



Announcement Össur hf. No. 3/2010

Reykjavik, 4 February 2010

SOLID OPERATIONS - 2009

Highlights:

- Sales USD 331 million
- Gradual increase in sales during the year
- EBITDA margin 20%
- Strong performance in Prosthetics
- Second generation of Bionics launched
- Enhanced sales platform in place
- Listing on NASDAQ OMX Copenhagen

Guidance 2010:

- Sales 3-4% LCY growth
- EBITDA 8-10% LCY growth

Jon Sigurdsson, President & CEO, comments:

"The results for 2009 are good and show clearly the Company's strength. During the year we have seen the global economic turmoil having an impact on our customers and affecting some of our markets. However, Össur continues to be profitable and operations are sound. Our Bionic product line has gained further momentum through the launch of the second generation of the RHEO KNEE as well as the acceptance of the PROPRIO FOOT into the US reimbursement systems. In 2009 we have invested significantly in aligning our B&S business to take advantage of the prevailing market opportunity. We believe that 2010 will be an exciting year for Össur."

Össur Investor Meeting Thursday 4 February in Copenhagen

- Live webcast at 12:00 CET/ 11:00 GMT/ 6:00 EST

Thursday 4 February 2010 Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will host a meeting for investors, analysts and shareholders presenting and discussing the results of the fourth quarter and the year 2009. The meeting will be held in Copenhagen at the Radisson Blu Royal Hotel, Hammerichsgade 1, Copenhagen. The meeting will be conducted in English.

There will be a live broadcast from the meeting on the Össur website: www.ossur.com/investors

To participate in the meeting please call one of the following telephone numbers:

Europe: + 44 (0) 207 509 5139

The United States: +1 718 354 1226

Iceland: 800 9313

**Financial Ratios
(USD millions)**

Consolidated statement

	2009	2008	Change	Q4 '09	Q4 '08	Change
Income statement						
Net sales	330.6	346.8	-5%	87.9	79.4	11%
Gross profit	201.8	214.2	-6%	53.0	49.0	8%
Operating expenses ¹	154.1	167.7	-8%	39.4	38.1	3%
Profit from operations	48.2	56.0	-14%	13.7	10.8	27%
Net profit	22.8	28.5	-20%	8.1	4.2	94%
EBITDA	67.0	79.4	-16%	17.8	16.3	9%
Balance sheet						
Total assets	628.2	603.8	4%	628.2	603.8	4%
Equity	312.2	249.6	25%	312.2	249.6	25%
Net interest-bearing debt (NIBD)	157.6	234.3	-33%	157.6	234.3	-33%
Cash flow						
Working capital from operating activities	44.5	58.1	-23%	10.3	7.9	30%
Cash provided by operating activities	69.2	52.8	31%	22.8	19.4	18%
Cash flows from investing activities	(16.4)	(6.6)	>100%	(11.1)	(2.2)	>100%
Cash flows from financing activities	(4.3)	(30.6)	-86%	19.3	3.4	>100%
Free cash flow	58.6	46.2	27%	58.6	46.2	27%
Key figures						
Sales growth	%	(4.7)		10.6	(5.5)	
Operating margin	%	14.6		15.6	13.6	
EBITDA margin	%	20.3		20.3	20.6	
Equity ratio	%	49.7		49.7	41.3	
Ratio of net debt to EBITDA ²		2.4			2.9	
Current ratio ²		2.3			1.1	
Return on equity ²	%	8.1			11.0	
Employees	Number	1,532	-3%	1,532	1,587	-3%
Share related data						
Market value of equity ³		529	52%	529	349	52%
Number of shares	Millions	454	7%	454	423	7%
Diluted EPS	US Cent	5.30	-21%	1.80	0.99	83%
Diluted Cash EPS	US Cent	9.66	-21%	2.72	2.29	19%

Notes

1. Excluding other income and restructuring expenses.

2. Ratio based on operations for the preceding 12 months.

3. Market value based on last trade at 30.12.2009 on Nasdaq OMX, Iceland and Denmark

Business Overview

The first half of the year was characterized by uncertainties and volatility, while in the latter half sales gained momentum. Total sales amounted to USD 331 million, a slight decline compared to 2008, or 1% measured in local currency. Sales and EBITDA for the year were in line with management guidance. Overall these are satisfying results when taking into consideration the global economic environment.

Market environment in 2009

The effect of the economic environment has varied by region, both in the US and in Europe. In the US the effect has been most profound in states which are suffering from higher unemployment rates and there has been some trading down to lower price products on the bracing and supports side of the business. Europe showed similar trends where some markets were more affected than others. Some of the Asian markets have been affected such as Korea, however, main markets and segments in Asia showed a handsome growth during the year.

The possible effect of the healthcare reforms in the US is unclear. As some elements of the bill are still being discussed it is difficult for management to comment on the possible effects on the Company. However, it is not likely to have material effects in 2010.

Further strengthening of the Bionic platform

In 2009 Össur introduced the second generation of the Company's first Bionic product, the Rheo Knee. The new version of the knee was well received driving additional sales growth of the Bionic product line. Further confirming the acceptance of the Company's bionic products, the Proprio Foot has been accepted into the US reimbursement systems. The Centers for Medicare & Medicaid Services (CMS) have announced a reimbursement price of USD 14,000 per unit.

Exciting new bracing and support products were launched in 2009 such as the Miami Lumbar support belt and the Hip-Trick hip-support. In 2009 ten new products were launched, five in bracing and supports and five in prosthetics. Numerous new compression therapy products were launched in 2009.

IMPORTANT PRODUCT LAUNCHES IN 2009



RHEO KNEE®

Redesigned and launched in 2009, the RHEO KNEE is an advanced prosthetic device that liberates its users to focus on their chosen activity, instead of having to think about how they are walking. Using sophisticated artificial intelligence, the knee continuously learns and adapts to an amputee's walking style and environment.



Vari-Flex® with EVO™

The well-established Vari-Flex prosthetic foot from the Flex-Foot® product family now incorporates Energy Vector Optimization technology (EVO) for the smoothest roll-over ever. Improved dynamic response and uncompromised stability through the gait cycle allows amputees to walk in complete comfort and confidence.



Miami Lumbar™

The Miami Lumbar is an easy-to-use spinal orthosis for post-surgical immobilization, pain relief, and the protection of injured ligaments or muscles. The support belt enables step-down treatment options for every state of the recovery process.

Significant effort in aligning the B&S business

During the year significant changes have been made to the B&S organization within the Company, although more extensive in the Americas. A new structure has been put in place and the management is optimistic that the right setup has been created in order to capitalize on the market opportunities in the B&S segment.

Main initiatives and changes made during the year:

- The right leadership and key people in place.
- New sales structure implemented with region specific strategies.
- Promising product pipeline for 2010.
- Sales platform enhanced:
 - Access to hospital channel through new GPOs.
 - Investment in increased number of sales representatives.
 - Two minor acquisitions of distributors in California and North Texas.

Listing on NASDAQ OMX Copenhagen and listing anniversary

Össur's shares were listed on NASDAQ OMX Copenhagen on 3 September. The listing was followed by a small successful equity offering which has further diversified the shareholder base. At the end of 2009 about 57% of the shares in the Company were traded on the Danish market.

In 2009 Össur celebrated a 10 year listing anniversary on NASDAQ OMX Iceland. The listing has served Össur well and enabled the Company to raise capital to support its growth strategy.

Income statement

USD '000	2009	% of sales	2008	% of sales	Change
Net sales	330,580	100.0%	346,835	100.0%	-4.7%
Cost of goods sold	(128,765)	-39.0%	(132,632)	-38.2%	-2.9%
Gross profit	201,815	61.0%	214,203	61.8%	-5.8%
Other income	496	0.2%	9,433	2.7%	-94.7%
Sales & marketing expenses	(92,567)	-28.0%	(97,812)	-28.2%	-5.4%
Research & development expenses	(19,080)	-5.8%	(20,930)	-6.0%	-8.8%
General & administrative expenses	(42,424)	-12.8%	(48,936)	-14.1%	-13.3%
Profit from operations	48,240	14.6%	55,958	16.1%	-13.8%
Financial income	254	0.1%	864	0.2%	-70.6%
Financial expenses	(15,587)	-4.7%	(18,303)	-5.3%	-14.8%
Net exchange rate difference	(2,670)	-0.8%	(286)	-0.1%	833.6%
Profit before tax	30,237	9.1%	38,233	11.0%	-20.9%
Income tax	(7,475)	-2.3%	(9,745)	-2.8%	-23.3%
Net profit for the period	22,762	6.9%	28,488	8.2%	-20.1%
EBITDA	66,988	20.3%	79,440	22.9%	-15.7%
EBITDA adjusted*	68,687	20.8%	72,636	20.9%	-5.4%

* Adjusted for one-time income and expenses.

Sales

Össur experienced a slight decline in overall sales in 2009. Total sales amounted to USD 330.6 million, compared to USD 346.8 million in 2008. Exchange rate trends had negative impact on sales amounting to USD 13.8 million. Sales measured in USD declined by 5% and by 1% in LCY. Sales have gradually increased throughout 2009 and Q4 was the best quarter of 2009.

Total sales for Americas was flat in LCY for the year. Prosthetics performed well with increasing contribution from the Bionic products, while there was a contraction in the B&S business. Overall the first half of the year was affected by customer destocking in an uncertain environment, however the sales increased again in the latter half of the year.

Overall sales in EMEA decreased slightly, or by 1% in LCY. Some markets were more affected by the economy than others, especially UK and Spain. The Gibaud business had a reasonably good year, that was somewhat effected by discontinued product lines. Compression therapy sales are picking up. For the full year sales declined by 10% measured in US dollars, and 5% in LCY. However sales grew by 1% in the fourth quarter in LCY.

Discontinuation of contracts with third party suppliers has had a temporary negative effect on the sales in EMEA but not on profitability. Various initiatives are resulting in improved performance and towards the end of the year sales trends in bracing and supports were positive.

Asia continues to show good performance in all main markets.

Sales by region

USD '000	2009	% of sales	Growth USD	Growth LCY
Americas	159,278	48%	-1%	0%
EMEA	156,906	48%	-9%	-1%
Asia	14,396	4%	12%	13%
Total	330,580	100%	-5%	-1%

Sales by segments

USD `000	2009	% of sales	Growth USD	Growth LCY
Bracing & supports	161,732	49%	-10%	-6%
Prosthetics	148,513	45%	4%	8%
Compression therapy	18,159	5%	-10%	-5%
Other	2,176	1%	-57%	-53%
Total	330,580	100%	-5%	-1%

Gross profit

The gross profit margins have been stable above 60% throughout the year. The slight decline in gross profit margin in 2009 compared to 2008 is partly due to revaluation of inventory as a consequence of the significant weakening of the Icelandic Krona and increased provisions.

Operating expenses

Overall the operations of Össur were stable in 2009. Operating expenses decreased slightly, or by 0.7 percentagepoints when adjusted for exchange rate effects. Contributing to the decrease is more efficient sales- and marketing structure in the Americas as well as gradual improvement in general and administrative expenses. Further opportunities remain to capitalize on economies of scale to further improve operational performance.

Comparison of profit from operations between years is affected by one-time income in 2008. Excluding one-time gain in 2008, profit from operations remains at a similar level between years. One-time income related to sale of advanced wound care product line in 2008 amounted to USD 8.4 million.

Amortization of intangible assets 2009, relating to acquisitions made in the previous years, amounted to USD 10.6 million, compared to USD 14.7 million in 2008. The amortization is in accordance with accounting standards, affecting the income statements although the underlying intangible assets may not be decreasing in value. Amortization will drop significantly in 2010 and is expected to amount to approximately USD 5 million in 2010.

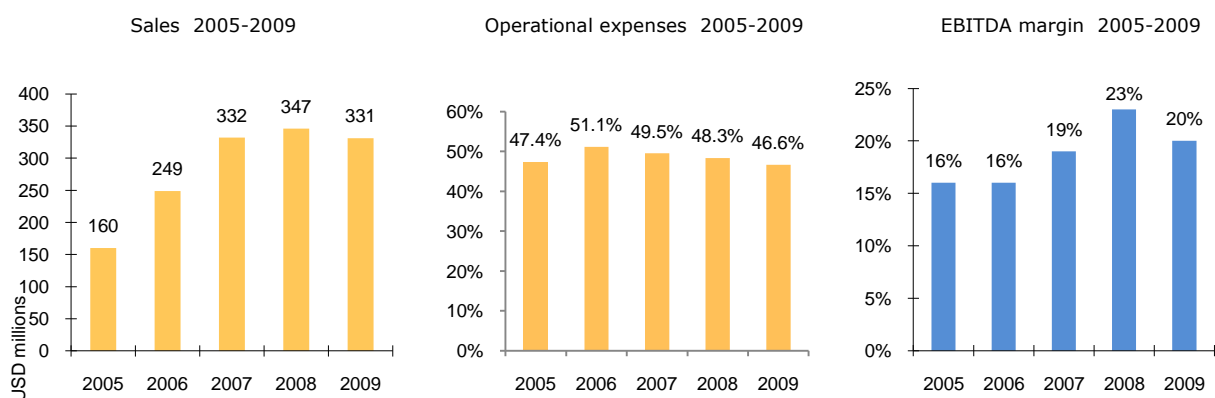
Allocation of amortization of intangible assets to expense items	2009 USD `000	% of sales	2008 USD `000	% of sales
Cost of goods sold	8	0.0%	70	0.0%
Sales & marketing expenses	6,765	2.0%	9,096	2.6%
Research & development expenses	3,441	1.0%	4,185	1.2%
General & administrative expenses	354	0.1%	1,404	0.4%
Effect on profit from operations	10,568	3.2%	14,755	4.3%

Financial items, tax and net profit

Net financial expenses for the full year 2009 amounted to USD 15.3 million compared to USD 18.1 million in 2008. The decrease in financial expenses is a direct consequence of decreasing net financial debt.

Income tax was USD 7.5 million, corresponding to a 26% effective tax rate, as in 2008.

Net profit amounted to USD 22.8 million, compared to USD 28.5 million in 2008. Comparison between years is affected by one-time gain in 2008, related to the divestment of the Company's advanced wound care product line.



Balance Sheet

USD '000	31 Dec. 2009	31 Dec. 2008	Change
Non-current assets	448,446	463,202	-3%
Current assets	179,771	140,576	28%
Total assets	628,217	603,778	4%
Stockholders' equity	312,223	249,648	25%
Non-current liabilities	237,045	223,242	6%
Current liabilities	78,949	130,888	-40%
Total equity and liabilities	628,217	603,778	4%
Current ratio	2.3	1.1	
Equity ratio	50%	41%	
Net interest bearing debt / EBITDA LTM	2.4	2.9	

Össur's balance sheet is healthy. The equity ratio at the end of the period was 50% compared to 41% at the end of 2008. Leverage is decreasing and net interest bearing debt over EBITDA was 2.4x at the end of the period. Currently, Össur has favorable financing terms and no financial covenant issues.

It is the intention to internationalize the debt structure of Össur.

Cash Flow

USD '000	2009	% of sales	2008	% of sales
Working capital provided by operating activities	44,473	13%	58,070	17%
Net cash provided by operating activities	69,155	21%	52,835	15%

Cash flow was very strong in 2009. The liquidity position has improved further and cash at the end of the year amounted to USD 80 million, compared to USD 31 million at the end of 2008.

Capital investments amounted to USD 9.7 million or 2.9% of sales, compared to USD 7.8 million and 2.2% of sales in the same period of 2008. Capital investments continue to be in line with the Company's guidance of 2.5-3.5%.

Income statement for the fourth quarter of 2009

USD '000	Q4 2009	% of sales	Q4 2008	% of sales	Change
Net sales	87,871	100.0%	79,440	100.0%	10.6%
Cost of goods sold	(34,863)	-39.7%	(30,429)	-38.3%	14.6%
Gross profit	53,008	60.3%	49,011	61.7%	8.2%
Other income	131	0.1%	(49)	-0.1%	-367.3%
Sales & marketing expenses	(23,451)	-26.7%	(22,863)	-28.8%	2.6%
Research & development expenses	(5,132)	-5.8%	(5,027)	-6.3%	2.1%
General & administrative expenses	(10,834)	-12.3%	(10,257)	-12.9%	5.6%
Profit from operations	13,722	15.6%	10,815	13.6%	26.9%
Financial income	69	0.1%	639	0.8%	-89.2%
Financial expenses	(4,073)	-4.6%	(3,987)	-5.0%	2.2%
Net exchange rate difference	793	0.9%	(2,621)	-3.3%	-130.3%
Profit before tax	10,511	12.0%	4,846	6.1%	116.9%
Income tax	(2,437)	-2.8%	(675)	-0.8%	261.0%
Net profit for the period	8,074	9.2%	4,171	5.3%	93.6%
EBITDA	17,812	20.3%	16,324	20.5%	9.1%

EBITDA adjusted*	17,812	20.3%	16,847	21.2%	5.7%
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* Adjusted for one-time income and expenses.

Sales in the fourth quarter 2009 amounted to USD 87.9 million, growing 11% measured in USD and 5% measured in local currency, compared to the same period in 2008. Exchange rate trends had a positive impact on sales, amounting to USD 4.8 million.

Organic sales growth in the fourth quarter was 15% in prosthetics and a sales decline in bracing and supports by 4%, both measured in local currency. Sales of compression therapy products grew by 1% in the quarter, measured in local currency. Organic sales growth in the Americas and EMEA was 3% respectively and 8% in Asia, measured in local currency.

Guidance

Management reiterates previously communicated guidance for 2010; sales growth of 3-4% (LCY) and EBITDA growth of 8-10% (LCY)

Further information

Jon Sigurdsson, President & CEO	Tel: +354 515 1300
Hjorleifur Palsson, CFO	Tel: +354 515 1300
Sigurborg Arnarsdottir, IR Manager	Tel: +354 664 1044

Financial Calendar:

Upcoming Events	Location	Date
2010 Annual General Meeting	Reykjavik, Iceland	9 March 2010
First Quarter 2010	Reykjavik/Copenhagen	27 April 2010
Bank of America/Merrill Lynch Conference	London, UK	25-26 May 2010
Piper Jaffray Conference	London, UK	22-23 June 2010
Second Quarter	Reykjavik/Copenhagen	27 July 2010
Goldman Sachs Conference	London, UK	8-9 September 2010
Third Quarter	Reykjavik/Copenhagen	26 October 2010
Fourth Quarter	Reykjavik/Copenhagen	8 February 2011
2011 Annual General Meeting	Reykjavik, Iceland	4 March 2011

Össur press releases by e-mail

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About Össur

Össur (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.