Ossur Fourth Quarter and Annual Report for 2006

Life Without Limitations

Press release from Ossur hf.
Reykjavik, 7 February 2007

Annual highlights

- **Sales USD 252.1 million, up by 57% from 2005.**
- **Organic sales growth 9%.**
- **Pro forma sales growth 7%.**
- **EBITDA USD 47.9 million, excluding one-time restructuring cost, up by 47% from 2005.**
- **EBITDA margin 19.0%, excluding one-time restructuring cost, declining from 20.2% for 2005.**
- **Net profit excluding one-time restructuring cost USD 9.7 million, down from USD 15.6 million in 2005. Net profit excluding one-time restructuring cost and amortization of intangible assets relating to acquisitions USD 17.0 million, down from 17.9 million in 2005 or by 5%.**
- **Exchange rate differences negative by USD 5.6 million.**
- **Cash earnings per diluted share 6.27 US cents, decreasing from 6.34 US cents in 2005 or by 1%.**
- **Earnings per diluted share 1.13 US cents, decreasing from 3.52 US cents in 2005 or by 68%.**

Fourth quarter highlights

- **Sales USD 63.8 million, up by 29% from Q4 2005.**
- **Organic sales growth 12%.**
- **Pro forma sales growth 10%.**
- **EBITDA USD 11.1 million, excluding one-time restructuring cost, up by 25% from Q4 2005.**
- **EBITDA margin 17.3%, excluding one-time restructuring cost, declining from 17.9% for Q4 2005.**
- **Net profit excluding one-time restructuring cost and amortization of intangible assets relating to acquisitions USD 1.6 million, down from USD 5.2 million in 2005.**
- **Exchange rate differences negative by USD 1.8 million.**
- **Cash earnings per diluted share 0.38 US cents, decreasing from 1.85 US cents in 2005 or by 79%.**
- **Earnings per diluted share -0.96 US cents, decreasing from 0.81 US cents in 2005.**

Note: 2005 comparison numbers have been adjusted by excluding one-time unusual revenues, inventory step-up and restructuring cost relating to acquisitions in the third quarter of 2005. Prior to this adjustment, profitability growth rates are significantly higher and comparison more favorable.

Jon Sigurdsson, President & CEO, comments:

"Last year was characterized by transformation and record growth. We have seen Ossur transform from being a prosthetics company into a leading player in both the prosthetics and bracing and support markets. We completed four major acquisitions and a number of smaller ones in the last 18 months while at the same time maintaining double digit organic growth in our prosthetics business. In December we acquired the Gibaud Group in France and became one of the largest players in bracing and support in Europe. Bracing and support now accounts for over half of our sales. With Gibaud, we also entered a new product segment, phlebology. While restructuring and integration following the acquisitions were a major focus area during the year, we also introduced new breakthrough and state of the art Bionic products which have received deserved attention and recognition among industry players and users alike. It was challenging to maintain profitability during the transformation period and the results for the year are satisfactory. We are confident that we have built a foundation for future growth and profitability which will allow us to achieve Ossur's ambitious goals for the future."

Business overview for 2006

Transformation and record growth characterize the year 2006 at Ossur. Sales amounted to USD 252.1 million, representing a record growth of 57% from 2005. Organic sales growth was 9% measured in US dollars, 8% measured in local currency. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to USD 47.9 million, excluding one time restructuring expenses relating to acquisitions.

The Company continued its expansion into the bracing and support market, acquiring Innovation Sports Inc. in January, Rigid Medical Technologies in February and the Gibaud Group in France in December. The acquisition of Innovation Sports Inc. provided Ossur with a key product line, ligament bracing, formerly a weak link in Ossur's product portfolio. Gibaud is a leading French manufacturer and distributor of bracing and support and phlebology products. The Gibaud acquisition is expected to add approximately USD 55 million to sales in 2007. Through Gibaud, with its strong brand and sales force of around 70 people, Ossur gains access to the French market where the Company previously had insignificant exposure with less than a handful of sales representatives. The acquisition also provides entrance into a new product segment, phlebology (compression therapy). Phlebology is an important and growing segment of the non-invasive orthopaedics market in Europe.

In February 2007, Ossur acquired Somas in the Netherlands for USD 9.8 million. Somas is a leading distributor of bracing and support products in the Benelux area, with over 15% market share. The acquisition is expected to add approximately USD 5 million to sales in 2007 with an EBITDA margin of around 20%. One-time restructuring expenses in the first quarter of 2007 will amount to approximately USD 650 thousand. Somas is an important addition to the platform for the Company's further expansion in Europe.

Following the acquisitions completed since mid 2005, Ossur has transformed from being a prosthetics company into a global player in both prosthetics and bracing and support. Bracing and support sales accounted for 54% of the Company's sales in 2006. The Company's vision is to become a leading player in the non-invasive orthopaedics market.

Two cutting edge Bionic products were launched during the year, the Proprio Foot™ and Power Knee™. These products have received deserved recognition by industry players and users alike, confirming Ossur's technical leadership in the prosthetics market. They have been featured in various international media such as BBC, CBS, New York Times, Wall Street Journal, Los Angeles Times, El Mundo and many more.

The first major product innovation in the bracing and support sector, the Unloader®One osteoarthritis knee brace was an example of the successful application of Ossur's technical knowledge from the prosthetics field into the field of bracing and support.

Ossur received various awards and recognitions during the year, including: a nomination for 'Technology Pioneer 2006" by the World Economic Forum in January the Investor Relations Magazine award for best investor relations in Iceland in June; the Frost & Sullivan 'Technology of the Year Award' in October; and the Popular Science 'Best of What's New Award' in November.

The first international analyst report on Ossur was published by ABG Sundal Collier in October 2006. This was an important milestone as Ossur's goal is to increase international awareness of the Company and the number of foreign investors.

Annual operating results for 2006

The principal annual operating results of 2006 are shown. Innovation Sports, Inc. is included from 18 January 2006, Rigid Medical Technologies from 1 February 2006 and the Gibaud Group in France is included from 21 December 2006. Comparison numbers for 2005 have been adjusted by excluding inventory step-up, one-time restructuring cost and unusual revenue in 2005, unless otherwise indicated. Prior to this adjustment, profitability growth rates are significantly higher and comparisons more favorable. A special account is given of the impact of amortization of intangible assets relating to the acquisitions of Royce Medical, Inc. and Innovation Sports, Inc. in the USA and IMP Holdings, Ltd. in the UK.

Income Statement 2006 (USD '000)	2006 excl. amort. & restr.	% of sales	2005 excl. amort. & restr.	% of sales	Change
Net sales	252,133	100.0%	160,729	100.0%	56.9%
Cost of goods sold	(102,756)	-40.8%	(63,061)	-39.2%	62.9%
Gross profit	149,377	59.2%	97,668	60.8%	52.9%
Other income	530	0.2%	870	0.5%	-39.1%
Sales & marketing expenses	(60,840)	-24.1%	(35,791)	-22.3%	70.0%
Research & development expenses	(13,834)	-5.5%	(11,148)	-6.9%	24.1%
General & administrative expenses	(35,147)	-13.9%	(24,584)	-15.3%	43.0%
Restructuring expenses	0	0.0%	0	0.0%	
Profit from operations	40,085	15.9%	27,015	16.8%	48.4%
Financial income/(expenses)	(20,602)	-8.2%	(4,280)	-2.7%	381.4%
Profit/(loss) before tax	19,483	7.7%	22,735	14.1%	-14.3%
Income tax	(2,530)	-1.0%	(4,885)	-3.0%	-48.2%
Net profit for the period	16,953	6.7%	17,850	11.1%	-5.0%
EBITDA	47,946	19.0%	32,528	20.2%	47.4%

Overview of adjustments:

Income Statement 2006 (USD '000)	2006	Adjust. restr. & amort.	2006 excl. amort. & restr.	2005	Adjust. restr. & amort.	2005 excl. amort. & restr.
Net sales	252,133		252,133	160,729		160,729
Cost of goods sold	(102,756)		(102,756)	(66,338)	3,277	(63,061)
Gross profit	149,377		149,377	94,391		97,668
Other income	530		530	1,870	(1,000)	870
Sales & marketing expenses	(67,620)	6,780	(60,840)	(38,103)	2,312	(35,791)
Research & development expenses	(17,925)	4,091	(13,834)	(12,408)	1,260	(11,148)
General & administrative expenses	(36,165)	1,018	(35,147)	(24,806)	222	(24,584)
Restructuring expenses	(8,453)	8,453	0	(4,419)	4,419	0
Profit from operations	19,743		40,085	16,525		27,015
Financial income/(expenses)	(20,602)		(20,602)	(4,280)		(4,280)
Profit/(loss) before tax	(859)		19,483	12,245		22,735
Income tax	5,219	(7,749)	(2,530)	(557)	(4,328)	(4,885)
Net profit for the period	4,360		16,953	11,688		17,850
EBITDA	39,493		47,946	25,832		32,528

Sales

Sales during the year amounted to USD 252.1 million, representing an increase of 57% from 2005, measured in US dollars. The impact of foreign exchange rate changes was positive by slightly under USD 1 million and growth measured in local currency was 56%.

Organic growth was 9%, measured in US dollars and pro forma sales growth, including Royce Medical, Innovation Sports, IMP and Gibaud was 7%. Organic growth, measured in local currency was 8%.

Total sales per business day amounted to USD 996 thousand, representing an increase of 57% from 2005, measured in US dollars.

Product groups

The division of sales between main product groups during the year was as follows:

USD '000	2006	2005	Change
Prosthetics	115,754	103,655	12%
Bracing & Support	135,036	56,168	140%
Other	1,343	906	48%
Total	252,133	160,729	57%

Sales of prosthetic products accounted for USD 115.8 million, representing approximately 46% of total sales and a healthy growth of almost 12% from 2005, measured in US dollars.

Ossur clearly remains a technical leader in the prosthetics sector. The Bionic Power Knee™ and Proprio Foot™ were launched during the year, receiving deserved attention by industry players and users alike. The new products have also received various awards and recognitions and have been featured in prominent international media.

Sales of bracing and support products accounted for USD 135.0 million, representing 53% of total sales and an increase of 140% from the previous year. Overall pro forma growth in bracing and support was 3%. Significant integration and restructuring activities have had a temporary negative impact on sales, resulting in a growth rate below the Company's long term goals, particularly in Europe.

The first major product innovation in the bracing and support sector, the Unloader®One osteoarthritis knee brace was an example of the successful application of Ossur's technical knowledge from the prosthetics field into the field of bracing and support. Leveraging on current technical platforms is an important aspect of Ossur's strategy and a key focus area of the Company's research and development teams for 2007.

Geographical markets

The distribution of sales according to market regions during 2006 was as follows:

USD '000	2006	2005	Change in USD	Change in LCY
North America	156,017	93,264	67%	66%
Europe	80,146	55,791	44%	41%
Other markets	15,970	11,674	37%	37%
Total	252,133	160,729	57%	56%

Organizational changes were made in August to support the Company's continuing growth and strengthen the infrastructure. Ossur Asia was established and will be responsible for sales in Asia and Australia. Research and development activities will also be conducted in the new unit, as well as administration of the Company's outsourcing of manufacturing to Asia. Ossur Asia has opened an office in Shanghai.

Financial reporting by the new geographical segmentation will start with effect from 1 January 2007.

North America

Sales in North America amounted to USD 156.0 million in 2006, representing 62% of total sales, compared to 58% in 2005. Sales were up by 67% from the previous year, measured in US dollars. Sales per business day increased by the same percentage. The strengthening of the Canadian dollar against the US dollar results in a slightly lower growth rate measured in local currency, or 66%. Organic growth was 13%, measured in US dollars.

Prosthetics sales continue to grow significantly above the market, or by 17% from 2005. Overall sales of bracing and support products are up by 130% while pro forma growth is 6%

Restructuring and integration have been key focus areas in North America and important progress has been made. The Company's facilities in Bothell, Washington were closed down in September and custom knee brace manufacturing consolidated in Foothill Ranch, California. East coast operations were restructured and manufacturing moved to other units or outsourced to Asia. Consolidation of back office functions is completed and outsourcing of off-the shelf bracing and support products from North America to Asia is in progress. The number of employees in North America has been reduced by approximately 100. Restructuring of the bracing and support distribution network in North America is still in process but important progress has been made.

Europe

Sales in Europe, including the Nordic countries, amounted to USD 80.1 million, accounting for 32% of total sales, compared to 35% in 2005. Sales growth in the European market was 44%, measured in US dollars. Sales per business day increased by the same percentage. The strengthening of the euro, Swedish krona and the British pound against the US dollar results in a lower growth rate of 41%, measured in local currency. Organic growth was 4%, measured in US dollars but negative by 3% measured in local currency.

Prosthetics sales growth was 6% in 2006, measured in US dollars. Sales of bracing and support products grew by 163% while pro forma sales growth was 5%.

The recent acquisitions of the Gibaud Group and Somas have established Ossur as one of the largest players in bracing and support in Europe. While significant growth and demanding integration activities following recent acquisitions have been challenging for Ossur Europe, management is confident that the investment in a platform for future growth will lead to a gradual but steady turnaround.

International markets

International sales account for 6% of total sales. Sales amounted to USD 16.0 million, increasing by 37% from 2005. The recent organizational changes at the Company, including the establishment of Ossur Asia, will lead to an increased emphasis on these markets and facilitate exploitation of the vast opportunities present in this segment.

Gross profit

Gross profit amounted to 59.2% of sales, compared to 60.8% in 2005, excluding inventory step-up relating to the acquisition of Royce Medical. The gross margin of IMP and Innovation Sports is considerably lower than at Ossur and Royce Medical. Significant restructuring of manufacturing and operations was undertaken during the year. This had a temporary negative effect on cost of goods sold but will result in increased efficiency in the future . Cost related to the worldwide recall of Total Knee prosthetic devices in March was approximately USD 900 thousand. The negative impact of these aspects is partially offset by positive exchange rate trends, mainly the weakening of the Icelandic krona against the US dollar.

Operating expenses

Amortization of intangible assets relating to the acquisition of Royce Medical, IMP and Innovation Sports continues to have a significant impact on profit from operations and net profit for the period, although it does not affect cash flow and EBITDA. The amortization amounted to USD 11.9 million in 2006, compared to USD 3.8 million in 2005. Amortization reduced the ratio of operating profit to sales in 2006 by 4.7 percentage points and net profit to sales by 2.9 percentage points. The amount is allocated to individual operating items as follows:

Expense item	2006 USD '000	2006 % of sales	2005 USD '000	2005 % of sales
Sales and marketing expenses	6,780	-2.7%	2,312	-1.4%
Research & development expenses	4,091	-1.6%	1,260	-0.8%
General & administrative expenses	1,018	-0.4%	222	-0.1%
Effect on profit from operations	11,889	-4.7%	3,794	-2.4%
Effect on net profit	7,245	-2.9%	2,290	-1.4%

This amortization will continue for the next 4-5 years. Additionally, according to preliminary results of the purchase price accounting for the Gibaud Group, the acquired intangible assets will be amortized by approximately USD 1.2 million for the next 10 years.

Sales and marketing expenses, excluding amortization of intangible assets, were 24.1% of sales, up from 22.3% in 2005, primarily due to the different cost structure of Royce Medical, IMP and Innovation Sports. Investments in restructuring of the sales organization and sales channels are expected to return a positive effect on sales and marketing expenses in the near future.

Research and development expenses, excluding amortization of intangible assets, amounted to 5.5% of sales, as compared to 6.9% in 2005. The strengthening of the US dollar against the Icelandic krona has a positive effect, as the majority of Ossur's research and development activities are conducted in Iceland. Additionally, research and development cost ratios at Royce Medical, IMP and Innovation Sports were considerably lower than at Ossur. All research and development costs continue to be expensed.

General and administrative expenses were 13.9% of sales, excluding amortization of intangible assets, down from 15.3% in 2005. Economics of scale and increased efficiency resulting from restructuring and integration activities is starting to be realized. Currency trends have also had a positive impact on this cost item.

One-time restructuring expenses relating to the acquisitions of Innovation Sports and the Gibaud Group amounted to USD 3 million and USD 5,5 million respectively.

Financial expenses

Net financial expenses amounted to just short of USD 20.6 million, including USD 15.1 million interest on bank loans and USD 5.6 million in exchange rate differences.

Interest on bank loans increased by 151%, which represents the significant increase in leverage undertaken since the acquisition of Royce Medical in August 2005. Ossur has entered into an interest rate swap agreement fixing the rates of USD 140 million and EUR 48.6 million of its long term debt at a weighted average of 5.99% per annum interest rate throughout the term of the loan.

Approximately 67% of Ossur's long term liabilities are in US dollars and 33% in Euros. The significant increase in the Euro/US dollar spot rate from the beginning to the end of the year resulted in a negative exchange rate difference on long term liabilities in the amounting to USD 6.9 million, which could be reversed by future market changes. Other exchange rate differences were positive by USD 1.4 million, resulting in a net negative exchange rate difference of USD 5.6 million. This had a significant negative impact on the Company's net profit.

Income tax

Significant deductions relating to a net loss in North America, as well as deductions relating to the internal financing structure of the Company, result in an overall positive income tax of USD 5.2 million

Profitability

An overview of profitability, showing the impact of one-time restructuring expenses and amortization of intangible assets relating to acquisitions is shown below:

Profit (USD '000)	2006	Excl. restructuring	Excl. restruct. & amortization
Operating profit	19,743	28,196	40,085
EBITDA	39,493	47,946	47,946
Net profit	4,360	9,709	16,953

The operating profit margin excluding one time restructuring costs and amortization of intangible assets relating to recent acquisitions was 15.9% in 2006, as compared to 16.8% in 2005.

The ratio of EBITDA to sales was 19.0% in 2006, as compared to 20.2% in 2005, excluding one-time revenue and expenses related to acquisitions.

Net profit amounted to USD 17.0 million or 6.7% of sales compared to USD 17.9 million and 11.1% of sales in 2005. The significant increase in financial expenses due to increased leverage and unfavorable currency trends have a major impact on net profit.

Balance sheets

Consolidated Balance Sheets (USD '000)	31 December 2006	31 December 2005	Change
Fixed assets	489,319	325,873	50%
Current assets	123,433	82,113	50%
Total assets	612,752	407,986	50%
Stockholders' equity	161,639	152,829	6%
Long-term liabilities	234,538	215,361	9%
Current liabilities	216,575	39,796	444%
Total equity and liabilities	612,752	407,986	50%

Total assets increased from USD 408.0 million at the end of 2005 to USD 612.8 million at the end of 2006, or by 50%.

Innovation Sports was acquired in January 2006 for an acquisition price of USD 38.4 million which was partially financed by existing cash and partially by an addition to the Company's long term loan agreement. USD 20 million under this loan is still undrawn and available.

The Gibaud Group in France was acquired in December 2006 for an acquisition price of USD 132 million. The acquisition was financed with a EUR 100 million bridge loan facility which is included in the Company's current liabilities at the end of 2006, and cash. An equity offering is planned for 2007 to repay the bridge loan. In the meantime, the Company's equity- and current ratios will be below the minimum policy rates stated in the Company's Financial Risk Management Policy. This temporary deviation has been approved by the Board of Directors.

The strengthening of the euro against the US dollar in 2006 resulted in a USD 6.9 million negative exchange rate difference on the euro portion of the Company's long term bank loans.

The equity ratio at the end of 2006 was 26% as compared to 37% at the end of 2005. The year-end equity ratio excluding the acquisition of the Gibaud Group was 36%. The current ratio was 0.6 at the end of 2006, compared to 2.1 at the end of the previous year.

Capital expenditure amounted to USD 11.0 million in 2006, or 4.3% of sales. Significant investments in the Company's information technology platform and expansion of the Company's offices and warehouse in Eindhoven, the Netherlands, were undertaken during the year.

Cash flow

Cash Flow (USD '000)	2006	2005
Working capital provided by operating activities	24,663	18,954
Cash generated by operations, before interest and taxes	32,686	24,986
Cash flows from investing activities	-179,052	-249,659
Cash flows from financing activities	154,197	250,923
Net change in cash and cash equivalents	-8,867	16,745

Cash generated by operations, before interest and taxes, amounted to USD 32.7 million in 2006, as compared to USD 25.0 million in the previous year. The increase corresponds to 31%.

Earnings per share

Financial Ratios	2006	2005	Q4 2006	Q4 2005
EPS (US cents)	1.13	3.53	-0.96	0.81
EPS diluted, adjusted (US cents)*	2.53	4.69	-0.04	0.99
Cash EPS diluted (US cents)	6.27	6.33	0.38	1.85
Cash EPS diluted, adjusted (US cents)*	7.66	7.49	1.30	2.04

* Excluding unusual revenues, one-time restructuring cost and inventory-step up related to acquisitions.

Earnings per diluted share adjusted (excluding one-time restructuring cost, inventory step up and unusual revenues), amounted to 2.53 US cents in 2006, down from 4.69 US cents in the previous year, representing a 46% decrease.

Cash earnings per diluted share are measured as net profit plus depreciation and amortization per diluted share. Cash earnings per diluted share adjusted, amounted to 7.66 US cents in 2006, up from 7.49 US cents, representing a 2% increase. Cash earnings per diluted share adjusted for the fourth quarter amounted to 1.30 US cents, decreasing from 2.04 US cents from the fourth quarter of 2005, or by 36%.

The increase in the Company's leverage associated with financing of recent acquisitions and the related significant increase in interest expenses between 2005 and 2006 should be considered when assessing changes in earnings per share. Likewise, the strengthening of the euro against the US dollar in 2006 had a significant impact, resulting in a USD 6.9 million negative exchange rate difference on the euro portion of the Company's long term bank loans.

Fourth quarter operating results

Income Statement 2006 (USD '000)	Q4 2006 excl. amort. & restr.	% of sales	Q4 2005 excl. amort. & restr.	% of sales	Change
Net sales	63,844	100.0%	49,590	100.0%	28.7%
Cost of goods sold	(26,945)	-42.2%	(19,712)	-39.7%	36.7%
Gross profit	**36,899**	**57.8%**	**29,878**	**60.3%**	**23.5%**
Other income	286	0.4%	277	0.6%	3.2%
Sales & marketing expenses	(15,029)	-23.5%	(12,085)	-24.4%	24.4%
Research & development expenses	(3,784)	-5.9%	(3,261)	-6.6%	16.1%
General & administrative expenses	(9,518)	-14.9%	(7,540)	-15.2%	26.2%
Restructuring expenses	0	0.0%	0	0.0%	0.0%
Profit from operations	**8,853**	**13.9%**	**7,269**	**14.7%**	**21.8%**
Financial income / (expenses)	(5,807)	-9.1%	(1,737)	-3.5%	234.3%
Profit / (loss) before tax	**3,046**	**4.8%**	**5,532**	**11.2%**	**-44.9%**
Income tax	(1,407)	-2.2%	(309)	-0.6%	
Net profit for the period	**1,639**	**2.6%**	**5,223**	**10.5%**	**-68.6%**
EBITDA	**11,070**	**17.3%**	**8,890**	**17.9%**	**24.5%**

Overview of adjustments

Income Statement YTD 2006 (USD '000)	Q4 2006	Adjust. amort. & restr.	Q4 2006 excl. amort. & restr.	Q4 2005	Adjust. amort. & restr.	Q4 2005 excl. amort. & restr.
Net sales	63,844		63,844	49,590		49,590
Cost of goods sold	(26,945)		(26,945)	(20,367)	655	(19,712)
Gross profit	**36,899**		**36,899**	**29,223**		**29,878**
Other income	286		286	277		277
Sales & marketing expenses	(16,758)	1,729	(15,029)	(13,521)	1,436	(12,085)
Research & development expenses	(4,744)	960	(3,784)	(4,057)	796	(3,261)
General & administrative expenses	(9,785)	267	(9,518)	(7,680)	140	(7,540)
Restructuring expenses	(5,453)	5,453	0	(304)	304	0
Profit from operations	**444**		**8,853**	**3,938**		**7,269**
Financial income /(expenses)	(5,807)		(5,807)	(1,737)		(1,737)
Profit / (loss) before tax	**(5,363)**		**3,046**	**2,201**		**5,532**
Income tax	1,656	(3,063)	(1,407)	887	(1,196)	(309)
Net profit for the period	**(3,707)**		**1,639**	**3,088**		**5,223**
EBITDA	**5,617**		**11,070**	**7,931**		**8,890**

Sales during the fourth quarter of 2006 amounted to USD 63.8 million, representing an increase of 29% from the fourth quarter of 2005, measured in US dollars. Organic sales growth was 12% measured in US dollars and 9% measured in local currency. Pro forma sales growth was 10% measured in US dollars.

Gross profit margin in the fourth quarter of 2006 was 57.8% of sales, down from 60.3% in 2005 excluding inventory step-up. This is the first quarter following significant restructuring of the Company's manufacturing operations. Operations in Bothell, Washington were closed down and custom knee brace manufacturing consolidated in Foothill Ranch. East coast operations were restructured and manufacturing outsourced to other units and to Asia. While these changes will result in increased efficiency in the future, they have had a temporary short term negative effect on cost of goods sold.

Profit from operations, excluding one time restructuring expenses and amortization of intangible assets, was USD 8.9 million or 13.9% of sales, representing a 22% increase from the fourth quarter of 2005. EBITDA excluding one time revenue and expenses relating to acquisitions amounted to USD 11.1 million, compared to USD 8.9 million for the fourth quarter of 2005, increasing by 25%. The ratio of EBITDA to sales excluding one-time restructuring costs decreased by 0.6 percentage points, from 17.9% in the fourth quarter of 2005 to 17.3% in the fourth quarter of 2006.

Earnings per diluted share was -0.96 US cents, decreasing from 0.81 US cents in 2005. Cash earnings per diluted share, excluding one time restructuring expenses, was 1.30 US cents, decreasing from 2.04 US cents for the fourth quarter of 2005, or by 36%.

The increase in the Company's leverage associated with financing of recent acquisitions and the related significant increase in interest expenses between 2005 and 2006 should be considered when assessing changes in earnings per share. Likewise, the strengthening of the euro against the US dollar in the fourth quarter of 2006 has a significant impact, resulting in a USD 2.6 million negative exchange rate difference on the euro portion of the Company's long term bank loans.

Five year comparison

Five Year Comparison (USD '000)	2006	2005	2004	2003	2002
Net sales	252,133	160,729	124,399	94,467	81,284
Profit from operations	19,743	16,525	20,374	6,112	11,501
Financial income / (expenses)	-20,602	-4,280	-1,232	-407	182
Profit (loss) before tax	-859	12,245	19,142	5,705	11,837
Net profit	4,360	11,689	15,227	4,661	10,056
Stockholders' equity	161,639	152,829	54,720	44,011	39,861
Total assets	612,725	407,997	108,915	102,126	71,425
Working capital from operating activities	24,663	18,954	23,095	8,774	14,661
Net cash provided by operating activities	15,988	15,481	16,600	10,383	10,503
Return on common equity	3%	15%	31%	11%	29%
Current ratio	0.6	2.1	2.2	1.8	2.3
Equity ratio	26%	37%	50%	43%	56%
Earnings per share (US cents)	1.13	3.53	4.80	1.45	3.12
Price per share at year end (ISK)	113	114	76	43.6	54
Market value at year end (USD million)	606	695	396	201	220

Operating prospects

The long term prospects for Ossur's operations are promising. Strong underlying market growth drivers include demographic aspects such as an aging population, increases in lifestyle diseases and more active and wealthy seniors. Ossur has an attractive market position in its major product segments, prosthetics and bracing and support and there are significant opportunities for further consolidation of the latter market. The Company's technical leadership in the prosthetics market and intentions of leveraging that technology in the bracing and support market further enhance the prospects of success.

As previously communicated, Ossur has set the goal of achieving sales of USD 750 million before the end of 2010 and an EBITDA margin of 23%. This growth will be achieved through strong organic growth in combination with strategic acquisitions.

The short term projections for 2007 and 2008 are positive. It is estimated that Ossur's sales in 2007 will be around USD 330 million, up from USD 252 million in 2006, or by approximately 30%. EBITDA is expected to be around USD 63 million, excluding restructuring expenses, increasing from USD 47.9 in 2006, or by approximately 32%. EBITDA margin is expected to be around 19%, excluding restructuring expenses.

The EBITDA margin for the first quarter of 2007 will be lower compared to the full year guidance, or in the range of 16 to 17%, excluding restructuring expenses. Historically, Ossur's profitability drops slightly in the first quarter and Gibaud's margin is expected to be around 18%, as previously communicated. Additionally, significant litigation expenses relating to the Company's woundcare operations are foreseen in the quarter, in the range of USD 750 thousand to USD 1 million.

One-time expenses in the first quarter will include inventory step up in the amount of USD 1.3 million relating to the acquisition of the Gibaud Group and restructuring costs of USD 650 thousand relating to the acquisition of Somas. The EBITDA margin including one-time expenses for the first quarter is expected to be in the range of 13 to 14%.

As previously communicated, an equity offering is planned to take place in 2007. The offering proceeds will be used to repay the EUR 100 million bridge loan entered into in December 2006 to finance the acquisition of the Gibaud Group and to finance future acquisitions. The offering details will be announced at a later stage.

Approval of Financial Statements

The Ossur hf. Consolidated Financial Statements for 2006 were approved at a meeting of the Board of Directors today. The statements, prepared in compliance with International Financial Reporting Standards (IFRS), have been audited and endorsed by the Company's auditors without comments.

Investor presentations

On Thursday, 8 February, Ossur will host briefings for investors.

A telephone conference in English will be held at 13:00 GMT, 14:00 CET and 8:00 am Eastern Standard Time. The telephone conference can be heard on the Ossur website: www.ossur.com.

Please call the following telephone numbers to participate in the conference:

Telephone number for Europe: +44 (0) 20 7162 0025
Telephone number for the United States: +1 334 323 6201

Queries can also be sent to the meeting held in English by e-mail to investormeeting@ossur.com.

At 16:15 GMT, there will be an open meeting with Company management at the Grand Hotel at Sigtun in Reykjavik. At the meeting, Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will present and discuss the operations of the quarter.

Presentation material will be available on the Company's website www.ossur.com and the News System of the Iceland Stock Exchange www.icex.is.

Annual General Meeting and financial calendar for 2007

Ossur will hold its Annual General Meeting on Friday 23 February 2007 at 8:15 am at the Grand Hotel in Reykjavik. The Company's 2006 Annual Report will be available upon request and will also be accessible on the Company's website, www.ossur.com, the website of the Iceland Stock Exchange, www.icex.is and on www.huginonline.com.

The estimated dates of publication of interim and annual financial statements relating to 2007 are as follows:

First quarter 2007 results	**2 May 2007**
Second quarter 2007 results	**31 July 2007**
Third quarter 2007 results	**30 October 2007**
Fourth quarter and annual 2007 results	**5 February 2008**
2008 Annual General Meeting	**22 February 2008**

Ossur press releases by e-mail

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

Further information

Jon Sigurdsson, President & CEO	**Tel: +354 515 1300**
Hjorleifur Palsson, CFO	**Tel: +354 515 1300**
Sigurborg Arnarsdottir, IR Manager	**Tel: +354 515 1300**

About Ossur
Ossur (Icelandic Stock Exchange: OSSR) is as much about helping people to live a *life without limitations* as it is about its orthopaedic products. A trusted and global leader in the development, manufacturing, distribution, sales and marketing of braces and support products and prosthetics, Ossur creates award-winning designs – including its bionic technologies – and partners with the health practitioners who use them to deliver successful clinical and business outcomes. With headquarters in Reykjavik, Iceland, the company has operations and a distribution network throughout the world. The company allocates an industry record portion of its revenue to research and development to conceive and harness the most advanced technologies for incorporation in its product designs, and provides extensive education programs through the *Ossur Academy*. Website: www.ossur.com