur's largest customer had a material impact on the overall prosthetics sales in Americas during the year. Acquisitions in 2013 had limited impact on the overall results in Americas.

Sales in EMEA continued to be strong and grew by 19% and 5% organic, both in local currency. The year has been good across all markets and segments with good performance in new markets. Sales in EMEA were impacted by acquisitions during the year, accounting for 14 percentage points of the overall growth. Sales of compression therapy products declined by 1%.

Sales in Asia were excellent and grew by 11%, both organic and local currency growth. Overall performance in the Asia segment was good, with strong growth in key markets such as Japan and Australia.

Impact from acquired companies on reported sales in 2013 was USD 26 million and USD 23 million in Q4'13. Pro-forma impact on 2013 full year sales is USD 79 million.

Gross Profit

Gross profit amounted to USD 270 million and 62% of sales, compared to USD 248 million and 62% of sales in 2012. Consistent efficiency improvements and savings from in-sourcing to Mexico contribute to a stable gross profit margin.

Operating Expenses

Operating expenses as a ratio to sales were 48%, the same ratio as in 2012. Cost reduction initiatives executed in the second quarter contribute to a decrease in operating expenses in the second half of the year. In Q4'13 operating expenses as a ratio to sales was 47% compared to 50% in Q4'12.

In relation to the cost reduction initiative, operations have been streamlined and headcount reduced, G&A operations simplified and selected cost reduction initiatives executed.

EBITDA

EBITDA amounted to USD 75 million and 17% of sales compared to USD 70 million and 18% of sales in 2012. EBITDA margin adjusted for one-time expenses and impact from acquired companies amounted to 19% of sales in 2013, which is within the 2013 EBITDA margin guidance of 18-19%.

One-time expenses amounted to USD 5.0 million, USD 4.5 were due to the cost reduction initiatives and USD 0.5 million are due to the acquisition of TeamOlmed.

EBITDA margin in acquired companies for a full year of operations in 2013 is around 9%. Recently acquired companies have more seasonality in their operations, with strongest sales and profitability in Q2 and Q4.

Financial Items, Tax and Net Profit

Income tax amounted to USD 14.3 million, corresponding to a 26% effective tax rate, compared to USD 13.1 million and 26% effective tax rate in 2012.

Net profit increased by 8% and amounted to USD 41 million or 9% of sales, compared to USD 38 million and 9% of sales in 2012.

Earnings per share amounted to 9 US cents, compared to 8 US cents in 2012, increasing by 8%.

Cash Flow, Balance Sheets and Investments

USD '000	2013	% of sales	2012	% of sales
Cash generated by operations	72,629	17%	70,553	18%
Net cash provided by operating activities	66,154	15%	57,568	14%

Cash flow was strong during the year, with cash from operations amounting to USD 73 million or 17% of sales, compared to USD 71 million and 18% of sales in 2012, increasing by 3% between years. Strong profit from operations and a positive contribution from working capital had positive effect on cash flow during the year.

Capital investments during the year amounted to USD 17 million or 3.9% of sales, compared to USD 14 million and 3.6% of sales in 2012.

Three acquisitions were completed during the year which generated USD 43 million of goodwill and intangible assets amounted to USD 11 million, which will be amortized over a period of 5 years.

Dividend for 2013

The Board of Directors has approved the proposed dividend for 2013.

Össur's policy is to distribute a relatively stable dividend. The dividends are decided annually in DKK per share based on realized earnings, the operational outlook and capital considerations.

The proposed dividend for 2013 is DKK 0.10 per share, equivalent to 20% of net earnings in 2013.

In addition, the Company can utilize share buyback to maintain a desired level of net interest bearing debt of USD 50 – 140 million. Össur will continue to evaluate annual dividends and the repurchase of shares against the objectives of maintaining a solid financial position and the need for strategic investments.

General Update

Products

Sales of low active prosthetic solutions, such as the Balance line and Flex foot assure, introduced during the year, have been well received and are progressing in line with plans.

Sales of bionic products for the full year accounted for 13% of prosthetic sales, compared to 14% in 2012. Sales of bionic products in Q4'13 accounted for 15% of prosthetic sales, compared to 17% in Q4-12, which was a record quarter in bionic sales.

Strong sales of POWER KNEE continued and overall sales of bionics in EMEA have been excellent throughout the year.

In total 34 new products were introduced during the year; 17 bracing and supports products, 14 prosthetic products and 3 compression therapy products. Product highlights during the year:

CTi®TRINITY: A brace designed according to individual measurements to fit unique anatomies and meet individual needs.

Rebound Cartilage: Supports regeneration of the knee cartilage after repair procedures.

VARI-FLEX w/UNITY™: A flex-foot with a vacuum suspension system which offers the same sensation and restrictions as a sleeve. Unity has unique capacity to help stabilizing soft tissue volume and at the same time maintaining more effective suspension.

VARI-FLEX XC: Combines energy return with smooth roll-over motion. Designed for active users.

ASPIRE LINE: A set of 3 products; a foot, a liner and components for emerging markets.



Litigation

As previously communicated, a competitor has filed a lawsuit in the US against Össur in Q2 2013, claiming that certain Össur products infringe one of its patents. Össur has denied the allegations. As a consequence of this dispute, legal costs were incurred in 2013. However, as the case is still in its early stages, the majority of related expenses are expected to materialize in 2014 and 2015. The likely outcome of the case remains uncertain.

Annual General Meeting 2014

Össur's Annual General Meeting will be held at the Company's headquarters in Reykjavik, on 14 March 2014. Agenda and proposals for the Annual General Meeting will be disclosed no later than 3 weeks prior to the meeting, 21 February 2014.

Conference Call

Össur will host a conference call on Thursday 6 February 2014 at 12:00 CET/ 11:00 GMT/ 6:00 EST. To participate in the call please dial Europe: +44 (0) 203 364 5374 or +46 (0) 8 505 564 74, The United States: + 1 855 753 2230, Iceland: 800 8660

Income Statements and Balance Sheets

Income Statements 2013

	2013	% of sales	2012	% of sales	Change
Net sales	436,274	100.0%	399,437	100.0%	9.2%
Cost of goods sold	(166,336)	-38.1%	(151,485)	-37.9%	9.8%
Gross profit	269,938	61.9%	247,952	62.1%	8.9%
Other income	363	0.1%	102	0.0%	255.9%
Sales & marketing expenses	(139,080)	-31.9%	(120,924)	-30.3%	15.0%
Research & development expenses	(21,537)	-4.9%	(22,131)	-5.5%	-2.7%
General & administrative expenses	(49,477)	-11.3%	(48,223)	-12.1%	2.6%
Profit from operations	60,207	13.8%	56,776	14.2%	6.0%
Financial income	217	0.0%	153	0.0%	41.8%
Financial expenses	(4,619)	-1.1%	(6,788)	-1.7%	-32.0%
Net exchange rate difference	681	0.2%	281	0.1%	142.3%
Net financial income/expenses	(3,721)	-0.9%	(6,354)	-1.6%	-41.4%
Share in profit of associated companies	(1,197)	-0.3%	456	0.1%	-362.5%
Profit before tax	55,289	12.7%	50,878	12.7%	8.7%
Income tax	(14,335)	-3.3%	(13,115)	-3.3%	9.3%
Net profit for the period	40,954	9.4%	37,763	9.5%	8.5%
EBITDA	75,471	17.3%	69,956	17.5%	7.9%
EBITDA adjusted	80,435	18.4%	69,956	17.5%	15.0%

Balance Sheets

Balance Sheets (USD '000)	31 Dec. 2013	31 Dec. 2012	Change
Fixed assets	512,477	450,949	14%
Current assets	193,771	140,214	38%
Total assets	706,248	591,163	19%
Stockholders' equity	448,037	407,734	10%
Long-term liabilities	156,688	108,418	45%
Current liabilities ¹⁾	101,523	75,011	35%
Total equity and liabilities	706,248	591,163	19%
Current ratio*	1.9	1.9	
Equity ratio*	63%	69%	
Net interest bearing debt / EBITDA*	1.4	1.2	
Debt/EBITDA*	2.0	1.5	

*Financial ratios are based on operations for the preceding 12 months.

Income Statement Q4 2013

Income Statements (USD '000)	Q4 2013	% of sales	Q4 2012	% of sales	Change
Net sales	128,472	100.0%	98,395	100.0%	30.6%
Cost of goods sold	(48,583)	-37.8%	(38,068)	-38.7%	27.6%
Gross profit	79,889	62.2%	60,327	61.3%	32.4%
Other income	24	0.0%	275	0.3%	-91.3%
Sales & marketing expenses	(42,501)	-33.1%	(31,254)	-31.8%	36.0%
Research & development expenses	(5,493)	-4.3%	(5,897)	-6.0%	-6.9%
General & administrative expenses	(12,242)	-9.5%	(12,683)	-12.9%	-3.5%
Profit from operations	19,677	15.3%	10,768	10.9%	82.7%
Financial income	27	0.0%	42	0.0%	-35.7%
Financial expenses	(1,260)	-1.0%	(1,274)	-1.3%	-1.1%
Net exchange rate difference	640	0.5%	747	0.8%	-14.3%
Net financial income/expenses	(593)	-0.5%	(485)	-0.5%	22.3%
Share in profit of associated companies	14	0.0%	274	0.3%	-94.9%
Profit before tax	19,098	14.9%	10,557	10.7%	80.9%
Income tax	(4,968)	-3.9%	(2,486)	-2.5%	99.8%
Net profit for the period	14,130	11.0%	8,071	8.2%	75.1%
EBITDA	24,352	19.0%	14,384	14.6%	69.3%
EBITDA adjusted	24,352	19.0%	14,384	14.6%	69.3%

Financial Calendar

Financial Calendar 2014	Date
2014 Annual General Meeting	14 March 2014
Q1 Results	29 April 2014
Q2 Results	24 July 2014
Q3 Results	23 October 2014
Q4 Results	5 February 2015
2015 Annual General Meeting	12 March 2015

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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 therapy. 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. www.ossur.com

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.