

## ÖSSUR Q1 RESULTS 2014

### Highlights Q1 2014

- Net profit increased by 96% and amounted to USD 11 million or 9% of sales, compared to USD 6 million and 6% of sales in Q1'13.
- Sales amounted to USD 121 million compared to USD 97 million in Q1'13, corresponding to a 24% growth and 6% organic growth, both measured in local currency.
- Bracing and supports sales growth was 28% and 2% organic, both measured in local currency.
- Prosthetics sales growth was 19% and 12% organic, both measured in local currency.
- Gross profit amounted to USD 76 million and 63% of sales, compared to USD 60 million and 62% of sales in Q1'13.
- EBITDA amounted to USD 20 million and 17% of sales, compared to USD 14 million and 14% of sales in Q1'13.
- Cash generation is seasonally weak in Q1 and cash generated by operations amounted to USD 12 million and 10% of sales, compared to USD 9 million and 9% of sales in Q1'13.
- On 2 April 2014 Össur amended and extended the Company's long term financing by three years, or until 2019, with its banking partners ING, Nordea and SEB. Current average interest terms are 105 bps + LIBOR/EURIBOR, changing in line with financial leverage.

### Financial Guidance

For 2014 management estimates:

- Local currency growth in the range of 14-16%.
- Organic, LCY sales growth in the range of 2-4%.
- EBITDA margin in the range of 17-19% of sales.
- CAPEX in the range of 2.5-3.5% of sales.
- Effective tax rate around 26%.

### Jón Sigurðsson, President & CEO, comments:

*"The results of the first quarter are in line with our expectations. We see yet another quarter with good profitability and net profit is doubling between years. Cost reduction initiatives in 2013 and process improvements are contributing and we are pleased to see continued stabilization of the market conditions in the US prosthetics market. Performance in EMEA continues to be good. At the beginning of April, long term financing was extended by three years, or until 2019. The terms and conditions reflect Össur's strong financial profile and good prospects."*

Key Financial Figures (USD millions)		Q1 2014	Q1 2013	2013	2012	2011
<b>Income statements</b>						
Net sales		121	97	436	399	398
Gross profit		76	60	270	248	246
Operating expenses (excl. Other income)		60	50	210	191	189
Profit from operations		16	10	60	57	59
Net profit		11	6	41	38	35
EBITDA		20	13	75	70	73
<b>Balance sheets</b>						
Total assets		706	590	706	591	580
Equity		450	401	448	408	365
Net interest-bearing debt (NIBD)		116	82	108	82	111
<b>Cash flow</b>						
Cash generated by operations		12	9	73	71	68
Cash provided by operating activities		9	4	66	58	48
Cash flows from investing activities		(8)	(4)	(81)	(27)	(19)
Cash flows from financing activities		(11)	(1)	33	(29)	(65)
Free cash flow		6	0	49	43	32
<b>Sales growth</b>						
Sales growth USD	%	25	(3)	9	0	11
Organic growth in LCY	%	6	(3)	2	3	5
Currency effect	%	1	0	1	(3)	3
Acquired/divested business	%	18	0	6	1	4
<b>Key figures</b>						
Operating margin	%	13	10	14	14	15
EBITDA margin	%	17	14	17	18	18
Equity ratio	%	64	68	63	69	63
Ratio of net debt to EBITDA		1.4	1.2	1.4	1.2	1.5
Ratio of debt to EBITDA		1.8	1.6	2.0	1.5	1.8
Current ratio		1.9	1.7	1.9	1.9	1.7
Return on equity	%	11	9	10	10	10
<b>Market</b>						
Market value of equity		997	646	880	606	676
Number of shares (millions)		454	454	454	454	454
Price/earnings ratio, (P/E)		21.8	18.6	21.7	15.8	20.0
Diluted EPS	US Cent	10.3	7.5	9.1	8.4	7.7
Diluted Cash EPS	US Cent	13.9	10.5	12.5	11.4	10.6

## HIGHLIGHTS Q1

Sales growth amounted to 24% in the quarter and organic growth was 6%, both measured in local currency. Cost reduction initiatives initiated in 2013 have delivered expected results and net profit is up by 96% between years. Performance in acquired companies is in line with plans.

### Sales by Segments and Regions Q1 2014

USD '000	Q1 2014	% of sales	Growth	Growth LCY	Organic growth LCY
Bracing and supports	72,052	60%	29%	28%	2%
Prosthetics	48,614	40%	19%	19%	12%
Other	236				
<b>Total</b>	<b>120,902</b>	<b>100%</b>	<b>25%</b>	<b>24%</b>	<b>6%</b>

USD '000	Q1 2014	% of sales	Growth	Growth LCY	Organic growth LCY
Americas	48,464	40%	2%	2%	2%
EMEA	65,489	54%	49%	47%	8%
Asia	6,949	6%	21%	25%	13%
<b>Total</b>	<b>120,902</b>	<b>100%</b>	<b>25%</b>	<b>24%</b>	<b>6%</b>

## SALES

Sales amounted to USD 121 million compared to USD 97 million in Q1'13, corresponding to a 24% growth and 6% organic growth, both measured in local currency. Bracing and supports sales grew by 28% and 2% organic, both measured in local currency. Prosthetics grew by 19% and 12% organic, both measured in local currency. As of 1<sup>st</sup> of January 2014 the compression therapy segment in France will be reported as part of the bracing and supports segment but was previously reported separately. Sales of compression therapy products for the full year 2013 amounted to USD 19 million, or 4% of sales.

Sales in Americas grew 2%. Sales of bracing and supports were soft in the quarter, primarily due to weak sales to some large customers. For the prosthetics segment, market conditions are gradually improving and customers are adapting to changes in reimbursement. Sales to Össur's largest customer continue to have negative effect on sales growth.

Sales in EMEA were strong with a continued stable organic growth. Sales grew by 47% and 8% organic, both measured in local currency. Bionic sales continued to be strong, contributing to the strong organic growth in the quarter. Sales in EMEA were impacted by acquisitions made in 2013, strengthening the sales channels in Scandinavia. Performance in acquired companies is in line with expectations.

Sales in Asia continued to be good and grew by 25% and 13% organic, both measured in local currency. During the quarter, a small acquisition was made in the Asia segment to strengthening the sales platform.

## Gross Profit

Gross profit amounted to USD 76 million and 63% of sales, compared to USD 60 million and 62% of sales in Q1'13. The improvement in margin can mostly be related to improved processes in distribution and warehouses and strong sales of prosthetics in the quarter.

## EBITDA

EBITDA amounted to USD 20 million and 17% of sales compared to USD 14 million and 14% of sales in Q1'13, increasing by USD 7 million between quarters. The increase in EBITDA is a result of strong sales growth and more efficient operations. The recently acquired companies have more seasonality in their operation and therefore their contribution to operating profit is minimal in the quarter. Operating expense ratio, amounted to 49% compared to 52% in Q1'13.

## Financial Items, Tax and Net Profit

Income tax amounted to USD 4 million, corresponding to a 26% effective tax rate, compared to USD 2 million and 27% effective tax rate in Q1'13.

Net profit increased by 96% and amounted to USD 11 million or 9% of sales, compared to USD 6 million and 6% of sales in Q1'13. Interest expenses are down compared to Q1 in 2013 and exchange rate differences are positive USD 0.3 million compared to negative USD 1.1 million in Q1 of 2013.

Earnings per share amounted to 2.5 US cents, compared to 1.3 US cents in Q1'13, increasing by 96%.

## Cash Flow, Balance Sheets and Investments

USD '000	Q1 2014	% of sales	Q1 2013	% of sales
Cash generated by operations	12,059	10%	8,534	9%
Net cash provided by operating activities	8,688	7%	4,204	4%

Cash flow is seasonally weak in the first quarter. Cash from operations amounted to USD 12 million or 10% of sales, compared to USD 9 million and 9% of sales in Q1'13.

Capital investments amounted to USD 2.7 million or 2% of sales, compared to USD 4.1 million and 4% of sales in Q1'13.

On 2 April 2014 Össur amended and extended the Company's long term financing by three years, or until 2019, with its banking partners ING, Nordea and SEB. Current average interest terms are 105 bps + LIBOR/EURIBOR, changing in line with financial leverage.

## General Update

### Products

In the quarter 11 new products and product upgrades were introduced; 8 bracing and supports products and 3 prosthetic products.

Sales of bionic products in the quarter accounted for 14% of prosthetic sales, compared to 13% in Q1'13.

At the end of January a new version of the RHEO KNEE was launched, RHEO KNEE 3. This is the third generation of Össur's first bionic product. The new RHEO KNEE is suitable for a broader range of users, offering enhanced support, in particular for low active users.

## Conference Call

Össur will host a conference call on Wednesday 30 April 2014 at 12:00 CET/ 10:00 GMT/ 6:00 EDT.

To participate in the call please dial: Europe: +44 (0) 203 364 5374 or +46 (0) 8 505 564 74,

The United States: + 1 855 753 2230, Iceland: 800 8660

## Income Statements and Balance Sheets

### Income Statements Q1 2014

Income Statements (USD '000)	Q1 2014	% of sales	Q1 2013	% of sales	Change
Net sales	120,902	100.0%	97,101	100.0%	24.5%
Cost of goods sold	(45,305)	-37.5%	(37,056)	-38.2%	22.3%
<b>Gross profit</b>	<b>75,597</b>	<b>62.5%</b>	<b>60,045</b>	<b>61.8%</b>	<b>25.9%</b>
Other income	8	0.0%	185	0.2%	-95.7%
Sales & marketing expenses	(41,855)	-34.6%	(31,810)	-32.8%	31.6%
Research & development expenses	(5,239)	-4.3%	(5,935)	-6.1%	-11.7%
General & administrative expenses	(12,673)	-10.5%	(12,431)	-12.8%	1.9%
<b>Profit from operations</b>	<b>15,838</b>	<b>13.1%</b>	<b>10,054</b>	<b>10.4%</b>	<b>57.5%</b>
Financial income	31	0.0%	35	0.0%	-11.4%
Financial expenses	(881)	-0.7%	(1,146)	-1.2%	-23.1%
Net exchange rate difference	330	0.3%	(1,116)	-1.1%	-129.6%
Net financial income/expenses	(520)	-0.4%	(2,227)	-2.3%	-76.7%
Share in profit of associated companies	6	0.0%	72	0.1%	-91.7%
<b>Profit before tax</b>	<b>15,324</b>	<b>12.7%</b>	<b>7,899</b>	<b>8.1%</b>	<b>94.0%</b>
Income tax	(4,026)	-3.3%	(2,121)	-2.2%	89.8%
<b>Net profit for the period</b>	<b>11,298</b>	<b>9.3%</b>	<b>5,778</b>	<b>6.0%</b>	<b>95.5%</b>
<b>EBITDA</b>	<b>20,261</b>	<b>16.8%</b>	<b>13,523</b>	<b>13.9%</b>	<b>49.8%</b>
<b>EBITDA adjusted</b>	<b>20,261</b>	<b>16.8%</b>	<b>13,523</b>	<b>13.9%</b>	<b>49.8%</b>

### Balance Sheets

Balance Sheets (USD '000)	31 March. 2014	31 Dec. 2013	Change
Fixed assets	515,791	512,477	1%
Current assets	190,462	193,771	-2%
Total assets	706,253	706,248	0%
Stockholders' equity	450,244	448,037	0%
Long-term liabilities	155,907	156,688	0%
Current liabilities <sup>1)</sup>	100,102	101,523	-1%
Total equity and liabilities	706,253	706,248	0%
Current ratio*	1.9	1.7	
Equity ratio*	64%	68%	
Net interest bearing debt / EBITDA*	1.4	1.2	
Debt/EBITDA*	1.8	1.6	

\*Financial ratios are based on operations for the preceding 12 months.

## Financial Calendar

Financial Calendar 2014	Date
Q2 Results	24 July 2014
Q3 Results	23 October 2014
Q4 Results	5 February 2015
<b>2015 Annual General Meeting</b>	<b>12 March 2015</b>

### Further information:

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<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 therapy. 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. [www.ossur.com](http://www.ossur.com)

### **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.