



Announcement Össur hf. No. 09/2011
Reykjavik, 28 July 2011

RECORD SALES IN THE SECOND QUARTER

Sales – The second quarter delivered record sales above USD 100 million and 17% sales growth, measured in USD. Sales increased by 10% measured in local currency. All regions and segments contribute to the growth. Total sales amounted to USD 105 million compared to USD 90 million in the second quarter of 2010. Success in bracing and supports in Americas continues while bracing and supports sales in EMEA was weak in the quarter. Overall sales growth of bracing and supports was 16%, measured in local currency. Sales in prosthetics increased by 4% measured in local currency.

Profitability – Consolidation of manufacturing operations impacted profitability in the quarter. EBITDA amounted to USD 20 million or 19% of sales and gross profit amounted to USD 63 million or 60% of sales. Net profit amounted to USD 10 million or 10% of sales.

Jón Sigurðsson, President & CEO, comments:

"The second quarter results are overall good and in line with our guidance for the year. All product segments show decent growth and some markets delivered excellent performance. We continue to gain market share in the bracing and supports segment in Americas, our largest market, and the prosthetics segment in EMEA shows excellent performance across all product segments and regions."

Highlights of the quarter:

- **Stable flow of new products** – Össur's product pipeline has been strong and the healthy flow of new products has been an important contributor to the Company's growth. In the second quarter five new products were launched, two in the bracing and supports segment and three in the prosthetics segment.
- **Consolidation of manufacturing** – One of the most important projects in 2011 is focus on consolidation of manufacturing operations. The new manufacturing facility in Mexico for bracing and supports is progressing well and during 2011 all bracing and supports manufacturing in the US will be moved to the Mexico facility.

Guidance 2011 – Management maintains estimates of local currency organic sales growth for 2011 in the range of 4-6%. Adjusted EBITDA ratio 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 29 July at 12:00 CET/ 10:00 GMT/ 6:00 EDT

Tomorrow, Friday 29 July 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 second 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:

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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		202	176	359	331	347
Gross profit		125	110	223	202	214
Operating expenses ²		93	81	164	154	168
Profit from operations		32	30	60	48	56
Net profit		18	23	35	23	28
EBITDA		38	37	74	67	79
Balance sheet						
Total assets		606	580	607	628	604
Equity		366	312	344	312	250
Net interest-bearing debt (NIBD)		136	131	133	158	234
Cash flow						
Cash generated by operations		30	30	64	86	71
Cash provided by operating activities		18	18	40	69	53
Cash flows from investing activities		(9)	(5)	(19)	(16)	(7)
Cash flows from financing activities		(42)	(25)	(46)	(4)	(31)
Free cash flow		10	15	33	60	46
Key figures						
Sales growth USD	%	14.5	11.3	8.5	(4.7)	4.5
Operating margin	%	15.9	17.1	16.8	14.6	16.0
EBITDA margin	%	18.9	21.2	20.7	20.3	22.9
Equity ratio	%	60.4	53.7	56.6	49.7	41.3
Ratio of net debt to EBITDA ¹		1.8	1.8	1.8	2.4	2.9
Ratio of debt to EBITDA ¹		2.1	2.6	2.5	3.5	3.3
Current ratio		1.8	2.2	1.9	2.3	1.1
Return on equity ¹	%	8.7	11.6	10.2	8.1	11.0
Market						
Market value of equity		713	641	778	529	349
Number of shares		454	454	454	454	423
Price/earnings ratio, (P/E) ¹		24.2	17.8	22.3	23.2	12.3
Diluted EPS ¹	US Cent	6.69	8.15	7.77	5.30	6.73
Diluted Cash EPS ¹	US Cent	9.55	11.71	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

The overall performance was good in the second quarter. Sales growth was 10% and organic growth 5%, both measured in local currency. Sales of bracing and supports were good, growing 16% measured in local currency and 5% organically. Sales of prosthetics were good, growing 4% measured in local currency, all organic. The results of the quarter are in line with the guidance for the year of 4-6% local currency organic sales growth.

Consolidation of manufacturing

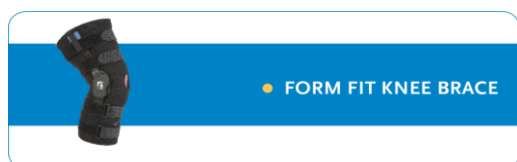
Since September 2010 Össur has been building up a state of the art manufacturing facility in Tijuana, Mexico. This new manufacturing facility offers opportunity to consolidate the manufacturing of bracing and supports to one location, increasing efficiency and shortening lead time. Tijuana is a very convenient location as it is close to the Company's main US offices in Orange County, California.

The manufacturing facility in Mexico is well under way. Manufacturing of spinal products transferred in 2010 continues to be very efficient. No quality problems have been associated with products manufactured in Mexico. At year end 2011 around 160 people are expected to be employed in Mexico.

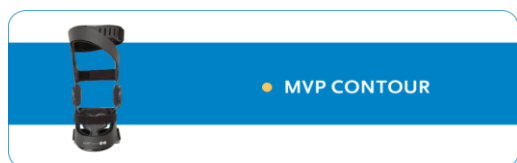
In the second quarter one-time expenses relating to the Mexico facility amounted to USD 1.6 million. In the second half of the year one-time expenses relating to the Mexico facility are expected to be less than USD 0.5 million. Impact from savings, amounting to USD 4 million, is expected to materialize in 2012.

New products in Q2 2011

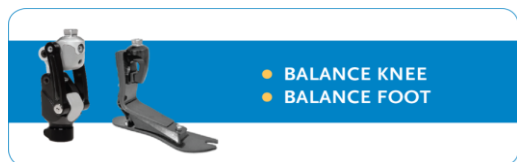
In the second quarter five new products were launched, two bracing and supports products and three in the prosthetics segment.



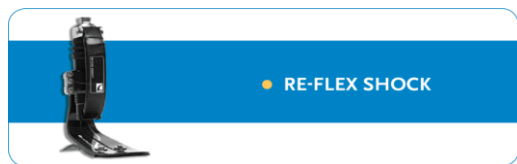
The Form Fit knee brace is used to limit the range of motion of the user. This Form Fit knee brace is one of eight products in this new product line.



The MVP Contour is a high-end moldable aluminum ligament brace, complementing the CTi product offering. The brace can be easily tailored to achieve a customized fit and is suitable for a broad range of patients and activity levels.



The new balance knee and foot are the first two products in a new high-end product line designed for low mobility users seeking stability.



The Re-Flex Shock is designed for high-performance and is ideal for heavy activities and high-impact sports. The Re-Flex Shock is easier to assemble and align than previous high-impact models.

Oscar Pistorius makes history

In July Team Össur member, Oscar Pistorius achieved a personal best time of 45.07 seconds in the 400m distance making him the first amputee in history to achieve an "A" qualification time and therefore bringing him one step closer to compete at the London 2012 Olympic Games. Pistorius now ranks with the 15th fastest time in the world and has qualified to participate in the able-body world Championship in South Korea in August.

Achievements of Team Össur members

Team Össur members continue to show impressive achievements. Sarah Reinertsen made history as the first female above-knee amputee to participate in the Great Wall Marathon and Paul Martin and Scout Bassett were among 11 thousand participants in the Copenhagen marathon.

Income Statements Q2 2011

USD `000	Q2 2011	% of sales	Q2 2010	% of sales	Change
Net sales	105,024	100.0%	90,021	100.0%	16.7%
Cost of goods sold	(41,628)	-39.6%	(34,467)	-38.3%	20.8%
Gross profit	63,396	60.4%	55,554	61.7%	14.1%
Other income	654	0.6%	64	0.1%	921.9%
Sales & marketing expenses	(27,903)	-26.6%	(23,645)	-26.3%	18.0%
Research & development expenses	(5,065)	-4.8%	(4,738)	-5.3%	6.9%
General & administrative expenses	(14,186)	-13.5%	(11,224)	-12.5%	26.4%
Profit from operations	16,896	16.1%	16,011	17.8%	5.5%
Financial income	(30)	0.0%	119	0.1%	-125.2%
Financial expenses	(2,474)	-2.4%	(3,921)	-4.4%	-36.9%
Net exchange rate difference	(382)	-0.4%	5,692	6.3%	-106.7%
Profit before tax	14,070	13.3%	17,901	19.9%	-21.4%
Income tax	(3,762)	-3.6%	(4,308)	-4.8%	-12.7%
Net profit for the period	10,308	9.8%	13,593	15.1%	-24.2%
EBITDA	19,922	19.0%	19,568	21.7%	1.8%
EBITDA adjusted*	21,208	20.2%	20,043	22.3%	5.8%

*Adjusted for one-time items

Sales

Total sales amounted to USD 105,0 million compared to USD 90,0 million in the second quarter of 2010. Performance varied somewhat by markets, however all regions and segments contributed to the sales increase. Exchange rate movements had a positive impact on sales amounting to USD 5,6 million. Total sales growth was 10% and organic sales growth was 5%, both measured in local currency.

Performance in Americas was good, delivering 14% sales growth and 4% organic growth, both measured in local currency. In the bracing and supports segment Össur continues to gain market share and show excellent organic growth, driven by successful product launches and strategic initiatives. Prosthetics sales were slow, however comparison is affected by the fact that the second quarter of 2010 was a record quarter for prosthetics due to impact from the launch of the second generation of the Rheo knee.

EMEA showed overall good growth in the second quarter of 5%, while organic growth was 4%, both measured in local currency. Sales of bracing and supports were good in all main markets except for France. The prosthetics segment showed strong performance across all markets and all major product segments. The compression therapy segment delivered 5% sales growth, measured in local currency.

Asia continues to show excellent performance, increasing sales by 13%, all organic measured in local currency. Growth in Asia is supported by good growth in both bracing and supports and prosthetics.

Sales of bionic products accounted for 15% of the prosthetics sales. Sale of the Proprio foot is increasing gradually in line with expectations and as already announced, two new bionic products are expected to be launched in the second half of the year, the Power Knee and the Integrated Bionic Leg.

Sales by regions

USD `000	Q2 2011	% of sales	Growth USD	Growth LCY	Organic growth LCY
Americas	53,774	51%	15%	14%	4%
EMEA	46,829	45%	18%	5%	4%
Asia	4,421	4%	19%	13%	13%
Total	105,024	100%	17%	10%	5%

Sales by segments

USD '000	Q2 2011	% of sales	Growth USD	Growth LCY	Organic growth LCY
Bracing & supports	54,296	52%	23%	16%	5%
Prosthetics	45,535	43%	10%	4%	4%
Compression therapy	4,749	5%	19%	5%	5%
Other	444	0%			
Total	105,024	100%	17%	10%	5%

Gross profit

Gross profit amounted to USD 63.4 million or 60% of sales compared to USD 55.6 million and 62% of sales in the second quarter of 2010. One-time expenses related to investments in the Mexico facility amounted to USD 1.6 million and have negative effect on the gross profit margin in the quarter. Adjusted for one-time expenses related to Mexico the gross profit margin is 62%.

Operating expenses

Sales and marketing capacity has been further increased with additional investments, expanding sales force in Germany and France.

Research and development as a percentage of sales is slightly up. Amortizations are going down, resulting in increased absolute investment in R&D.

Adjusted for acquisitions and exchange rate effects, General and administrative expenses are flat.

Profit from operations amounted to 16.9 million or 16% of sales compared to 16.0 or 18% of sales in the second quarter of 2010.

Financial items, tax and net profit

Net financial expenses amounted to USD 2.8 million compared to net financial income of USD 1.9 million in the second quarter of 2010. Positive exchange rate movements on financial items in the second quarter of 2010 had significant effect on financial items, amounting to USD 5.7 million.

The refinancing completed in March 2011 has lowered the financing cost of the Company. 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 are materially lower.

In April a new interest rate swap agreement was signed whereas roughly 50% of the interest payments of the new term loan have fixed interest from June 2011.

Income tax was USD 3.8 million, corresponding to a 27% effective tax rate, compared to USD 4.3 million and 24% effective tax rate in the same period in 2010.

Net profit amounted to USD 10.3 million, compared to USD 13.6 million in the second quarter of 2010. Comparison between years is affected by significant positive exchange rate difference on financial items in the second quarter of 2010, amounting to USD 5.7 million.

EBITDA

EBITDA amounted to USD 19.9 million and 19% of sales compared to USD 19.6 million and 22% of sales in the second quarter of 2010.

USD millions	Q2 2011	Q2 2010
One-time income	-0.6	0
One-time cost	1.9	0.4
Net effect	1.3	0.4

Balance Sheets

USD '000	30 June. 2011	31 Dec. 2010	Change
Non-current assets	458,487	441,548	4%
Current assets	147,689	165,530	-11%
Total assets	606,176	607,078	0%
Stockholders' equity	366,254	343,558	7%
Non-current liabilities	156,647	178,145	-12%
Current liabilities	83,275	85,375	-2%
Total equity and liabilities	606,176	607,078	0%
Current ratio	1.8	1.9	
Equity ratio	60%	57%	
Net interest bearing debt / EBITDA LTM	1.8	1.8	
Debt/EBITDA	2.1	2.5	

Össur's balance sheets remain healthy with an equity ratio of 60%. Net debt to EBITDA is 1.8.

Working capital is affected by exchange rate changes and an increase in inventory related to the relocation of manufacturing to Mexico. Accounts receivables are also increasing due to acquisitions and a different collection structure in acquired companies.

Trading of treasury shares

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

On 12 May 2011 Össur's management utilized part of the authorization and acquired four million treasury shares.

Cash Flow

USD '000	Q2 2011	% of sales	Q2 2010	% of sales
Cash generated by operations	17,541	17%	18,875	21%
Net cash provided by operating activities	16,272	15%	10,025	11%

Capital investments in the quarter amounted to USD 4.1 million or 3.9% of sales, compared to USD 1.6 million and 1.8% of sales in the same period in 2010. Due to investments in Mexico during the quarter the Capital investments are slightly above the Company's guidance of 2.5-3.5%. Investments in the second half of the year are expected to be in line with previous quarters. Investments for the full year are expected to be within the guided range.

Income Statements YTD 2011

USD '000	YTD 2011	% of sales	YTD 2010	% of sales	Change
Net sales	202,019	100.0%	176,489	100.0%	14.5%
Cost of goods sold	(77,186)	-38.2%	(66,847)	-37.9%	15.5%
Gross profit	124,833	61.8%	109,642	62.1%	13.9%
Other income	710	0.4%	1,482	0.8%	-52.1%
Sales & marketing expenses	(55,312)	-27.4%	(48,408)	-27.4%	14.3%
Research & development expenses	(9,686)	-4.8%	(9,840)	-5.6%	-1.6%
General & administrative expenses	(28,491)	-14.1%	(22,722)	-12.9%	25.4%
Profit from operations	32,054	15.9%	30,154	17.1%	6.3%
Financial income	66	0.0%	150	0.1%	-56.0%
Financial expenses	(5,941)	-2.9%	(7,713)	-4.4%	-23.0%
Net exchange rate difference	(1,244)	-0.6%	8,455	4.8%	-114.7%
Profit before tax	24,935	12.3%	31,046	17.6%	-19.7%
Income tax	(6,605)	-3.3%	(7,760)	-4.4%	-14.9%
Net profit for the period	18,330	9.1%	23,286	13.2%	-21.3%
EBITDA	38,192	18.9%	37,400	21.2%	2.1%
EBITDA adjusted*	39,958	19.8%	36,629	20.8%	9.1%

Further information:

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Upcoming events	Date	Location
Q2 Road Show meetings	6 September	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

Össur press releases by e-mail

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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.