Ossur Second Quarter Report 2009

Life Without Limitations

Press release from Ossur hf.

Reykjavik, 28 July 2009

Second Quarter 2009 Financial Highlights

- Sales USD 81.3 million, down by 3% measured in LCY, or 12% in USD
- EBITDA USD 17.0 million, down by 11%
- EBITDA margin 21%, same as in Q2 2008
- Net profit USD 3.5 million, compared to USD 3.9 million in Q2 2008
- EPS diluted 0.83 US cents, compared to 0.93 US cents in Q2 2008
- Cash EPS diluted 3.2 US cents, compared to 2.4 in Q2 2008

First Half 2009 Financial Highlights

- Sales USD 158.5 million, down by 3% measured in LCY, or 12% in USD
- EBITDA USD 29.8 million, down by 29%
- EBITDA margin 19%, compared to 23% in H1 2008
- Net profit USD 11.1 million, compared to USD 10.6 million in H1 2008
- EPS diluted 6.84 US cents, up by 45%
- Cash EPS diluted 11.92 US cents, up by 21%

Jon Sigurdsson, President & CEO, comments:

"Slowdown of the economy in the Company's major markets has affected sales, as customers are cautious due to the uncertainty. Discontinuation of third party agreements in EMEA has a temporary negative effect on sales but not on profitability. Strong leadership and clear strategy in sales and marketing in the US give comfort towards positive developments. A new version of the bionic knee Rheo as well as the acceptance of the Proprio foot into the US reimbursement channel are important milestones for the future of the bionic platform.

Ossur - Investor meeting Tuesday 28 July – live webcast at 12:00 GMT / 14:00 CET/ 8:00 EST

Tuesday 28 July 2009 Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will host a meeting presenting and discussing the results of the second quarter for investors, analysts and shareholders. The meeting will be held at the Company headquarters, at Grjothals 5 in Reykjavik and conducted in English.

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

To call in and participate in the meeting please call the following telephone numbers:
Telephone number for Europe: **+ 44 (0) 208 817 9301**
Telephone number for the United States: +**1 718 354 1226**
Local Icelandic number: 800-8857

Presentation material will be available on the Company's website www.ossur.com, the News System of the Iceland Stock Exchange/ Nasdaq OMX: http://nasdaqomxnordic.com/Frettir and on www.huginonline.com

Current market environment

In the first half of the year the Company has been affected by the slowdown of the economy. The slowdown is region specific, both in the US and Europe. In the US the effect on prosthetics is more in the North Eastern states which are suffering from higher unemployment rates. In the bracing and supports segment the shift is towards lower priced products.

In Europe the slowdown of the economy is also region specific. In the UK a part of the sales is through the Company's service centres and is paid for privately. These sales have decreased significantly. In France the slowdown is affecting the sales in general. Customers place smaller orders to reduce stock levels and are generally cautious due to the uncertainty. In southern Europe, Spain has been more affected than other markets as a part of the sales are private pay. Other European markets are affected on a much smaller scale.

Some of the Asian markets have been affected such as Korea. However, main markets and segments within Asia are showing a handsome growth.

Guidance for 2009

Management's estimates for sales and EBITDA for the year are as follows:

- Sales USD 310-320 million
- EBITDA USD 58-62 million
- EBITDA margin 18-19%

Operating results for the second quarter of 2009

Income Statements (USD '000)	Q2 2009	% of sales	Q2 2008	% of sales	Change
Net sales	81,345	100.0%	92,055	100.0%	-11.6%
Cost of goods sold	(31,284)	-38.5%	(35,656)	-38.7%	-12.3%
Gross profit	**50,061**	**61.5%**	**56,399**	**61.3%**	**-11.2%**
Other income	120	0.1%	1,264	1.4%	-90.5%
Sales & marketing expenses	(23,105)	-28.4%	(25,540)	-27.7%	-9.5%
Research & development expenses	(4,813)	-5.9%	(5,379)	-5.8%	-10.5%
General & administrative expenses	(10,490)	-12.9%	(14,000)	-15.2%	-25.1%
Profit from operations	**11,774**	**14.5%**	**12,744**	**13.8%**	**-7.6%**
Financial income	70	0.1%	105	0.1%	-33.3%
Financial expenses	(7,416)	-9.1%	(5,200)	-5.6%	42.6%
Profit before tax	**4,428**	**5.4%**	**7,649**	**8.3%**	**-42.1%**
Income tax	(927)	-1.1%	(3,705)	-4.0%	-75.0%
Net profit for the period	**3,501**	**4.3%**	**3,944**	**4.3%**	**-11.2%**
EBITDA	**16,961**	**20.9%**	**19,038**	**20.7%**	**-10.9%**

EBITDA adjusted*	**17,930**	**22.0%**	**19,238**	**20.7%**	**-6.8%**

* Adjusted for one-time income and expenses.

NOTE: Numbers for Q2 2008 are reclassified; outbound freight from Net sales/COGS to sales and marketing as announced in the 2008 full year report.

Income Statements for the second quarter of 2009

Total sales in the second quarter amounted to USD 81.3 million, compared to USD 92.0 million in 2008. Exchange rate trends had a significant negative impact on sales amounting to USD 7.7 million. Sales declined by 12% measured in USD and 3% measured in local currency. Customers are cautious related to uncertainty and slowdown in the economy, which is affecting the sales. Discontinuation of contracts with third party suppliers in EMEA and new structure of the bracing and supports sales in the Americas also affect the sales in the quarter.

The gross profit was USD 50.1 million compared to USD 56.4 million in the same period in 2008, decreasing by 11%. Net of exchange rate effects and unusual inventory adjustments due to the discontinuation of contracts with third party suppliers in EMEA, the gross profit margin remains at the same level.

Other income amounted to USD 120 thousand compared to USD 1.3 million in the second quarter of 2008. Included in other income in 2008 is a one-time sales gain of USD 1.0 million realized through the divestment of advanced wound care product line.

Operating expenses as a ratio of sales were 47%, compared to 49% in the second quarter of 2008. Net of exchange rate effects the operating expenses decreased by USD 1.4 million or by 3 percentage points.

Profit from operations amounted to USD 11.8 million or 14% of sales, compared to USD 12.7 million and 14% of sales in the same period of 2008.

Amortization of intangible assets relating to acquisitions amounted to USD 3.2 million, compared to USD 4.0 million in the second quarter of 2008. The amortization following acquisitions in the past is in accordance with accounting standards, affecting the income statements although the underlying intangible assets may not be decreasing in value.

Net financial expenses in the second quarter amounted to USD 7.3 million compared to USD 5.1 million in the same period in 2008. Exchange rate developments of the EUR against the USD had a negative impact amounting to USD 4.5 million whereas the exchange rate difference in the second quarter of 2008 amounted to USD 0.5 million. Exchange rate effects are mostly due to the EUR portion of the long term liabilities. No forward contracts were in effect in the period.

Income tax was USD 0.9 million, corresponding to a 21% effective tax rate, compared to USD 3.7 million and 48% in the second quarter of 2008. In the second quarter of 2008 the effective tax rate was unusually high due to decreased tax rate in Iceland and Germany which caused a write-down of accumulated tax benefits.

Net profit amounted to USD 3.5 million, compared to USD 3.9 million in the same period of 2008.

EBITDA was USD 16.9 million, 21% of sales, compared to USD 19.0 million and 21% of sales in the second quarter of 2008. EBITDA adjusted amounted to USD 17.9 million and 22% of sales in the second quarter of 2009. One-time expenses in 2009 amounted to USD 638 thousand, including severance payments. In the second quarter of 2008 one-time income and expenses more or less evened out.

Product groups

The breakdown of sales between main product groups in the second quarter of 2009 was as follows:

USD '000	Q2 2009	% of sales	Growth USD	Growth LCY
Bracing & supports	40,265	49%	-14%	-6%
Prosthetics	36,416	45%	-6%	2%
Compression therapy	4,082	5%	-23%	-12%
Other	582	1%	-53%	-47%
Total	**81,345**	**100%**	**-12%**	**-3%**
Avg. sales growth pr. day			-9%	-1%

Bracing and supports

Sales of bracing and supports declined by 14%. Sales measured in local currency declined by 6%. Discontinuation of contracts with third party suppliers affect the sales of bracing and supports in the quarter. New structure of the bracing and supports sales channel in the Americas has not yet materialized, but additional sales representatives and strong leadership give comfort towards positive developments.

In the second quarter of 2009 two new products in this segment were introduced, Unloader One® Short and Sensil Liners on Unloader. The Unloader One® Short, is a shorter version of the Unloader One ® treatment for osteoarthritis that is clinically proven to relieve pain and improve mobility. Sensil Liners on Unloader increase the suspension and rotation control of the knee braces, hence greatly enhancing the product performance.

Prosthetics

Sales in prosthetics declined by 6%. Sales measured in local currency increased by 2%. Slowdown of the economy is affecting the sales of prosthetics. During the quarter Proprio Foot was accepted into the reimbursement system in the US and the reimbursement code will be effective at the beginning of 2010. A promising new version of the RHEO KNEE, RHEO KNEE II, has been pre-launched. Full market release will be in the second half of the year.

Two new products were introduced in the quarter Iceross Cushion & Iceross Sleeve and Vari-Flex EVO. Iceross Cushion & Sleeve were launched together in one suction suspension concept. The liner and the sleeve hold the wave feature for increased range of motion and comfort. The Vari-Flex has been enhanced aesthetically and functionally. It now incorporates EVO (Energy Vector Optimization) for a smoother roll-over, generating a really natural and symmetrical gait pattern.

Compression therapy

Sales of compression therapy products declined by 23%. Sales measured in local currency declined by 12%.

Geographical markets

The distribution of sales, according to market regions, in the second quarter of 2009 was as follows:

USD '000	Q2 2009	% of sales	Growth USD	Growth LCY
Americas	39,218	48%	1%	1%
EMEA	38,965	48%	-21%	-7%
Asia	3,160	4%	-4%	2%
Total	**81,345**	**100%**	**-12%**	**-3%**

Americas

Sales in Ossur Americas grew by 1% both in USD and in local currency. Sales growth in prosthetics is offset by sales decline in bracing and supports. The slowdown in sales is region specific. The slowdown is specifically in the North Eastern states of the US where the unemployment rate is high. The market continues to shift away from custom made products to off-the-shelf products and low cost products.

Sales in the Americas accounted for 48% of total sales, compared to 43% in the second quarter of 2008.

EMEA (Europe, The Middle East and Africa)

Sales in EMEA declined by 21% measured in USD and 7% measured in local currency. Sales decline in EMEA excluding Gibaud remains unchanged. The effect of the slowdown of the economy varies between countries. UK has seen significant decrease in sales through the service clinics. In southern Europe, Spain has been more affected than other markets as a part of the sales are privately paid. Discontinuation of contracts with third party suppliers has a temporarily negative effect on the sales but not on profitability.

Sales in EMEA accounted for 48% of total sales, compared to 54% in the second quarter last year.

Asia

The sales in Asia declined by 4% measured in USD and increased by 2% measured in local currency. Slowdown of the economy has affected the sales within some of the markets, especially Korea. However, main markets like Australia, Japan and China show handsome growth.

In June Ossur Asia signed a Memorandum of Understanding (MOU) with the Stand TALL charity organization which provides high end prosthetic devices and rehabilitation to the victims of the Sichuan earthquake. In addition, Ossur will assist with the professional training of local rehabilitation staff in the Sichuan-Hong Kong Rehabilitation Center in Chengdu, China.

Sales in Asia accounted for 4% of sales, compared to 3% in the second quarter of 2008.

Balance Sheets

Consolidated Balance Sheets (USD '000)	30 June 2009	31 Dec. 2008	Change
Non-current assets	457,563	458,046	0%
Current assets	141,316	145,732	-3%
Total assets	**598,879**	**603,778**	**-1%**

Stockholders' equity	264,727	249,648	6%
Non-current liabilities	258,820	223,242	16%
Current liabilities	75,332	130,888	-42%
Total equity and liabilities	**598,879**	**603,778**	**-1%**

Current ratio	1.9	1.1
Equity ratio	44%	41%
Net Debt / EBITDA LTM	3.2	2.9

The equity ratio at the end of the period was 44% compared to 41% at the end of 2008. Net interest bearing debt over EBITDA was 3.2x at the end of the period. Ossur's financial strength is healthy and in line with the Company's policy.

In February the Company refinanced its loan facilities, securing the Company's long term financing at favorable terms.

Cash Flow

Cash Flow (USD '000)	Q2 2009	% of Sales	Q2 2008	% of sales
Working capital provided by operating activities	12,427	15%	13,352	14%
Net cash provided by operating activities	17,323	21%	7,376	8%

Working capital from operating activities decreased by 7%. Net cash provided by operating activities increased by 135% compared with the second quarter of 2008.

Capital investments amounted to USD 2.2 million or 2.7% of sales, compared to USD 2.2 million and 2.4% of sales in the same period of 2008.

Ossur is cash generative and cash at the end of the period amounted to USD 36 million, compared to USD 11 million in the second quarter 2008. A revolving credit line facility was drawn for USD 9.7 million.

Earnings Per Share

Earnings Per Share	Q2 2009	Q2 2008	Change
EPS diluted (US cents)	0.83	0.93	-11%
Cash EPS diluted (US cents)	3.20	2.40	33%

Five Quarter Comparison

Five Quarter Comparison (USD '000)	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net sales	81,345	77,180	79,440	86,470	92,055
Gross profit	50,061	47,025	49,011	53,709	56,399
Profit from operations	11,774	7,849	10,815	15,358	12,744
Financial income / (expenses)	(7,346)	1,897	(5,969)	2,382	(5,095)
Profit before tax	4,428	9,746	4,846	17,740	7,649
Net profit	3,501	7,573	4,171	13,689	3,944
EBITDA	16,961	12,865	16,324	21,128	19,038
EBITDA adj*	17,930	13,593	16,847	19,112	19,238
Gross profit margin	62%	61%	62%	62%	61%
EBITDA margin	21%	17%	21%	24%	21%
EBITDA adj.* margin	22%	18%	21%	22%	21%
Stockholders' equity	264,727	247,050	249,648	264,383	268,931
Total assets	598,879	581,592	603,778	614,944	645,924
Current ratio	1.9	1.8	1.1	1.1	1.1

Equity ratio	44%	42%	41%	43%	42%
Net debt / EBITDA LTM	3.2	3.2	2.9	3.2	3.5
Net debt / EBITDA LTM adj.*	3.1	3.3	3.3	3.7	4.3
Working capital from operating activities	12,427	9,007	7,877	17,336	13,352
Net cash provided by operating activities	17,323	7,003	19,372	11,809	7,376
Earnings per share (US cents)	0.83	1.79	0.99	3.24	0.93
Cash earnings per share (US cents)	3.20	2.98	2.29	4.60	2.42
Price per share at period end (ISK)	115.5	89.7	99.8	93.8	93.4
Market value at period end (USD million)	385	310	349	391	498

* Adjusted for one-time income and expenses.

Income Statements for the first half of 2009

Income Statements (USD '000)	YTD 2009	% of sales	YTD 2008	% of sales	Change
Net sales	158,525	100.0%	180,925	100.0%	-12.4%
Cost of goods sold	(61,439)	-38.8%	(69,442)	-38.4%	-11.5%
Gross profit	**97,086**	**61.2%**	**111,483**	**61.6%**	**-12.9%**
Other income	347	0.2%	7,003	3.9%	-95.0%
Sales & marketing expenses	(47,168)	-29.8%	(50,946)	-28.2%	-7.4%
Research & development expenses	(9,778)	-6.2%	(10,803)	-6.0%	-9.5%
General & administrative expenses	(20,865)	-13.2%	(26,952)	-14.9%	-22.6%
Profit from operations	**19,622**	**12.4%**	**29,785**	**16.5%**	**-34.1%**
Financial income	873	0.6%	198	0.2%	340.9%
Financial expenses	(6,322)	-4.0%	(14,336)	-7.9%	-55.9%
Profit before tax	**14,173**	**8.9%**	**15,647**	**8.6%**	**-9.4%**
Income tax	(3,100)	-2.0%	(5,019)	-2.8%	-38.2%
Net profit for the period	**11,073**	**7.0%**	**10,628**	**5.9%**	**4.2%**
EBITDA	**29,823**	**18.8%**	**41,988**	**23.2%**	**-29.0%**
EBITDA adjusted*	**31,520**	**19.9%**	**36,674**	**20.3%**	**-14.1%**

* Adjusted for one-time income and expenses.

Sales for the first six months of 2009 amounted to USD 158.5 million, representing a 12% decrease and 3% decrease measured in local currency, compared to the first half of 2008. Exchange rate trends had significant negative impact on sales amounting to USD 16.6 million.

Sales in the Americas decreased by 4% in the first six months of the year and 3% measured in local currency. Sales in EMEA decreased by 20% and 4% measured in local currency. Sales in Asia were flat measured in USD and increased by 6% measured in local currency.

Gross profit was USD 97.1 million, compared to USD 111.5 million in the first half of 2008, decreasing by 13%. Net of exchange rate effects the gross profit margin remains at similar level as the same period last year.

Other income amounted to USD 0.3 million compared to USD 7.0 million in the first half of 2008. One-time income in 2008 includes USD 6.5 million sales gain, realized through the divestment of a wound care product line.

Operational expenses as a ratio to sales remain the same or 49%, compared to the first half of 2008. Net of exchange rate effects, operating expenses decrease by USD 1.3 million or 1.5 percentage points.

Profit from operations amounted to USD 19.6 million and 12% as a ratio to sales, compared to USD 29.8 million and 17% in the first half of 2008, a decrease of 34%. Excluding exchange rate effects, the decrease is 26%.

Net financial expenses for the first half amounted to USD 5.4 million, compared to USD 14.1 million for the first half of 2008, decreasing 62%. Total exchange rate differences amounted to USD 0.7 million. In the first quarter of 2008 the strengthening of the Euro against the US dollar, resulted in a significant negative exchange rate loss, mostly related to the Company's long term dept in Euros. No forward contracts were in effect in the period.

Net profit for the period amounted to USD 11.1 million, compared to 10.6 million, in the first half of 2008.

EBITDA amounted to USD 29.8 million and 19% of sales, compared to USD 42.0 million and 23% of sales, in the first six months of 2008. EBITDA adjusted for one-time income and expenses amounted to USD 31.5 million and 20% of sales, compared to USD 36.7 million and 20% of sales, for the first half of 2008. Adjustments for one-time cost in 2009 amount to USD 1,7 million, including severance payments. Adjustments for one-time income in the first half of 2008 include USD 5.5 million, due to the divestment of the wound care product line.

Opportunities for an additional listing explored

As already communicated the Company is exploring a possible additional listing. The Company's management is evaluating the options and no decisions have been made. The aim of the additional listing would be to facilitate liquidity and fair pricing of the stock and to ensure a foundation for further growth of the Company.

Approval of Financial Statements

The Ossur hf. Consolidated Financial Statements for the second quarter of 2009 were approved at a meeting of the Board of Directors on 27 July 2009. The statements are prepared in compliance with International Financial Reporting Standards (IFRS), and have been reviewed and endorsed by the Company's auditors without comments.

Further information

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

The estimated dates of publication of financial reports in 2009 are as follows:

Events	Date
3rd Quarter	27 October 2009
4th Quarter	4 February 2010
2009 Annual General Meeting	**23 February 2010**

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About Ossur
Ossur (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", Ossur 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 Ossur's educational programs and business solutions. Headquartered in Iceland, Ossur 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. Ossur 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.