

Announcement Össur hf. No. 22/2012
Reykjavík, 25 July 2012

MODERATE SALES GROWTH

Sales – Sales growth was moderate, 3% measured in local currency. Total sales amounted to USD 103 million compared to USD 105 million in the second quarter of 2011. Sales growth for bracing and supports was moderate or 4%, measured in local currency. Sales growth in prosthetics was flat or 1%, measured in local currency.

Profitability – Net profit amounted to USD 10 million or 10% of sales. EBITDA amounted to USD 19 million or 19% of sales and gross profit amounted to USD 64 million or 62% of sales.

Jón Sigurðsson, President & CEO, comments:

"We are pleased to announce that the SYMBIONIC LEG, introduced last year is now available in all main markets. The introduction has been successful and feedback from users very positive. Sales growth in the second quarter was moderate. Overall performance is affected by weak prosthetics sales in Americas. Conservative sentiment in the US prosthetics market, due to audits from the reimbursement systems, continues to affect customer behavior. Performance in other major markets is however good, especially for prosthetics in EMEA and in Asia where we had excellent growth in the quarter."

Full commercial launch of SYMBIONIC LEG – The SYMBIONIC LEG, the latest addition to Össur's Bionic Platform, is now available in all main markets. The 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 new product is the first of its kind in the world.

Oscar Pistorius selected for the South African national athletics team – The South African sprinter Oscar Pistorius is the first amputee sprinter to be selected to compete among able-bodied athletes on the world stage. Often called "Blade Runner", Oscar competes on Össur's Flex-Foot Cheetah prosthetic legs and has been selected to compete in the individual men's 400m and 4x400m relay on behalf of Team South Africa.

Global Marketing – To increase Össur's competitive edge in a changing market more focus will be on effectively communicating the outcomes of Össur's solutions. To facilitate this and further add value to Össur's customer experience a global marketing division has been established that will function across divisions and geographical locations.

Guidance 2012 – The guidance for the full year of 2012 is organic LCY sales growth in the range of 4-6% and adjusted EBITDA margin in the range of 20-21% of sales. However, due to current negative sentiment in the Americas prosthetic market and slowdown in prosthetics sales in the region, management expects the results of 2012 to be in the lower end of the guided range, both in terms of sales and EBITDA.

Conference call tomorrow 26 July at 12:00 CET/ 10:00 GMT/ 6:00 EST

Tomorrow, Thursday 26 July Jón Sigurðsson, President and CEO, and Hjörleifur Pálsson, CFO, will host a conference call presenting and discussing the results of the second quarter of 2012. 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:

Europe: +44 (0)20 3043 2436 or +46 (0)8 505 598 53

The United States: +1 866 458 40 87

Iceland: 800 8660

Key Financial Figures (USD millions)

		Q2 2012	Q2 2011	2011	2010	2009
Income Statements						
Net sales		103	105	401	359	331
Gross profit		64	63	249	223	202
Operating expenses (excl. Other income)		47	47	189	164	154
Profit from operations		16	17	62	60	48
Net profit		10	10	37	35	23
EBITDA		19	20	76	74	67
Balance sheets						
Total assets		593	606	582	607	628
Equity		384	366	367	344	312
Net interest-bearing debt (NIBD)		106	136	111	133	158
Cash flow						
Cash generated by operations		19	18	68	64	86
Cash provided by operating activities		17	16	48	40	69
Cash flows from investing activities		(5)	(6)	(19)	(19)	(16)
Cash flows from financing activities		(10)	(10)	(65)	(46)	(4)
Free cash flow		13	12	32	33	60
Sales Growth						
Sales growth USD	%	(2)	17	12	9	(5)
Organic growth in LCY	%	2	5	5	6	(1)
Currency effect	%	(5)	7	3	(1)	(4)
Acquired/divested business	%	1	5	5	4	0
Key figures						
Operating margin	%	16	16	16	17	15
EBITDA margin	%	19	19	19	21	20
Equity ratio	%	65	60	63	57	50
Ratio of net debt to EBITDA ¹		1.4	1.8	1.5	1.8	2.4
Ratio of debt to EBITDA ¹		1.7	2.1	1.7	2.5	3.5
Current ratio		1.8	1.8	1.8	1.9	2.3
Return on equity ¹	%	10	9	10	10	8
Market						
Market value of equity		626	713	676	778	529
Number of shares (millions)		454	454	454	454	454
Price/earnings ratio, (P/E) ¹		16.9	24.2	19.2	22.3	23.2
Diluted EPS ¹	US Cent	8.48	6.69	8.11	7.77	5.30
Diluted Cash EPS ¹	US Cent	11.46	9.55	11.03	10.87	9.66

Notes

1. Financial ratios for Q2 2012 and Q2 2011 are based on operations for the preceding 12 months.

HIGHLIGHTS

Products

In the second quarter Össur launched three products; two bracing and supports product updates and the full commercial launch of SYMBIONIC LEG in all major markets.

The SYMBIONIC LEG has been well received and feedback from users has been positive, such as less mental fatigue and that it feels like a natural leg. In addition users experience less back pain and higher activity level. The SYMBIONIC LEG was featured in the May issue of Popular Mechanics.

Sales of the SYMBIONIC LEG during the launch phase have been good. Sales of other bionic products have been good in EMEA but on the decline in Americas. Sales of bionic products accounted for 13% of the prosthetics sales in the quarter.

During the quarter, POWER KNEE was accepted into the reimbursement system in the US, effective as of January 2013. The allocation of the reimbursement code is a very important milestone and confirms the acceptance of bionic products as the next generation of prosthetics. The reimbursement price has not yet been determined. The allocation of the code is not expected to have any material impact on sales of the POWER KNEE in 2012.

Current market trends

Developments in the market environment differ between segments and geography.

The prosthetics market in EMEA has been healthy, with good growth in all markets, whereas the prosthetics market in the US has been turbulent. The US prosthetics market has been affected by a tougher reimbursement environment, resulting in a more conservative customer behavior. Additionally, competition in bionics has increased as new products offering lower functionality and less benefit for the user are available on the market at a lower price.

The market environment in the bracing and supports market is generally positive. The US market environment is healthy and growth in EMEA is generally good, except for France and some Southern-European markets. The bracing and supports market in France was slow in the quarter due to a temporary change in customer behavior. The slowdown in France is mainly due to more official holidays in May compared to last year affecting productivity as well as due to uncertainty during the presidential elections. Official data on market developments in France confirm the slowdown during this period. This slowdown in the French market is expected to be temporary and not to extend to the rest of the year.

Medical office conference

In June Össur Medical Office hosted its first scientific conference in Iceland. The Conference was well attended with over 80 participants from Europe, mainly rehabilitation doctors and prosthetists. The topic of the conference was pre- and post operation and early rehabilitation for lower limb amputees, introducing new methods to improve the rehabilitation phase following an amputation. The plan is to have yearly conferences for the relevant healthcare professionals in the industry, strengthening the relationship to this stakeholder group.

Global process development

Össur has started a new Global Process Development project. The overall goal of the project is to increase efficiency with standardized processes, bringing value to customers and increased profitability. The progress of the project has been good and already some important milestones have been reached. Financial benefits of the project are expected to materialize over the next three years.

INCOME STATEMENTS

(USD '000)	Q2 2012	% of sales	Q2 2011	% of sales	Change
Net sales	102,708	100.0%	105,024	100.0%	-2.2%
Cost of goods sold	(38,804)	-37.8%	(41,628)	-39.6%	-6.8%
Gross profit	63,904	62.2%	63,396	60.4%	0.8%
Other income	(106)	-0.1%	654	0.6%	-116.2%
Sales & marketing expenses	(30,186)	-29.4%	(30,075)	-28.6%	0.4%
Research & development expenses	(5,427)	-5.3%	(5,065)	-4.8%	7.1%
General & administrative expenses	(11,855)	-11.5%	(12,014)	-11.4%	-1.3%
Profit from operations	16,330	15.9%	16,896	16.1%	-3.3%
Financial income	28	0.0%	30	0.0%	-6.7%
Financial expenses	(1,807)	-1.8%	(2,474)	-2.4%	-27.0%
Net exchange rate difference	(1,228)	-1.2%	(382)	-0.4%	221.5%
Profit before tax	13,323	13.0%	14,070	13.4%	-5.3%
Income tax	(3,320)	-3.2%	(3,762)	-3.6%	-11.7%
Net profit for the period	10,003	9.7%	10,308	9.8%	-3.0%
EBITDA	19,493	19.0%	19,922	19.0%	-2.2%
EBITDA adjusted*	19,493	19.0%	21,208	20.2%	-8.1%

*Adjusted for one-time items

Sales

Total sales amounted to USD 103 million compared to USD 105 million in the same period in 2011. Sales growth was moderate in the quarter. Total sales growth was 3% and organic growth was 2%, both measured in local currency. Overall sales growth is affected by flat prosthetics sales.

Growth in Americas was flat measured in local currency, whereas local currency organic sales declined by 2%. Sales of bracing and supports were good. Sales of prosthetics declined in the quarter. As mentioned above, the US prosthetics market is affected by a tougher reimbursement environment and increased competition in bionics, affecting the performance. Despite this turbulence the prosthetics market in Americas remains attractive for Össur. The Company will maintain its strategic priorities and continue to invest in evidence based product development as well as enhancing sales force effectiveness and increase focus on clinical and functional outcomes.

EMEA delivered moderate growth in the quarter or 2% and 3% organic, both measured in local currency. Overall the prosthetics segment in EMEA is showing strong performance supported by good sales growth in all product groups and strong growth in Germany. Sales of bracing and supports were flat. Affecting the overall sales growth in bracing and supports was slow sales in France, which was affected by general market slowdown in this period. Össur's marketing program in France to reach out to prescribers is still ongoing but does not have any visible impact on sales in the quarter. Bracing and supports sales in other main markets in EMEA were good.

Compression therapy delivered a very strong 8% growth, showing consistent positive performance.

Asia delivered excellent 32% organic growth, measured in local currency. Sales in Japan were very strong both in bracing and supports and prosthetics. Opening of Össur Korea has been successful, showing good growth in the quarter.

Sales by region

USD '000	Q2 2012	% of sales	Growth USD	Growth LCY	Organic growth LCY
Americas	53,700	52%	0%	0%	-2%
EMEA	43,238	42%	-8%	2%	3%
Asia	5,770	6%	30%	32%	32%
Total	102,708	100%	-2%	3%	2%

Sales by segments

USD '000	Q2 2012	% of sales	Growth USD	Growth LCY	Organic growth LCY
Bracing & supports	54,342	53%	0%	4%	5%
Prosthetics	43,611	43%	-4%	1%	-1%
Compression therapy	4,569	4%	-4%	8%	8%
Other	186	0%			
Total	102,708	100%	-2%	3%	2%

Gross profit

Gross profit amounted to USD 63.9 million or 62% of sales compared to USD 63.4 million and 60% in the second quarter of 2011. Prosthetics sales generally have higher margins than bracing and supports sales. This quarter bracing and supports grew while prosthetics declined, which had negative effects on the gross profit margin. However, Mexico is already contributing positively, resulting in a stable margin.

Savings from Mexico for the full year is expected to amount USD 4 million, as previously communicated.

Operating expenses

Operating expenses as a ratio to sales are at a similar level as in the second quarter of 2011.

Profit from operations amounted to USD 16.3 million or 16% of sales compared to USD 16.9 million or 16% of sales in the same period in 2011.

Financial items, tax and net profit

Net financial income/expenses amounted to USD 3.0 million compared to USD 2.8 million in 2011. The increase is due to exchange rate differences. Net interest expenses decreased by USD 0.7 million between years.

Income tax was USD 3.3 million, corresponding to a 25% effective tax rate, compared to USD 3.8 million and 27% effective tax rate in the same period in 2011. The lower tax rate is due to slow sales in the US as tax rate in other regions are generally lower than in the US.

Net profit amounted to USD 10.0 million compared to USD 10.3 million in the second quarter of 2011.

EBITDA

The EBITDA ratio was 19%, the same ratio as in the second quarter of 2011. Slow prosthetics sales has negative effect on the EBITDA as well as investment in Össur's sales initiative in France as it has not yet returned increased sales. However, Mexico is contributing positively contribution. The EBITDA in the second quarter of 2011 was affected by one-time expenses.

BALANCE SHEETS

USD '000	31 March 2012	31 Dec. 2011	Change
Non-current assets	445,606	437,427	2%
Current assets	147,765	144,564	2%
Total assets	593,371	581,991	2%
Stockholders' equity	383,620	366,756	5%
Non-current liabilities	129,529	132,832	-2%
Current liabilities	80,222	82,403	-3%
Total equity and liabilities	593,371	581,991	2%
Current ratio	1.8	1.8	
Equity ratio	65%	63%	
Net interest bearing debt / EBITDA LTM	1.4	1.5	
Debt/EBITDA	1.7	1.7	

CASH FLOW

USD '000	Q2 2012	% of sales	Q2 2011	% of sales
Cash generated by operations	19,181	19%	17,541	17%
Net cash provided by operating activities	16,579	16%	16,272	15%

Capital investments amounted to USD 3.3 million or 3.3% of sales, compared to USD 4.1 million and 3.9% of sales in the second quarter of 2011.

VOLUNTARY PUBLIC OFFER FOR SHARES IN ÖSSUR HF

In May William Demant Invest A/S presented a voluntary public offer for shares in Össur. According to an announcement from William Demant Invest (WDI) the offer is made for technical reasons because WDI seeks to have flexibility as a controlling shareholder in Össur. WDI has no intention of taking over the Company, and Össur's shareholders will not be encouraged or forced to sell their shares. The offer will not have any impact on Össur's operations and activities, and WDI has no intention of delisting Össur. The offer is for DKK 8.2 per Össur share and is valid between 9 July 2012 and 16.00 CET 7 August 2012.

Income Statements YTD 2012

USD '000	YTD 2012	% of sales	YTD 2011	% of sales	Change
Net sales	202,525	100.0%	202,019	100.0%	0.3%
Cost of goods sold	(76,587)	-37.8%	(77,186)	-38.2%	-0.8%
Gross profit	125,938	62.2%	124,833	61.8%	0.9%
Other income	(215)	-0.1%	710	0.4%	-130.3%
Sales & marketing expenses	(60,317)	-29.8%	(59,496)	-29.5%	1.4%
Research & development expenses	(10,703)	-5.3%	(9,686)	-4.8%	10.5%
General & administrative expenses	(23,722)	-11.7%	(24,307)	-12.0%	-2.4%
Profit from operations	30,981	15.3%	32,054	15.9%	-3.3%
Financial income	79	0.0%	66	0.0%	19.7%
Financial expenses	(3,712)	-1.8%	(5,941)	-2.9%	-37.5%
Net exchange rate difference	(672)	-0.3%	(1,244)	-0.6%	-46.0%
Profit before tax	26,676	13.2%	24,935	12.3%	7.0%
Income tax	(6,871)	-3.4%	(6,605)	-3.3%	4.0%
Net profit for the period	19,805	9.8%	18,330	9.1%	8.0%
EBITDA	37,330	18.4%	38,192	18.9%	-2.3%
EBITDA adjusted*	37,330	18.4%	39,958	19.8%	-6.6%

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Upcoming events	Date
Q2 meetings in Denmark	6 September 2012
Q3 2012 Results	23 October 2012
Capital Markets Day	28 November 2012
Q4 2012 Results	6 February 2013
2013 Annual General Meeting	15 March 2013

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.