



Announcement Össur hf. No. 11/2011
Reykjavik, 27 October 2011

STRONG SALES GROWTH

Sales – Sales growth was strong, 12% measured in local currency. Total sales amounted to USD 101 million compared to USD 87 million in the third quarter of 2010. All markets and product segments contribute to the growth. Performance in bracing and supports was excellent, delivering sales growth of 17%, measured in local currency. Sales growth in prosthetics was good, 7% measured in local currency.

Profitability – Össur continues to deliver good profits and compared to the third quarter 2010, net profit has increased by 165%. EBITDA amounted to USD 21 million or 21% of sales and gross profit amounted to USD 64 million or 63% of sales. Net profit amounted to USD 11 million or 11% of sales.

Jón Sigurðsson, President & CEO, comments:

"The sales in the third quarter are excellent and we are pleased with the overall performance. All regions and product segments are growing. Healthy flow of new products fuels the growth and amongst products launched in 2010 and 2011 are strong contributors to this success. During the quarter we introduced yet another bionic product, the SYMBIONIC LEG, which is the first of its kind in the world, combining seamlessly the function of the Rheo Knee and the Proprio Foot offering unprecedented functionality for above knee amputees. This latest addition to our bionic platform confirms our technology leadership in this segment."

Highlights of the quarter:

- **Introduction of the SYMBIONIC LEG** – In September the SYMBIONIC LEG was introduced at the AOPA trade show in the US. SYMBIONIC LEG unites the proven capabilities of RHEO KNEE and PROPRIO FOOT into a single integrated unit offering unprecedented functionality for above knee amputees. This revolutionary product is the first of its kind in the market.
- **Mexico facility** – The Mexico facility in Tijuana was officially opened in September. Össur started to build up the Mexico facility in September 2010 and has since then transferred manufacturing of a number of product lines from the US to Mexico. The facility has state of the art equipment, employees are highly qualified, and manufacturing is based on lean processes.
- **Healthy flow of new products** – During the quarter six new products were launched, four bracing and supports products and two prosthetic products. The pipeline of new products has been very active during the year with a good mix of new products and redesign of existing products.

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

Conference call tomorrow 28 October at 12:00 CET/ 10:00 GMT/ 6:00 EDT

Friday 28 October 2011 Jón Sigurðsson, President and CEO, and Hjörleifur Pálsson, CFO, will host a conference call presenting and discussing the results of the third 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

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Key Financial Figures (USD millions)

		YTD 2011	YTD 2010	2010	2009	2008
Income Statement						
Net sales		303	264	359	331	347
Gross profit		189	164	223	202	214
Operating expenses ²		140	120	164	154	168
Profit from operations		50	46	60	48	56
Net profit		29	27	35	23	28
EBITDA		59	56	74	67	79
Balance sheet						
Total assets		583	605	607	628	604
Equity		364	335	344	312	250
Net interest-bearing debt (NIBD)		123	128	133	158	234
Cash flow						
Cash generated by operations		48	48	64	86	71
Cash provided by operating activities		33	31	40	69	53
Cash flows from investing activities		(13)	(7)	(19)	(16)	(7)
Cash flows from financing activities		(58)	(37)	(46)	(4)	(31)
Free cash flow		21	28	33	60	46
Key figures						
Sales growth USD	%	14.9	8.7	8.5	(4.7)	4.5
Operating margin	%	16.4	17.4	16.8	14.6	16.0
EBITDA margin	%	19.5	21.4	20.7	20.3	22.9
Equity ratio	%	62.4	55.3	56.6	49.7	41.3
Ratio of net debt to EBITDA ¹		1.6	1.7	1.8	2.4	2.9
Ratio of debt to EBITDA ¹		1.8	2.6	2.5	3.5	3.3
Current ratio		1.7	2.3	1.9	2.3	1.1
Return on equity ¹	%	10.3	11.4	10.2	8.1	11.0
Market						
Market value of equity		659	857	778	529	349
Number of shares		454	454	454	454	423
Price/earnings ratio, (P/E) ¹		18.3	24.6	22.3	23.2	12.3
Diluted EPS ¹	US Cent	8.17	7.84	7.77	5.30	6.73
Diluted Cash EPS ¹	US Cent	11.03	11.10	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

Performance in the third quarter was excellent, with all regions and product segments growing. Overall sales growth was 12%, and organic growth was 6% both measured in local currency. Bracing and supports delivered excellent 17% growth and 5% organic growth, both measured in local currency. Sales growth in prosthetics was good, 7% measured in local currency, all organic.

Successful product introduction at the AOPA trade show

In September Össur demonstrated the latest bionic products at the AOPA trade show in Las Vegas, the Power Knee and the SYMBIONIC LEG in addition to the RHEOLOGIC WORKBENCH software. All products are the first of its kind and attracted well deserved attention.

The SYMBIONIC LEG, the latest addition to Össur's bionic platform, unites the proven capabilities of RHEO KNEE and PROPRIO FOOT into a single integrated unit offering unprecedented functionality for above knee amputees. This revolutionary new product is the first of its kind in the market.

Demonstration of the POWER KNEE and unique studies carried out and presented by the US military also created excitement. The case studies, performed at Walter Reed Army Medical Center in Washington DC, investigated the success of fitting new transfemoral amputees with a POWER KNEE as their first prosthesis. The studies showed that the time in rehabilitation was considerably shorter when using POWER KNEE compared to the passive knee joint normally used as an initial prosthesis. In addition, the physiological features of the POWER KNEE and the resemblance to a normal knee joint were highlighted. This study is an important milestone for Össur and helps to prove the benefits of the product.

Official opening of the Mexico facility

The Mexico facility officially opened in September. Össur started to build up the manufacturing unit last year and has already transferred manufacturing of a number of product lines from the US to Mexico. The transfer has been efficient and the manufacturing quality excellent. The focus in Mexico will primarily be on manufacturing of bracing and supports products. In the first half of this year manufacturing of spinal products was transferred to Mexico and in the second half manufacturing of knee braces such as Unloader One and CTi will be transferred to Mexico. By the end of the year, all bracing and supports products currently manufactured in the US will have been 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 as already communicated.

Össur supports arthritis research UK

In September Össur hf. and Arthritis Research UK announced that Össur will be providing research funding to support the establishment of a new experimental osteoarthritis (OA) treatment centre (EOTC) in the UK. Osteoarthritis is the most common form of joint disease, affecting over 8 million people in the UK.

New Products

During the quarter six new products were launched, four bracing and supports products and two prosthetic products. The active product pipeline during 2010 and 2011 has been an important contributor to the growth in both bracing and supports and prosthetics.

BRACING AND SUPPORTS

Unloader One Plus is a new brace specially designed for the larger sized patient population. This large part of the OA market has been underserved.

Hiptric V2 is a redesigned postoperative brace offering better fit and comfort.

Rebound Knee Brace is a new ligament brace that further enhances the rebound product range. The brace provides support for mild to moderate strains, sprains and ligament instabilities.

Form fit Foot Up is an extension of the Form fit product range.

PROSTHETICS

LP Rotate is a new version of the Reflex Rotate, specially designed for users with long residual limbs. The foot offers rotation and shock absorption.

Rheologic workbench is a new software designed to facilitate optimal clinical outcome, providing data which can help prove clinical benefits.



Income Statement

Income Statements (USD '000)	Q3 2011	% of sales	Q3 2010	% of sales	Change
Net sales	101,315	100.0%	87,437	100.0%	15.9%
Cost of goods sold	(37,596)	-37.1%	(32,991)	-37.7%	14.0%
Gross profit	63,719	62.9%	54,446	62.3%	17.0%
Other income	190	0.2%	130	0.1%	46.2%
Sales & marketing expenses	(27,197)	-26.8%	(22,980)	-26.3%	18.4%
Research & development expenses	(4,811)	-4.7%	(4,743)	-5.4%	1.4%
General & administrative expenses	(14,302)	-14.1%	(11,122)	-12.7%	28.6%
Profit from operations	17,599	17.4%	15,731	18.0%	11.9%
Financial income	108	0.1%	130	0.1%	-16.9%
Financial expenses	(2,634)	-2.6%	(4,020)	-4.6%	-34.5%
Net exchange rate difference	(417)	-0.4%	(6,514)	-7.4%	-93.6%
Profit before tax	14,656	14.5%	5,327	6.1%	175.1%
Income tax	(4,010)	-4.0%	(1,312)	-1.5%	205.6%
Net profit for the period	10,646	10.5%	4,015	4.6%	165.2%
EBITDA	21,061	20.8%	19,082	21.8%	10.4%
EBITDA adjusted*	21,650	21.4%	19,695	22.5%	9.9%

*Adjusted for one-time items

Sales

Total sales amounted to USD 101.3 million compared to USD 87.4 million in the third quarter of 2010. Sales performance in the quarter was excellent and all major markets and product segments contributed to the growth. Exchange rate movements had a positive impact on sales amounting to USD 3.7 million. Total sales growth was 12%, and organic growth was 6%, both measured in local currency.

Americas showed good sales performance, 16% growth and 4% organic growth, both measured in local currency. The bracing and supports segment continues to show excellent performance, supported by new products and investments in sales channel access during the past year. Prosthetics sales were slow as in the previous quarter and are affected by new entrants in the bionics segment and overall slow sales in conventional products. However, management is confident that Össur is well positioned in this segment with its strong product offering.

EMEA delivered excellent results in the third quarter, 7% growth and 8% organic growth, both measured in local currency. Sales in bracing and supports and prosthetics are supported by new products and in the prosthetics segment conventional products are driving growth. Overall the prosthetics segment in EMEA is showing outstanding performance. Divestment of the UK workshops earlier this year, had negative effect on overall sales growth by 1%. The compression therapy segment delivered excellent 15% growth, supported by new products.

Asia had an unusually slow quarter, delivering 4% growth, measured in local currency and all organic. As the majority of sales in Asia is through distributors, order pattern is affecting growth.

Sales of bionic products accounted for 13% of the prosthetics sales in the quarter. PROPRIO FOOT and POWER KNEE are performing well and in line with expectations while sales of the RHEO KNEE are affected by increased competition. Important additions to the bionic platform are being launched and introduced during the fourth quarter of 2011, POWER KNEE in commercial launch and SYMBIONIC LEG in limited launch.

Organic sales growth in the fourth quarter is expected to be in the lower range of the guidance for the year.

Sales by region

USD `000	Q3 2011	% of sales	Growth USD	Growth LCY	Organic growth LCY
Americas	55,685	55%	17%	16%	4%
EMEA	40,714	40%	16%	7%	8%
Asia	4,916	5%	7%	4%	4%
Total	101,315	100%	16%	12%	6%

Sales by segments

USD `000	Q3 2011	% of sales	Growth USD	Growth LCY	Organic growth LCY
Bracing & supports	52,390	52%	21%	17%	5%
Prosthetics	44,704	44%	11%	7%	7%
Compression therapy	4,159	4%	20%	15%	15%
Other	62	0%			
Total	101,315	100%	16%	12%	6%

Gross profit

Gross profit amounted to USD 63.7 million or 63% of sales compared to USD 54.4 and 62% of sales in the third quarter of 2010. Good efficiency in the prosthetics manufacturing had positive effects on the margin.

In the third quarter one-time expenses relating to the Mexico facility amounted to USD 0.4 million, which is in line with previous communication. However, as the Mexico manufacturing is progressing faster than expected, additional one-time expenses in the range of USD 0.5 million are expected in the fourth quarter. Mexico facility savings, amounting to USD 4 million, are expected to materialize in 2012.

Operating expenses

Increased sales and marketing activities in France, Germany and the US are the main drivers for increased S&M expenses. When adjusted for acquisitions and exchange rate effects, research and development and general and administrative expenses are growing in line with organic sales growth.

Profit from operations amounted to USD 17.6 million or 17% of sales compared to USD 15.7 million or 18% of sales in the third quarter of 2010.

Financial items, tax and net profit

Net financial expenses amounted to USD 2.6 million compared to USD 4.0 million in the same period 2010.

Exchange rate movements on financial items were significant in the third quarter of 2010, or negative by USD 6.5 million compared to USD 0.4 million negative, in the third quarter of 2011.

The Company's financing that was implemented in Q1 2011, 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 than with the previous financing structure.

Income tax was USD 4.0 million, corresponding to a 27% effective tax rate, compared to USD 1.3 million and 25% effective tax rate in the third quarter 2010.

Net profit amounted to USD 10.6 million compared to USD 4.0 million in the same period 2010. Comparison is affected by significant negative exchange rate effects on financial items in the period 2010.

EBITDA

The EBITDA margin continues to be good, supported by strong gross profit and investments in the sales force. EBITDA amounted to USD 21.1 million and 21% of sales compared to USD 19.1 million and 22% of sales in the third quarter of 2010. EBITDA adjusted amounted to USD 21.7 million and 21% of sales compared to 19.7 million and 23% of sales in the same period 2010. Adjustments in the period in 2010 and 2011 are due to the Mexico facility and severance payments.

Balance Sheets

USD '000	30 Sept . 2011	31 Dec. 2010	Change
Non-current assets	446,510	441,548	1%
Current assets	136,950	165,530	-17%
Total assets	583,460	607,078	-4%
Stockholders' equity	364,139	343,558	6%
Non-current liabilities	136,910	178,145	-23%
Current liabilities	82,411	85,375	-3%
Total equity and liabilities	583,460	607,078	-4%
Current ratio	1.7	1.9	
Equity ratio	62%	57%	
Net interest bearing debt / EBITDA LTM	1.6	1.8	
Debt/EBITDA	1.8	2.5	

Össur's balance sheet is strong with an equity ratio of 62%. Net debt to EBITDA is 1.6.

Cash Flow

USD '000	Q3 2011	% of sales	Q3 2010	% of sales
Cash generated by operations	18,121	18%	17,421	20%
Net cash provided by operating activities	14,800	15%	12,541	14%

Capital investments in the quarter amounted to USD 4.6 million or 4.6% of sales, compared to USD 1.8 million and 2.0% of sales in the same period in 2010. The increase in investments in the quarter is due to investments in Mexico as well as investments in the manufacturing in Iceland. Capital investments in the quarter are above the Company's guidance of 2.5-3.5%. Capital investments for the full year are expected to be slightly above the guided range.

Capital Markets Day 30 November in Copenhagen

Össur's Capital Markets Day will be held in Copenhagen on 30 November. The agenda will be from 8:30-12:00. Special guest will be Oscar Pistorius, who will share with the audience his story and give insight into his fight to be able to compete against able bodied athletes. Further information on the agenda can be found on Össur's website: www.ossur.com/investors

Income Statements YTD 2011

USD '000	YTD 2011	% of sales	YTD 2010	% of sales	Change
Net sales	303,334	100.0%	263,926	100.0%	14.9%
Cost of goods sold	(114,782)	-37.8%	(99,838)	-37.8%	15.0%
Gross profit	188,552	62.2%	164,088	62.2%	14.9%
Other income	900	0.3%	1,612	0.6%	-44.2%
Sales & marketing expenses	(82,509)	-27.2%	(71,388)	-27.0%	15.6%
Research & development expenses	(14,497)	-4.8%	(14,583)	-5.5%	-0.6%
General & administrative expenses	(42,793)	-14.1%	(33,844)	-12.8%	26.4%
Profit from operations	49,653	16.4%	45,885	17.4%	8.2%
Financial income	174	0.1%	280	0.1%	-37.9%
Financial expenses	(8,575)	-2.8%	(11,733)	-4.4%	-26.9%
Net exchange rate difference	(1,661)	-0.5%	1,941	0.7%	-185.6%
Profit before tax	39,591	13.1%	36,373	13.8%	8.8%
Income tax	(10,615)	-3.5%	(9,072)	-3.4%	17.0%
Net profit for the period	28,976	9.6%	27,301	10.3%	6.1%
EBITDA	59,253	19.5%	56,482	21.4%	4.9%
EBITDA adjusted*	61,606	20.3%	56,325	21.3%	9.4%

*Adjusted for one-time items

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Upcoming events	Date	Location
Q3 Meetings	31 October	Copenhagen
Össur Capital Markets Day	30 November	Copenhagen
Q4 Results	8 February 2012	Copenhagen
2012 Annual General Meeting	16 March 2012	Reykjavík, Iceland

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 (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.