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# Ossur – Q3 2006 Overview

Jón Sigurðsson, President & CEO

# Highlights Q3 2006



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- Sales up by 41% from Q3 2005:
  - Americas: record growth in prosthetics, flat in bracing & support
  - Europe: challenges
- Organic sales growth 5%
- Pro forma sales growth 4%
- EBITDA 19.3%
- Restructuring and integration on track
- Bionic product launches
- Ossur's first Capital Market Day
- First international analyst coverage
  - ABG Sundal Collier coverage

# Technical innovation leadership



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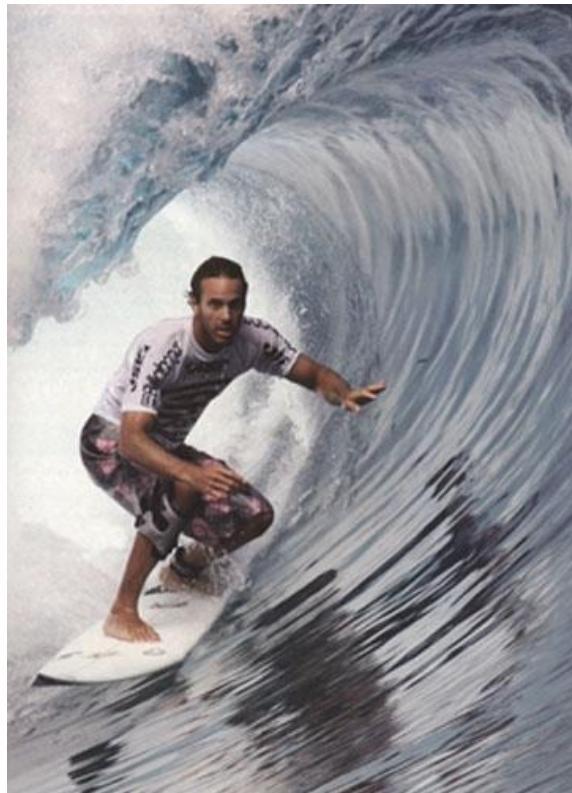


- Bionic products formally launched in September:
  - Power Knee
  - Proprio foot
- Proprio Featured in NY Times
  - Impressive recognition
- Unloader One osteoarthritis knee brace exceeding expectations
  - New product variations in the pipeline

# Integration and restructuring on track in North America



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- Restructuring of distribution channels in progress
- Operations in Bothell, Washington closed down in September
- Custom knee brace manufacturing in the US consolidated in Foothill Ranch, California
- Outsourcing manufacturing of off-the-shelf bracing and support products from North America to Asia in progress
- Consolidation of back office functions completed
- Number of Ossur employees in North America reduced by approximately 100

# Integration and restructuring on track in Europe



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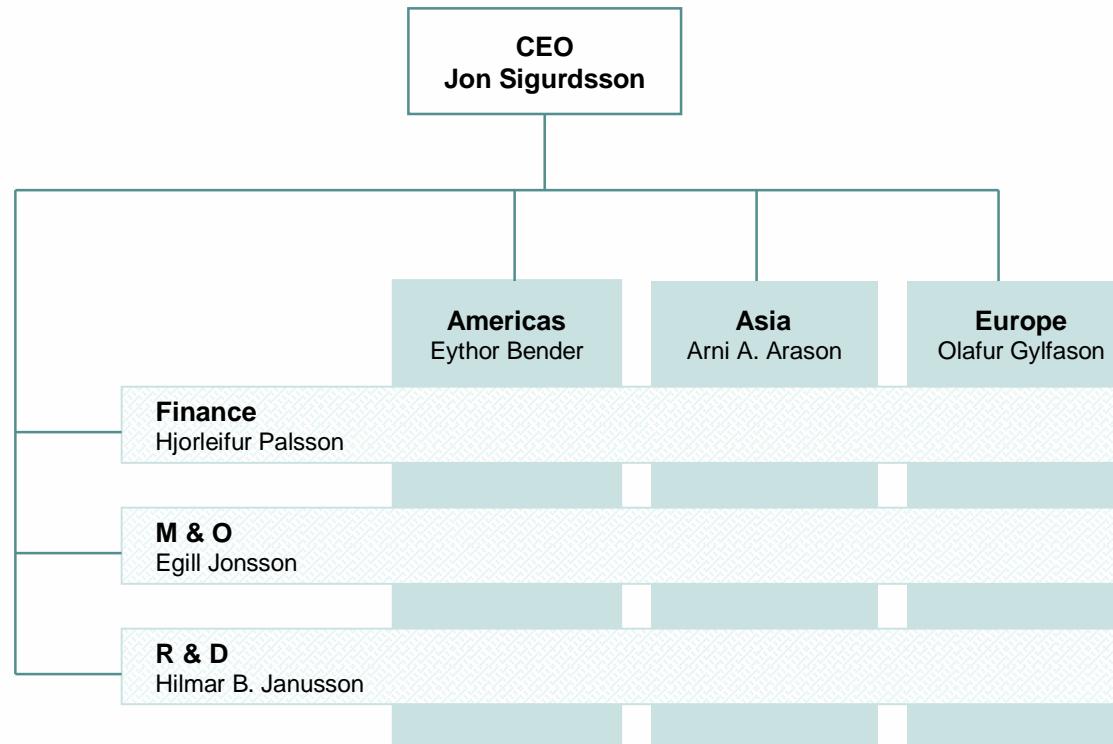


- Integration in UK completed:
  - Headquarters moved from Blackburn to Manchester in September
  - Distribution center closed down in September, centralized distribution in Eindhoven
  - Ossur ERP system live in September
  - Centralization of back office functions completed
  - Number of employees reduced by approximately 10 as of now
- Restructuring of distribution channels in progress
- Product rationalization in progress

# Organizational changes at Ossur



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# Vision 2010 and strategy

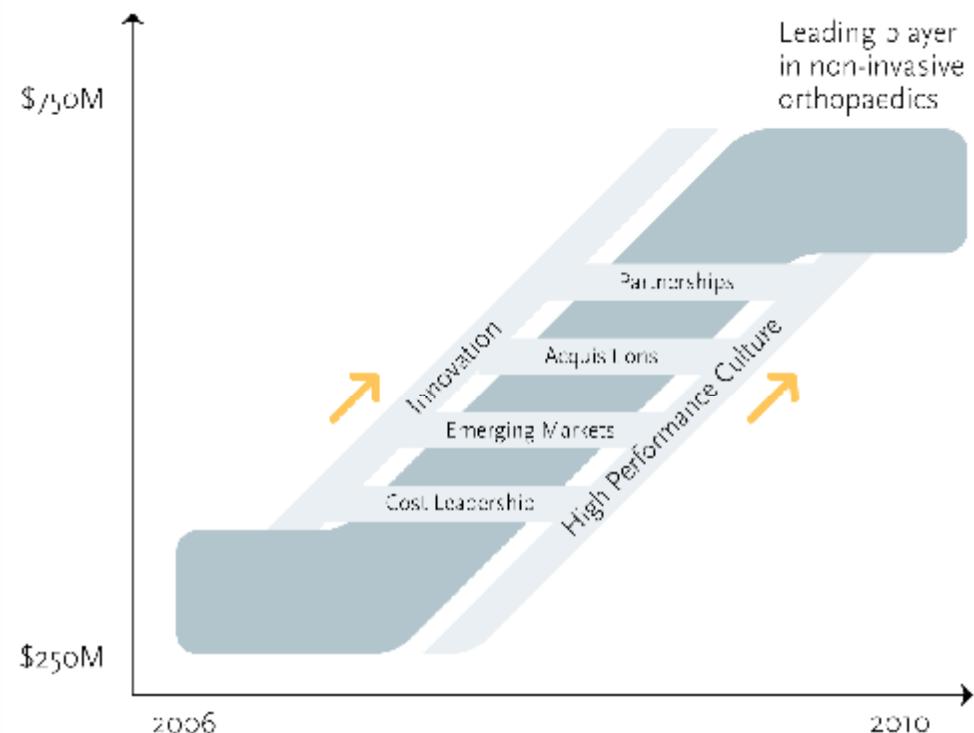


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***Becoming a leading player in non-invasive orthopaedics with \$750 million in sales and a 23% EBITDA margin***

## Strategy:

- Technical innovation leadership
- Sales and operational cost leadership
- Increase focus on emerging markets
- Consolidate through acquisitions
- Add value through partnerships  
...supported by a high performance culture.





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# Ossur – Q3 2006 Financials

Hjörleifur Pálsson, CFO

# Financial highlights Q3 2006



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- Total sales 62.8 million USD up 41%
- Organic sales growth 5%
- Pro forma sales growth 4%
- EBITDA 19.3%
- Cash EPS diluted 2.72 US cents up 24%\*

\* Excluding unusual revenues, inventory step up and one-time restructuring expenses in 2005 related to recent acquisitions.

# Financial highlights Q3 2006



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USD '000	Q3 2006	Q3 2005	% Change
Net sales	62,755	44,567	40.8%
Gross profit	37,809	24,960	51.5%
Profit from operations	7,061	1,686	318.8%
Net profit	5,377	812	562.2%
EBITDA	12,138	4,610	163.3%
EPS diluted (US Cents)	1.40	0.26	445.2%
Cash EPS diluted (US Cents)	2.72	1.18	130.5%
Cash generated by operations	5,559	7,078	-21.5%

# Financial highlights Q3 2006

Excluding restructuring costs and inventory step-up in Q3 2005 and amortization of intangible assets related to recent acquisitions



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USD '000	Q3 2006	Q3 2005	% Change
Net sales	62,755	44,567	40.8%
Gross profit	37,809	27,582	37.1%
Profit from operations	10,136	8,823	14.9%
Net profit	7,250	4,825	50.3%
EBITDA	12,138	10,347	17.3%
Cash EPS diluted (US Cents)	2.72	2.18	24.5%

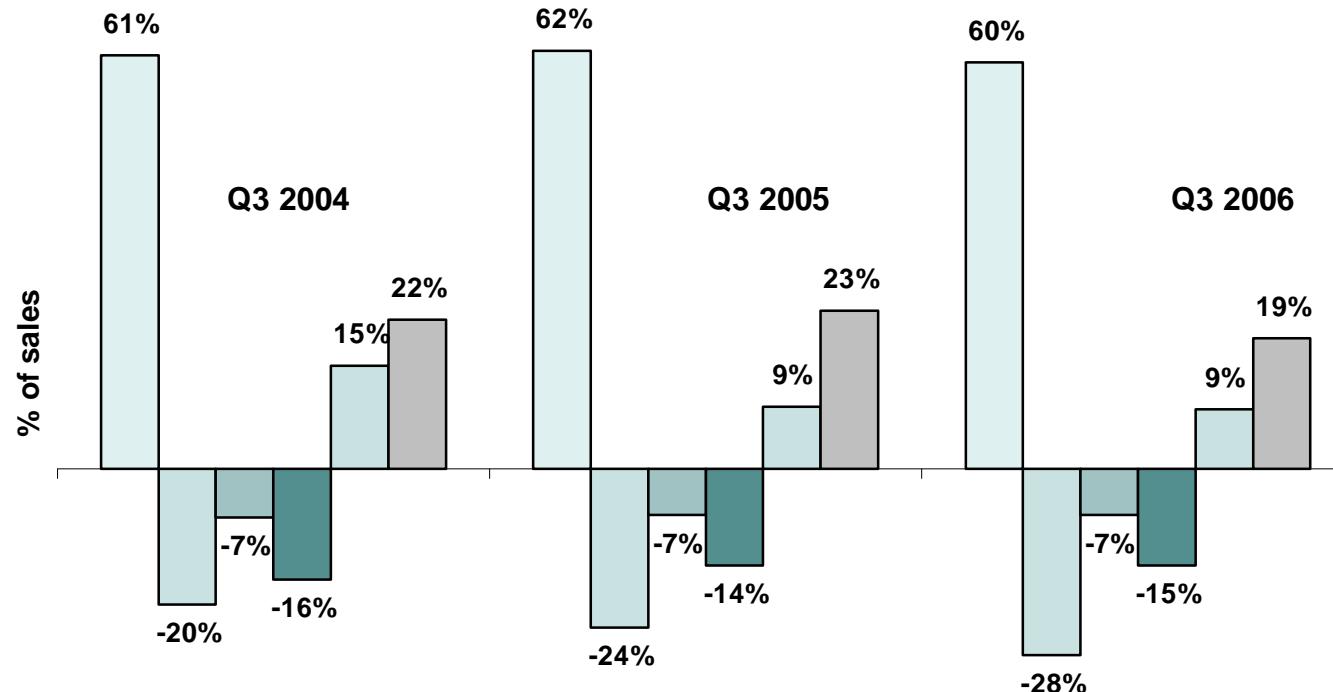
# Key ratios Q3 2004-2006 and impact of amortization

Excluding one-time restructuring expenses and revenue in Q3 2005



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□ Gross profit □ S&M □ R&D □ G&A □ Net profit □ EBITDA



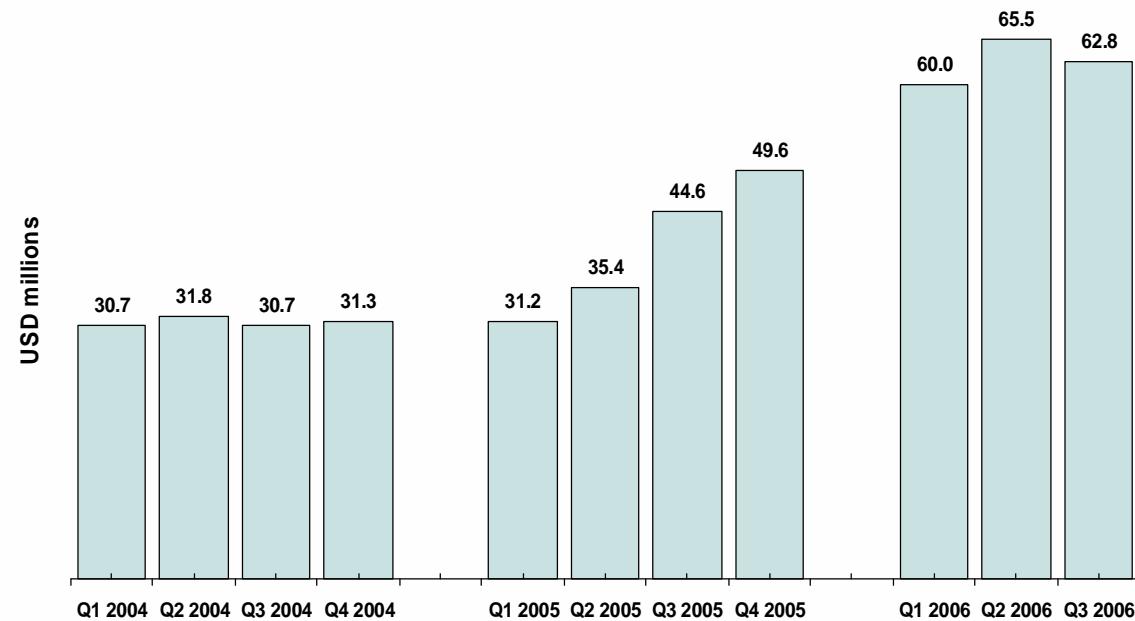
	% of sales Q3 2006	% of sales Q3 2005	Impact of amort.* Q3 2006	Impact of amort.* Q3 2005	% of sales excl. amort. Q3 2006	% of sales excl. amort. Q3 2005
S&M	-27.9%	-23.8%	-2.7%	-1.9%	-25.2%	-21.8%
R&D	-6.8%	-7.1%	-1.7%	-1.0%	-5.0%	-6.0%
G&A	-14.5%	-14.4%	-0.4%	-0.2%	-14.1%	-14.2%
Profit from operations	11.3%	16.7%	-4.9%	-3.1%	16.2%	19.8%
<b>Net profit</b>	<b>8.6%</b>	<b>8.9%</b>	<b>-3.0%</b>	<b>-1.9%</b>	<b>11.6%</b>	<b>10.8%</b>

\* Amortization of intangible assets related to the acquisition of Royce Medical, IMP and Innovation Sports, USD 3.1 million in Q3 2006 and USD 0.8 million in Q3 2005

# Net sales by quarter 2003-2006



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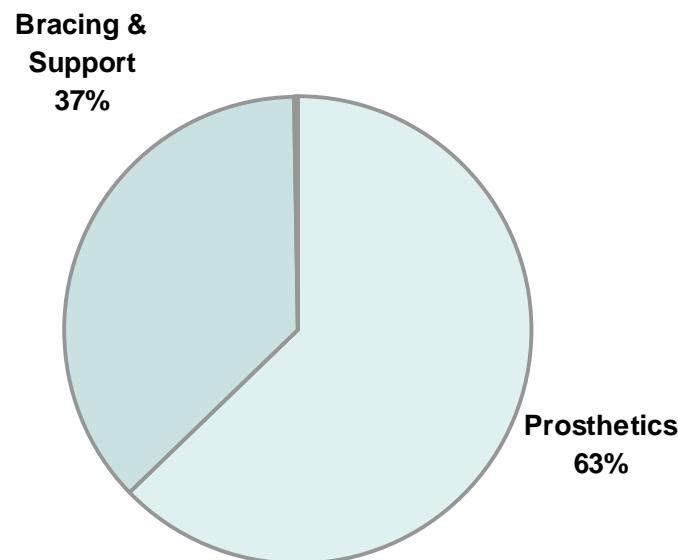


# Sales by business segment Q3 2006

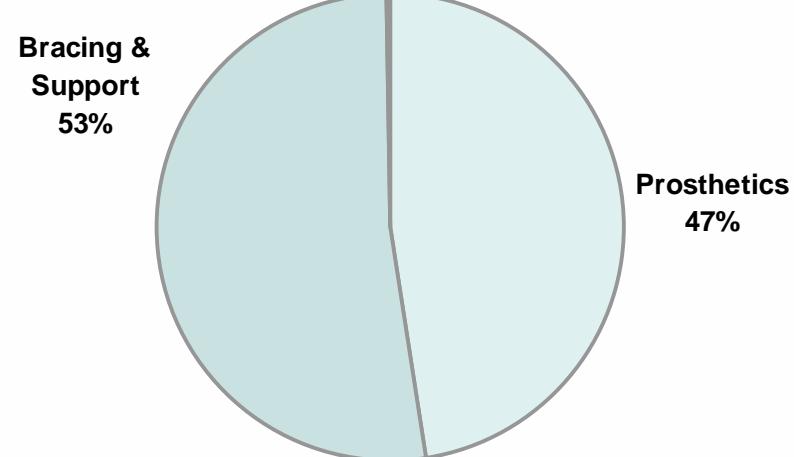


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**Q3 2005**



**Q3 2006**



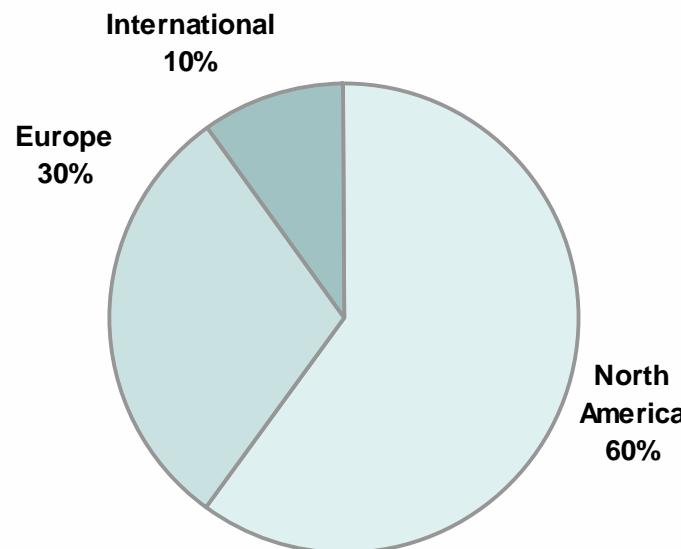
USD '000	Q3 2006	Q3 2005	Growth in USD
Prosthetics	29,791	27,935	7%
Bracing & support	32,798	16,510	99%
Other	166	122	36%
<b>Total</b>	<b>62,755</b>	<b>44,567</b>	<b>41%</b>

# Sales by market Q3 2006

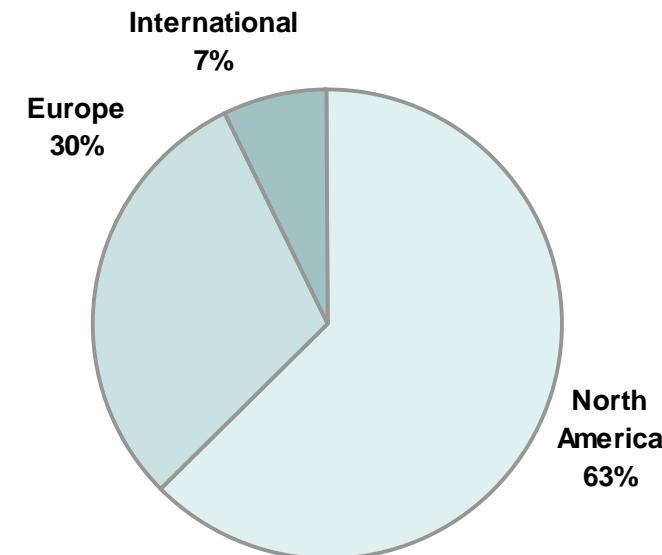


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**Q3 2005**



**Q3 2006**



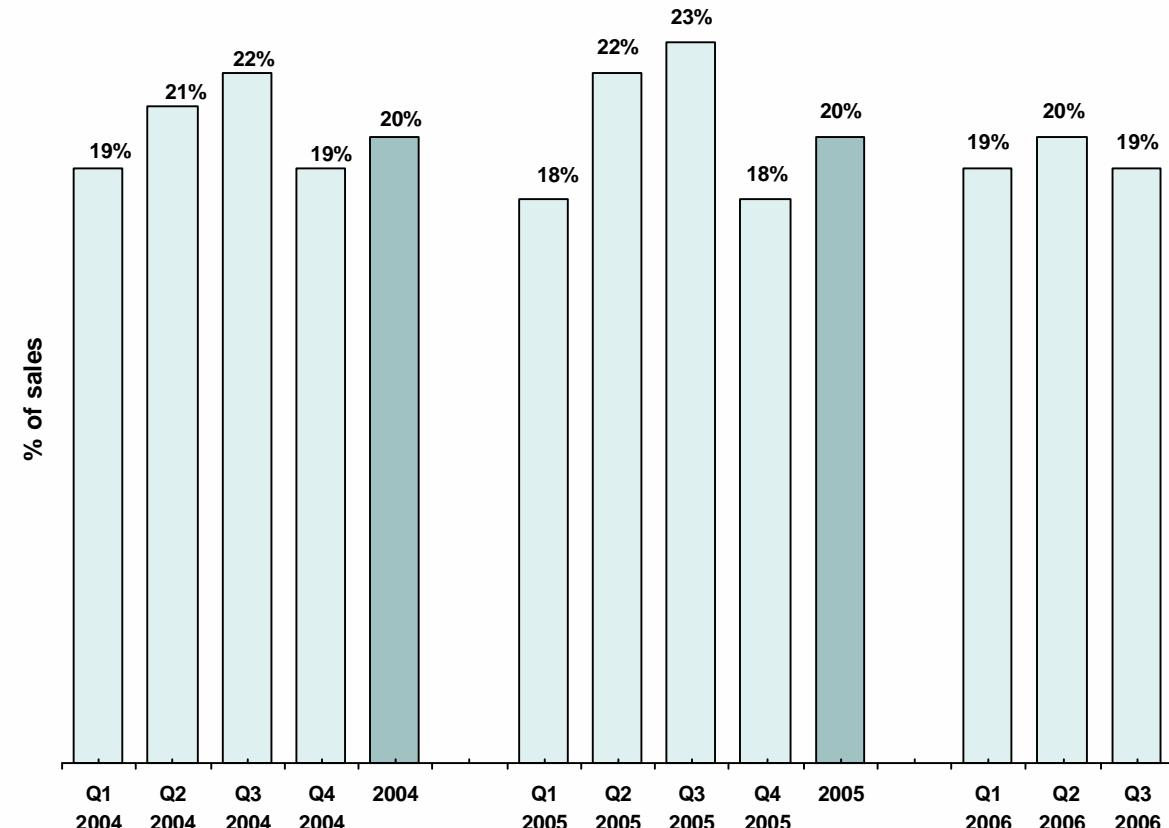
USD '000	Q3 2006	Q3 2005	Growth in USD	Growth in LCY
North America	39,247	26,768	47%	46%
Europe	19,030	13,305	43%	37%
International markets	4,478	4,494	0%	0%
Total	62,755	44,567	41%	39%

# EBITDA ratio 2003-2006

Excluding one-time expenses 2005 and 2006



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Note: Excluding one-time restructuring expenses related to the acquisitions of Royce Medical, IMP and Innovation Sports

# Balance Sheets 30 September 2006



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USD '000	30 September 2006	31 December 2005	% Change
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Fixed assets	362,054	325,873	11.1%
Current assets	91,543	82,113	11.5%
<b>Total Assets</b>	<b>453,597</b>	<b>407,986</b>	<b>11.2%</b>

Stockholders' equity	164,805	152,829	7.8%
Long-term liabilities	227,991	215,361	5.9%
Current liabilities	60,801	39,796	52.8%
<b>Total equity and liabilities</b>	<b>453,597</b>	<b>407,986</b>	<b>11.2%</b>

Current ratio	1.5	2.1
Equity ratio	36%	37%

# Shareholders 30 September 2006



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		Nominal value	%
William Demant Invest A/S	Investment Fund	141.952.402	36,88
Eyrir Invest ehf	Investment Company	56.185.481	14,60
Mallard Holding S.A.	Founder & Family	37.526.769	9,75
Vik Investment Holding S.a.r.L.	President & CEO	24.446.907	6,35
Lífeyrissjóður verslunarmana	Pension Fund	13.303.854	3,46
FL GROUP hf	Investment Company	8.837.961	2,30
Straumur - Burðarás Fjárfesting	Investment Bank	8.330.137	2,16
Kaupþing banki hf	Bank	7.098.277	1,84
Arion safnreikningur	Custody Bank	6.932.058	1,80
Lífeyrissjóðir Bankastræti 7	Pension Fund	5.430.719	1,41
Mycenaean Holding S.a.r.L.	VP of R&D	3.560.347	0,92
MP Fjárfestingarbanki hf	Investment Bank	3.221.387	0,84
Sparisjóður Hafnarfjarðar	Bank	2.956.284	0,77
Gildi -lífeyrissjóður	Pension Fund	2.841.910	0,74
Sameinaði lífeyrissjóðurinn	Pension Fund	2.344.754	0,61
Top 15 shareholders		324.969.247	84,43
Others ( 2.965)		59.971.200	15,57
<b>Total</b>		<b>384.940.447</b>	<b>100,00</b>

# Financial highlights Q3 YTD 2006 and FY 2006 outlook



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- Total sales 188.3 million USD up 69%
- Organic sales growth 8%
- Pro forma sales growth 6%
- EBITDA 19.6%, excluding one time restructuring expenses
- Cash EPS diluted 6.36 US cents, up 17%\*

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

# Financial highlights Q3 YTD 2006



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USD '000	Q3 YTD 2006	Q3 YTD 2005	% Change
Net sales	188,289	111,139	69.4%
Gross profit	112,478	65,168	72.6%
Profit from operations	19,299	12,587	53.3%
Net profit	8,067	8,600	-6.2%
EBITDA	33,877	17,901	89.2%
EPS diluted (US Cents)	2.10	2.73	-23.1%
Cash EPS diluted (US Cents)	5.89	4.41	33.6%
Cash generated by operations	22,704	16,581	36.9%

# Financial highlights Q3 YTD 2006

Excluding one time revenue and expenses and amortization of intangible assets related to recent acquisitions



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USD '000	Q3 YTD 2006	Q3 YTD 2005	% Change
Net sales	188,289	111,139	69.4%
Gross profit	112,478	67,790	65.9%
Profit from operations	31,233	19,724	58.4%
Net profit	17,604	12,613	39.6%
EBITDA	36,877	23,638	56.0%
Cash EPS diluted (US Cents)	6.36	5.42	17.4%

