

Össur Third Quarter 2009



Life Without Limitations

Press release from Össur hf.

Reykjavik, 27 October 2009

Strong Third Quarter 2009

- Sales USD 84 million
- Strong prosthetics sales, growing 11%
- EBITDA margin 23%
- Net profit 7% of sales
- Second generation of RHEO KNEE extremely well received
- GPO contract in the US
- Listing on NASDAQ OMX Copenhagen

Jon Sigurdsson, President & CEO, comments:

"We are quite satisfied with the results for the quarter. Our business continues to be successful and profitable. Prosthetics sales exceeded our expectations, and recent product upgrades and the new generation of RHEO KNEE have been well received by the market. This further establishes the acceptance of the Bionic products. Sales of bracing and supports products are stabilizing and we are confident that we will see a turnaround in sales in this segment in the coming quarters."



Össur Investor Meeting Tuesday 27 October in Copenhagen

– Live webcast at 12:00 CET/ 11:00 GMT/ 7:00 EST

Tuesday 27 October 2009 Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will host a meeting presenting and discussing the results of the third quarter for investors, analysts and shareholders. The meeting will be held in Copenhagen at the Radisson SAS Royal Hotel, Hammerichsgade 1, Copenhagen. The meeting will be conducted in English.

There will be a live broadcast from the meeting on the Össur website: www.ossur.com/investors

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

Telephone number for Europe: + 44 (0) 208 817 9301

Telephone number for the United States: +1 718 354 1226

Local Icelandic number: 800-8857

Presentation material will be available on the Company's website www.ossur.com, on the News System of NASDAQ OMX: <http://www.nasdaqomxnordic.com/news/> and on www.huginonline.com

ÖSSUR THIRD QUARTER 2009

Financial Guidance 2009

Management estimates sales and EBITDA for the year is expected to slightly outperform previous guidance of:

- Sales USD 310-320 million
- EBITDA USD 58-62 million
- EBITDA margin 18-19%

Preliminary Guidance for 2010

Management's guidance for sales and EBITDA growth in local currency for 2010 is as follows:

- Sales growth 3-4%
- EBITDA growth 8-10%

Operating results for the third quarter of 2009

Income Statements (USD '000)	Q3 2009	% of sales	Q3 2008	% of sales	Change
Net sales	84,184	100.0%	86,470	100.0%	-2.6%
Cost of goods sold	(32,463)	-38.6%	(32,761)	-37.9%	-0.9%
Gross profit	51,721	61.4%	53,709	62.1%	-3.7%
Other income	18	0.0%	2,479	2.9%	-99.3%
Sales & marketing expenses	(21,948)	-26.1%	(24,003)	-27.8%	-8.6%
Research & development expenses	(4,170)	-5.0%	(5,100)	-5.9%	-18.2%
General & administrative expenses	(10,725)	-12.7%	(11,727)	-13.6%	-8.5%
Profit from operations	14,897	17.7%	15,358	17.8%	-3.0%
Financial income	45	0.1%	27	0.0%	66.7%
Financial expenses	(2,805)	-3.3%	(4,679)	-5.4%	-40.1%
Net exchange rate difference	(4,196)	-5.0%	7,034	8.1%	-159.7%
Profit before tax	7,941	9.4%	17,740	20.5%	-55.2%
Income tax	(1,938)	-2.3%	(4,051)	-4.7%	-52.2%
Net profit for the period	6,003	7.1%	13,689	15.8%	-56.1%
EBITDA	19,355	23.0%	21,128	24.4%	-8.4%
EBITDA adjusted*	19,355	23.0%	19,112	22.1%	1.3%

* Adjusted for one-time income and expenses.

NOTE: Numbers for Q3 2008 are reclassified as announced in the 2008 full year report.

Income Statements for the third quarter of 2009

Total sales in the third quarter amounted to USD 84.2 million, compared to USD 86.5 million in 2008. Exchange rate trends had negative impact on sales amounting to USD 3 million. Sales measured in USD declined by 3% and grew by 1% measured in local currency. Sales of prosthetics were very strong this quarter. Discontinuation of contracts with third party suppliers in EMEA continues to have a negative effect on sales but positive effect on profitability.

The gross profit was USD 51.7 million and 61% compared to USD 53.7 million and 62% in the same period in 2008. The gross profit margins have been stable at this level for the past several quarters.

Other income amounted to USD 18 thousand compared to USD 2.5 million in the third quarter of 2008. Other income in the third quarter of 2008 included USD 2.3 million related to the divestment of an advanced wound care product line last year.

Operating expenses as a ratio of sales were 44%, compared to 47% in the third quarter of 2008. Net of exchange rate effects the operating expenses ratio decreased by 1.9 percentage points. A more efficient sales and marketing structure in the Americas and gradual improvement in general as well as administrative expenses contribute to this improvement.

Profit from operations amounted to USD 14.9 million or 18% of sales, compared to USD 15.4 million and 18% of sales in the same period of 2008.

Amortization of intangible assets relating to acquisitions amounted to USD 2.5 million, compared to USD 3.7 million in the third quarter of 2008. The amortization following acquisitions in the past is in accordance with accounting standards, affecting the income statements although the underlying intangible assets may not be decreasing in value.

Net financial expenses in the third quarter amounted to USD 7.0 million compared to USD 2.4 million in the same period in 2008. Due to Össur's natural hedging policy, currency has a significant impact. The increase in the EUR/USD spot rate results in exchange rate losses on long term debt as approximately 50% of long term debt is denominated in euro.

Income tax was USD 1.9 million, corresponding to a 24% effective tax rate, compared to USD 4.0 million and 23% in the third quarter of 2008.

Net profit amounted to USD 6.0 million, compared to USD 13.7 million in the same period of 2008. Unusual exchange rate fluctuations affecting financial items have a significant impact on the comparison of net profit between years. The change in exchange rate differences between years amounts to USD 11.2 million. Comparison between years is also affected by a USD 2.3 million one-time gain in 2008, related to the divestment of the Company's advanced wound care product line.

EBITDA was USD 19.4 million, 23% of sales, compared to USD 21.1 million and 24% of sales in the third quarter of 2008. No adjustments were made to the EBITDA in the quarter as no unusual income or cost occurred. Adjusted EBITDA in the third quarter of 2008 amounted to USD 19.1 million and 22% of sales, including the USD 2.3 million one-time gain.

Product groups

The breakdown of sales between main product groups in the third quarter of 2009 was as follows:

USD `000	Q3 2009	% of sales	Growth USD	Growth LCY
Bracing & supports	40,321	48%	-9%	-6%
Prosthetics	39,602	47%	8%	11%
Compression therapy	3,600	4%	-4%	1%
Other	661	1%	-64%	-61%
Total	84,184	100%	-3%	1%
Avg. sales growth pr. day			-3%	0%

Bracing and supports:

Sales of bracing and supports declined by 9%. Sales measured in local currency declined by 6%. Discontinuation of contracts with third party suppliers continues to affect bracing and supports sales in EMEA. Promising initiatives give comfort for positive developments in the bracing and supports segment. Additions to the sales representative team and an increased number of independent representatives increase the sales coverage. Two important GPO (group purchasing organization) contracts have been signed this year which are expected to bring increased sales next year. The product pipeline for bracing and supports is promising.

Prosthetics:

Prosthetics sales grew by 8% and measured in local currency the sales growth was 11%. Prosthetics sales exceeded expectations and Össur is gaining market share in this segment. Recent product upgrades and the new generation of RHEO KNEE, have been well received by the market, further establishing the acceptance of the Bionic products.

The redesigned RHEO KNEE features a host of upgrades, including improved aesthetics, a higher weight limit, increased torque and a faster swing speed.

Compression therapy:

Compression therapy sales are picking up. Sales declined 4% measured in US dollars but grew 1% when measured in local currency. New products have been introduced to the market and positive growth is anticipated.

Geographical markets

The distribution of sales, according to market regions, in the third quarter of 2009 was as follows:

USD `000	Q3 2009	% of sales	Growth USD	Growth LCY
Americas	43,763	52%	-1%	0%
EMEA	35,881	43%	-6%	1%
Asia	4,540	5%	29%	31%
Total	84,184	100%	-3%	1%

Americas:

Sales in Össur Americas remain stable compared to last quarter and growth is flat measured in local currency. Sales growth in prosthetics was excellent in the quarter. Overall salesgrowth in the Americas is offset by sales decline in bracing and supports. A GPO contract with Premier was signed in the quarter being the second GPO contract Össur

Americas is rewarded this year. Emphasis on increased sales coverage has led to the hiring of additional direct sales representatives and signing of new independent representative groups during the quarter.

Sales in the Americas accounted for 52% of total sales, compared to 50% in the third quarter of 2008.

EMEA (Europe, The Middle East and Africa):

Sales in EMEA declined by 6% measured in USD and grew 1% measured in local currency. Sales are affected by the slowdown of the economy in the UK and discontinuation of contracts with third party suppliers, which has a temporary negative effect on sales but not on profitability. Sales of prosthetics in EMEA were excellent in the quarter.

Sales in EMEA accounted for 43% of total sales, compared to 46% in the third quarter last year.

Asia:

Asia continues to show excellent growth, 29% measured in USD and 31% measured in local currency. All main markets are growing well, especially Japan.

Sales in Asia accounted for 5% of total sales, compared to 4% in the third quarter of 2008.

Balance Sheets

USD '000	30 Sept. 2009	31 Dec. 2008	Change
Non-current assets	462,994	458,046	1%
Current assets	153,832	145,732	6%
Total assets	616,826	603,778	2%
Stockholders' equity	278,857	249,648	12%
Non-current liabilities	257,768	223,242	15%
Current liabilities	80,201	130,888	-39%
Total equity and liabilities	616,826	603,778	2%
Current ratio	1.9	1.1	
Equity ratio	45%	41%	
Net interest bearing debt / EBITDA LTM	3.0	2.9	

The equity ratio at the end of the period was 45% compared to 41% at the end of 2008. Leverage is decreasing and net interest bearing debt over EBITDA was 3.0x at the end of the period. Currently, Össur has favourable financing terms and no financial covenant issues.

Cash Flow

USD '000	Q3 2009	% of sales	Q3 2008	% of sales
Working capital provided by operating activities	12,774	15%	17,336	20%
Net cash provided by operating activities	21,621	26%	11,809	14%

Working capital from operating activities decreased by 26%. Excluding one-time gains in the third quarter of 2008 the decrease is 15%. Net cash provided by operating activities increased by 83% compared with the third quarter of 2008.

Össur has a strong cash flow and is very cash generative. Cash at the end of the period amounted to USD 49 million, compared to USD 11 million at the end of the third quarter 2008.

Capital investments amounted to USD 2.1 million or 2.5% of sales, compared to USD 2.0 million and 2.3% of sales in the same period of 2008. Capital investments continue to be in line with the Company's guidance of 2.5-3.5%.

Earnings Per Share

	Q3 2009	Q3 2008	Change
EPS diluted (US cents)	1.42	3.24	-56%
Cash EPS diluted (US cents)	2.47	4.60	-46%

Five Quarter Comparison

(USD '000)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Net sales	84,184	81,345	77,180	79,440	86,470
Gross profit	51,721	50,061	47,025	49,011	53,709
Profit from operations	14,897	11,774	7,849	10,815	15,358
Financial income / (expenses)	(6,956)	(7,346)	1,897	(5,969)	2,382
Profit before tax	7,941	4,428	9,746	4,846	17,740
Net profit	6,003	3,501	7,573	4,171	13,689
EBITDA	19,355	16,961	12,865	16,324	21,128
EBITDA adj.*	19,355	17,930	13,593	16,847	19,112
Gross profit margin	61%	62%	61%	62%	62%
EBITDA margin	23%	21%	17%	21%	24%
EBITDA adj.* margin	23%	22%	18%	21%	22%
Stockholders' equity	278,857	264,727	247,050	249,648	264,383
Total assets	616,826	598,879	581,592	603,778	614,944
Current ratio	1.9	1.9	1.8	1.1	1.1
Equity ratio	45%	44%	42%	41%	43%
Net debt / EBITDA LTM	3.0	3.2	3.2	2.9	3.2
Net debt / EBITDA LTM adj.*	2,9	3.1	3.3	3.3	3.7
Working capital from operating activities	12,774	12,427	9,007	7,877	17,336
Net cash provided by operating activities	21,621	17,696	7,003	19,372	11,809
Earnings per share (US cents)	1.42	0.83	1.79	0.99	3.24
Cash earnings per share (US cents)	2.47	3.20	2.98	2.29	4.60
Price per share at period end (ISK)	122.5	115.5	89.7	99.8	93.8
Price per share at period end (DKK)	5.10	-	-	-	-
Market value at period end (USD million)	419	385	310	349	391

* Adjusted for one-time income and expenses.

Income Statements YTD 2009

(USD '000)	YTD 2009	% of sales	YTD 2008	% of sales	Change
Net sales	242,709	100.0%	267,395	100.0%	-9.2%
Cost of goods sold	(93,902)	-38.7%	(102,203)	-38.2%	-8.1%
Gross profit	148,807	61.3%	165,192	61.8%	-9.9%
Other income	365	0.2%	9,482	3.5%	-96.2%
Sales & marketing expenses	(69,116)	-28.5%	(74,949)	-28.0%	-7.8%
Research & development expenses	(13,948)	-5.7%	(15,903)	-5.9%	-12.3%
General & administrative expenses	(31,590)	-13.0%	(38,679)	-14.5%	-18.3%
Profit from operations	34,518	14.2%	45,143	16.9%	-23.5%
Financial income	185	0.1%	225	0.1%	-17.8%
Financial expenses	(9,127)	-3.8%	(14,316)	-5.4%	-36.2%
Net exchange rate difference	(3,463)	-1.4%	2,335	0.9%	-248.3%
Profit before tax	22,113	9.1%	33,387	12.5%	-33.8%
Income tax	(5,038)	-2.1%	(9,070)	-3.4%	-44.5%
Net profit for the period	17,075	7.0%	24,317	9.1%	-29.8%
EBITDA	49,176	20.3%	63,116	23.6%	-22.1%
EBITDA adjusted*	50,874	21.0%	55,786	20.9%	-8.8%

* Adjusted for one-time income and expenses.

Sales for the first nine months of 2009 amounted to USD 242.7 million, representing a 9% decrease and a 2% decrease measured in local currency, compared to the first nine months of 2008. Exchange rate trends had significant negative impact on sales, amounting to USD 19.1 million. Sales growth in prosthetics was 6% and sales decline in bracing and supports 6%, both measured in local currency. Sales of compression therapy products declined by 7% in the period, measured in local currency.

Sales in the Americas decreased by 3% in the first nine months of the year and 2% measured in local currency. Sales in EMEA decreased by 16% and 2% measured in local currency. Sales growth in Asia was 11% measured in USD and 15% measured in local currency.

Gross profit was USD 148.8 million, compared to USD 165.2 million in the first nine months of 2008. Gross profit margin remained stable.

Other income amounted to USD 0.4 million compared to USD 9.5 million in the first nine months of 2008. One-time income in 2008 included a USD 8.8 million sales gain, realized through divestment of the Company's wound care product line.

Operational expenses as a ratio to sales decreased by 1.2 percentage points, compared to the same period in 2008. Net of exchange rate effects, operating expenses remained at the same level as ratio to sales.

Profit from operations amounted to USD 34.5 million and 14% as a ratio to sales, compared to USD 45.1 million and 17% of sales in the first nine months of 2008.

Net financial expenses for the first nine months amounted to USD 12.4 million, compared to USD 11.8 million for the first nine months of 2008. Total exchange rate differences in financial expenses were negative by USD 3.5 million in the period and positive by USD 2.3 million in the same period in 2008.

Net profit for the period amounted to USD 17.1 million or 7% of sales, compared to 24.3 million, in the same period of 2008. Excluding one-time income in 2008, net profit remains stable as a percentage of sales.

EBITDA amounted to USD 49.2 million and 20% of sales, compared to USD 63.1 million and 24% of sales, in the first nine months of 2008. EBITDA adjusted for one-time income and expenses in 2009 amounted to USD 50.9 million and 21% of sales, compared to USD 55.8 million and 21% of sales, for the first nine months of 2008. Adjustments for one-time cost in 2009 amounted to USD 1.7 million, including severance payments. Adjustments for one-time income in 2008 included USD 8.8 million, due to divestment of the wound care product line.

Listing on NASDAQ OMX Copenhagen

Össur's shares were listed on NASDAQ OMX Copenhagen on 3 September. The additional listing is believed to make strong strategic sense for the Company and is aimed at facilitating trade and fair pricing of the Company's shares and strengthening the foundation for future growth.

Further information

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Financial Calendar:

Upcoming Events	Location	Date
Piper Jaffray Healthcare Conference	New York, USA	1-2 December 2009
4th quarter results	Investor meeting - Webcast	4 February 2010
Investor meetings / Full Year 2009	Copenhagen / London	Week 7, 2010
2009 Annual General Meeting	Reykjavík, Iceland	23 February 2010

Össur press releases by e-mail

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

About Össur

Össur (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.