Ossur First Quarter Report 2009

Life Without Limitations

Press release from Ossur hf.

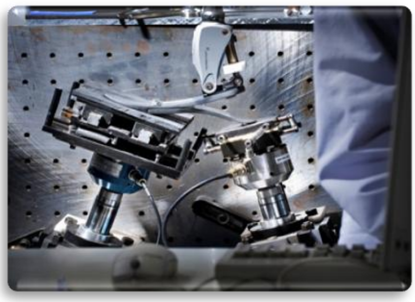
Reykjavik, 28 April 2009

First Quarter 2009 Financial Highlights

- Sales USD 77.2 million, down by 13%, down by 4% measured in LCY
- EBITDA USD 12.9 million, down by 26%*
- EBITDA margin 17%, compared to 20%* in Q1 2008
- Net profit USD 7.6 million, compared to USD 6.7 million in Q1 2008
- EPS diluted 1.79 US cents, compared to 1.58 US cents in Q1 2008
- Cash EPS diluted 2.98 US cents, the same as in Q1 2008

Jon Sigurdsson, President & CEO, comments:

"The first quarter shows slower sales than anticipated, declining by 4% measured in local currency. Sales in the first quarter are affected by the slowdown in the economy, in all our major markets. Sales in prosthetics are in line with the market whereas sales of bracing and supports in the Americas continue to be challenging. We have made some extensive changes in the leadership in the sales and marketing in the Americas which we believe will return positive results for this segment. In 2009 we have an exciting product pipeline and in the first quarter two new products were introduced."



*NOTE: Excluding one-time gain in Q1 2008

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

Ossur announces the results of the first quarter of 2009 before the opening of the markets on Tuesday 28 April.

Tuesday 28 April 2009 Jon Sigurdsson, President and CEO, and Hjorleifur Palsson, CFO, will host a meeting presenting and discussing the results of the first quarter for investors, analysts and shareholders. The meeting will be at the Company Headquarters, at Grjothals 5 in Reykjavik and will be 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

Operating results for the first quarter of 2009

Income Statements (USD '000)	Q1 2009	% of sales	Q1 2008	% of sales	Change
Net sales	77,180	100.0%	88,870	100.0%	-13.2%
Cost of goods sold	(30,155)	-39.1%	(33,786)	-38.0%	-10.7%
Gross profit	**47,025**	**60.9%**	**55,084**	**62.0%**	**-14.6%**
Other income	227	0.3%	5,739	6.5%	-96.0%
Sales & marketing expenses	(24,063)	-31.2%	(25,406)	-28.6%**	-5.3%
Research & development expenses	(4,965)	-6.4%	(5,424)	-6.1%	-8.5%
General & administrative expenses	(10,375)	-13.4%	(12,952)	-14.6%	-19.9%
Profit from operations	**7,849**	**10.2%**	**17,041**	**19.2%**	**-53.9%**
Financial income	5,284	6.8%	93	0.1%	5581.7%
Financial expenses	(3,387)	-4.4%	(9,136)	-10.3%	-62.9%
Profit before tax	**9,746**	**12.6%**	**7,998**	**9.0%**	**21.9%**
Income tax	(2,173)	-2.8%	(1,314)	-1.5%	65.4%
Net profit for the period	**7,573**	**9.8%**	**6,684**	**7.5%**	**13.3%**
EBITDA	**12,865**	**16.7%**	**22,950**	**25.8%****	**-43.9%**
EBITDA adjusted*	**13,593**	**17.6%**	**17,449**	**19.6%**	**-22.1%**

* Adjusted for one-time income and expenses.

** Including one-time income of USD 5.5 million sales gain realized through divestment of the advanced wound care product line.

NOTE: Numbers for Q1 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 first quarter of 2009

The total sales in the first quarter amounted to USD 77.2 million, compared to USD 89 million in 2008. Exchange rate trends had a negative impact on sales amounting to USD 8.2 million. Sales declined by 13% measured in USD and 4% measured in local currency. Sales in January were slow but increased gradually during the quarter. Customers are cautious due to uncertainty and slowdown in the economy, affecting the sales.

The gross profit was USD 47.0 million compared to USD 55.1 million in the same period in 2008, decreasing by 15%. Net negative effects of exchange rate developments amount to USD 3.4 million. Net of exchange rate effects, the gross profit margin decreased by 2.9 percentage points. The decrease is partly due to revaluation of inventory, relating to the significant weakening of the Icelandic Krona. Slow sales also affect the ratio due to fixed cost.

Other income amounted to USD 227 thousand compared to 5.7 million in the first quarter of 2008. Included in the first quarter of 2008 is one-time income of USD 5.5 million sales gain realized through the divestment of the advanced wound care product line.

Operating expenses as a ratio to sales were 51%, compared to 49% in the first quarter of 2008. The ratio of operating expenses to sales increased by 1.8 percentage points due to fixed cost and lower sales. Net of exchange rate effects the operating expenses remained unchanged in USD.

Profit from operations amounted to USD 7.8 million or 10% of sales, compared to USD 17.0 million and 19% of sales in the same period of 2008. Net of exchange rate differences and unusual income, profit from operations decreased by 41%. Affecting the ratio to sales are slow sales and fixed cost.

Amortization of intangible assets relating to acquisitions amounted to USD 3.1 million, compared to USD 3.6 million in the first 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. Amortization due to acquisitions in the past is estimated to drop significantly in 2010.

The net financial expenses in the first quarter were positive by USD 1.9 million compared to expenses of USD 9.0 million in the same period in 2008. This is mainly due to exchange rate developments of the EUR against the USD. Exchange rate difference reversed from being negative by USD 4.2 million in the first quarter of 2008 to being positive by USD 5.2 million in the first quarter of 2009. Exchange rate effects are mostly due to the EUR portion of the long term liabilities, a gain of USD 3.2 million. No forward contracts were in effect in the period.

Following the collapse of Kaupthing Bank in October 2008, the treatment of Ossur’s interest rate swap agreements is subject to uncertainty. Ossur has formally declared the agreements void and invalid, mainly based on the counterparty’s inability to fulfil its obligations according to the agreements. At the end of March the market value of the agreements amounted to minus USD 10.9 million. Changes in market value net of tax are realized through equity.

Income tax was USD 2.2 million, corresponding to a 22% effective tax rate, compared to USD 1.3 million and 16% in the first quarter of 2008. Partly affecting the tax rate, are lower tax benefits as current liabilities have decreased. The effective tax rate in the quarter is within the range of 20-25%, which is expected for the year.

Net profit amounted to USD 7.6 million, compared to USD 6.7 million in the same period of 2008.

EBITDA was USD 12.9 million, 17% of sales, compared to USD 23.0 million and 26% of sales in the first quarter of 2008. EBITDA adjusted amounted to USD 13.6 million and 18% of sales in the first quarter of 2009 and USD 17.4 million and 20% in the first quarter of 2008. One-time expenses in 2009 amounted to USD 728 thousand, including severance payments. One-time income in 2008 included sales gain of USD 5.5 million realized through the divestment of the advanced wound care product line.

Product groups

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

USD ‘000	Q1 2009	% of sales	Growth USD	Growth LCY
Bracing & supports	39,149	51%	-17%	-8%
Prosthetics	32,800	42%	-5%	4%
Compression therapy	4,663	6%	-21%	-9%
Other	568	1%	-60%	-52%
Total	**77,180**	**100%**	**-13%**	**-4%**

Bracing and supports

Sales of bracing and supports declined by 17%. Sales measured in local currency declined by 8%. Sales of bracing and supports in the Americas has been below targets for the past year and consequently some changes have been made such as a change of leadership in sales and marketing. Various changes made in the Americas in the past year are expected to have positive effects on sales in the course of the year. Sales of bracing and supports in EMEA were also rather slow in the quarter.

In the first quarter of 2009 two new products in this segment were introduced, Cold Rush™ Cold Therapy System and Hiptric™. Cold Rush™ Cold Therapy System is an effective and soothing treatment for reducing post-operative pain and swelling and Hiptric™ is a post operative brace that is designed to protect patients following total hip replacements or other hip joint surgeries, injuries or problems that can benefit from range-of-motion control.

Numerous new products and product upgrades in this segment are expected to be introduced during the year.

Prosthetics

Sales in prosthetics declined by 5% measured in USD. Sales measured in local currency grew 4% which is believed to be in line with market growth. Flex-Foot Assure, which was launched in the fourth quarter of 2008, has been extremely well received and sales are above expectations. Flex-Foot Assure incorporates basic Flex-Foot technology that allows a soft and stable gait with the benefits of a dynamic response.

In 2009 some exciting new products and product upgrades are expected.

Compression therapy

Sales of compression therapy products declined by 21%. Sales measured in local currency declined by 9%. Significant effort was made in 2008 to renew the compression therapy product line, complete the range of new products and to sell the new range into pharmacies. Sales decline in the first quarter is mainly due to smaller orders from the pharmacies, in order to reduce stock levels. Sales of compression therapy products started off slowly in January but gradually increased during the quarter.

Geographical markets

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

USD '000	Q1 2009	% of sales	Growth USD	Growth LCY
Americas	35,988	46%	-9%	-8%
EMEA	38,362	50%	-18%	-1%
Asia	2,831	4%	5%	12%
Total	**77,180**	**100%**	**-13%**	**-4%**

Americas

Sales in Ossur Americas declined by 9% and 8% measured in local currency. In the first quarter changes were made in the leadership of sales and marketing, concluding the changes in the Americas. Ossur Americas has been awarded a supplier contract with Novation, the contracting services company of VHA Inc., University Health System Consortium (UHC) and Provista. Based on the contract, Ossur will participate in a 5-year agreement to supply functional knee bracing and supports, post-operative bracing and other soft goods to Novation members. Participation in GPO (Group Purchasing Organization) contracts is a positive addition to the current customer group of bracing and support products, and an important opportunity for Ossur Americas to further diversify its customer group.

Sales in the Americas accounted for 46% of total sales, compared to 45% in the first quarter of 2008.

EMEA (Europe, The Middle East and Africa)

Sales in EMEA declined by 18% measured in USD and 1% measured in local currency. Slowdown in the economy contributes to the sales decrease in EMEA through a significant decline in the sales in the UK service clinics. Gibaud sales declined by 3% measured in local currency.

As already communicated, focus on the comfort product line at Gibaud, which is non-reimbursed, has been decreased over the last two years. Sales of bracing and supports at Gibaud, excluding the comfort product line, grew by 5% measured in local currency. Measured in local currency, the decline of this product line affects the bracing and supports sales in EMEA by 2.0 percentage points. At Gibaud, this effects the overall sales growth by 3.1 percentage points and the overall growth of EMEA by 1.2 percentage points.

Sales in EMEA accounted for 50% of total sales, compared to 52% in the first quarter last year.

Asia

Sales growth in Asia was 5% and 12% measured in local currency.

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

Balance Sheets

Consolidated Balance Sheets (USD '000)	31 March 2009	31 Dec. 2008	Change
Fixed assets	448,814	458,046	-2%
Current assets	132,778	145,732	-9%
Total assets	**581,592**	**603,778**	**-4%**
Stockholders' equity	247,050	249,648	-1%
Long-term liabilities	260,778	222,036	17%
Current liabilities	73,764	132,094	-44%
Total equity and liabilities	**581,592**	**603,778**	**-4%**
Current ratio	1.8	1.1	
Equity ratio	42%	41%	
Net Debt / EBITDA LTM	3.2	2.9	

The equity ratio at the end of the period was 42% 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. The decrease of assets is mainly due to change in the EUR/USD exchange rate.

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

Cash Flow

Cash Flow (USD '000)	Q1 2009	% of Sales	Q1 2008	% of sales
Working capital provided by operating activities	9,007	12%	19,505	22%
Net cash provided by operating activities	7,003	9%	14,278	16%

Working capital from operating activities decreased by 53.8%. Affecting the comparison between years is one-time income in the first quarter of 2008, due to sales gain realized through divestment of the wound care product line. Excluding the one-time income in 2008, the decrease between years is 35.7%. Net cash provided by operating activities decreased by 50.9% between years.

Capital investments amounted to USD 1.6 million or 2.1% of sales, compared to USD 1.7 million or 1.9% of sales in the same period of 2008.

Ossur is cash generative and cash at the end of the period amounted to USD 26 million. A revolving credit line facility was drawn for USD 9.6 million.

Earnings per Share

Earnings Per Share	Q1 2009	Q1 2008	Change
EPS diluted (US cents)	1.79	1.58	13%
Cash EPS diluted (US cents)	2.98	2.98	0%

Five Quarter Comparison

Five Quarter Comparison (USD '000)	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net sales	77,180	79,440	86,470	92,055	88,870
Gross profit	47,025	49,011	53,709	56,399	55,084
Profit from operations	7,849	10,815	15,358	12,744	17,041
Financial income / (expenses)	1,897	(5,969)	2,382	(5,095)	(9,043)
Profit before tax	9,746	4,846	17,740	7,649	7,998
Net profit	7,573	4,171	13,689	3,944	6,684
EBITDA	12,865	16,324	21,128	19,038	22,950
EBITDA adj*	13,593	16,847	19,112	19,038	17,449
Gross profit margin	61%	62%	62%	61%	62%
EBITDA margin	17%	21%	24%	21%	26%
EBITDA adj.* margin	18%	21%	22%	21%	20%
Stockholders' equity	247,050	249,648	264,383	268,931	259,336
Total assets	581,592	603,778	614,944	645,924	651,358
Current ratio	1.8	1.1	1.1	1.1	0.6
Equity ratio	42%	41%	43%	42%	40%
Net debt / EBITDA LTM	3.2	2.9	3.2	3.5	3.6
Net debt / EBITDA LTM adj.*	3.3	3.3	3.7	4.3	4.4
Working capital from operating activities	9,007	7,877	17,336	13,352	19,505
Net cash provided by operating activities	7,003	19,372	11,809	7,376	14,278
Earnings per share (US cents)	1.79	0.99	3.24	0.93	1.58
Cash earnings per share (US cents)	2.98	2.29	4.60	2.42	2.98

Price per share at period end (ISK)	89.7	99.8	93.8	93.4	92.7
Market value at period end (USD million)	310	349	391	498	511

* Adjusted for one-time income and expenses.

Operating prospects

Slowdown of the economy in the Company's major markets affects the results of the Company in the first quarter. Uncertainties and extreme volatility in currency fluctuations make it difficult to provide operational outlook for the year. The management's estimate, based on the assumptions that its core markets stay relatively unaffected, is a flat growth in local currency.

Since the listing of the Company in 1999, efforts have been put into maintaining the IR policy of the Company. Focus has been on servicing the Company's investors in the best way possible with the ambition to maximise all communications and interaction with the market and the stakeholders. Since the collapse of the economy last autumn, the equity market in Iceland is more limited in size and liquidity and is experiencing disruptions, combined with national currency restrictions. Currently the Company is exploring its options to diminish these challenges for the shareholders, including a possible additional listing. The aim is to facilitate liquidity and fair pricing of the stock and to be able to raise equity capital for further growth of the Company.

Approval of Financial Statements

The Ossur hf. Consolidated Financial Statements for the first quarter of 2009 were approved at a meeting of the Board of Directors on 27 April 2009. The statements are prepared in compliance with International Financial Reporting Standards (IFRS).

Further information

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

Events	Date
2nd Quarter	28 July 2009
3rd Quarter	27 October 2009
4th Quarter	4 February 2010
2009 Annual General Meeting	**19 February 2010**

Ossur press releases by e-mail

If you wish to receive Ossur press releases by e-mail please register at the following web-site: http://www.ossur.com/investormailings.

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.