

Ossur Acquires US Orthotics Company Royce Medical

July 28, 2005 (REYKJAVIK, ICELAND) - Ossur, a trusted and leading global supplier of prosthetic and orthotic devices, announced today that after finalizing due diligence, it has agreed to acquire orthotics manufacturer Royce Medical Holding Inc, of Camarillo, California, in a transaction valued at approximately 216 million USD. The transaction is expected to close in August 2005 and is subject to US regulatory approvals.

This is Ossur's largest acquisition to date, and is in line with Ossur's strategic growth plans of increased focus on the orthotics industry.

"The acquisition of Royce Medical will move Ossur significantly closer to realizing its strategic objectives in the orthotics market. Together, Ossur and Royce Medical will be greater than the sum of their parts, and the transaction will position Ossur as one of the leading orthotics companies in the US market," said Jon Sigurdsson, president & CEO of Ossur. "For years, Ossur has been a leading company in the design and manufacture of prosthetics and we now intend to gain the same footing in orthotics," he added.

"The merger of the two companies will enhance the value proposition for our employees, our customers and our other stakeholders" said Rodney Boone, President & CEO of Royce Medical. "The combination of the two companies will create a strong platform for further development in the US market for orthotics. With the knowledge and experience of our employees, Ossur will in the future be able to expand its presence in a fragmented market, and we look forward to taking part in the challenging opportunity that has been created with this exciting combination," he stated.

Royce Medical is a well established manufacturer and distributor of orthotic products, and has shown high growth and solid profitability in recent years. Its main products include:

- Technologies for treatment of sprains, strains, fractures and post-operative care
- A variety of orthopedic braces and supports, including walkers and soft braces
- Diabetic foot care products and walkers for the treatment of diabetic foot ulcers
- Collars for the immobilization of the spine

Royce Medical has had strong performance in recent years. On an unaudited basis and pro forma for certain acquisitions, the company generated sales of approximately USD 68 million in the twelve month period ending June 30th. 2005. Earnings before interest, tax, depreciation and amortization (EBITDA) totaled USD 18 million, implying an EBITDA margin of 26%. Earnings before interest and tax (EBIT) totaled approximately USD 17 million, implying a margin of 25%. Royce Medical has tax benefits, which are expected to save Ossur approximately 35 million USD in taxes over the next 13 years. Royce Medical will be acquired without any outstanding debt.

For the twelve month period beginning July 1st. 2004 and ending June 30th 2005, the pro forma combined sales for Ossur and Royce Medical totaled approximately 196 million USD, and EBITDA amounted to approximately 43 million USD. According to integration plans, integration and restructuring costs are expected to be approximately 5 million USD, leading to future annual operating expense savings of 3 to 3.5 million USD, beginning in 2007. Ossur expects to expense all of the restructuring charges in the third quarter 2005.

Key benefits of the acquisition of Royce Medical

- Acceleration of Ossur's progress toward becoming one of the top players in orthotics
- Substantial increase in Ossur's scale and presence in the US orthotics market
- Increased opportunities for sales of Ossur products through Royce Medical's sales channels in North America
- Increased opportunities for sales of Royce products through Ossur's sales channels in Europe
- Complementary businesses with minimal product overlap

- Royce Medical enjoys a strong management team with rich experience in the US medical products market
- Creation of a new opportunity to leverage Ossur's bionic technology into orthotics.

Royce Medical

Royce Medical was founded in 1968 and has operations in California and New Jersey, with 321 employees. The company began as a post-operative and cast shoe supplier, and expanded its product line in 1981. Royce Medical currently holds 57 patents and fourteen patents are pending. Most products of Royce Medical are produced in Asia. Website:

www.roycemedical.com

Refinancing and rights issue

The seller of Royce Medical is Cortec Group Fund III LP., a leading private equity fund that acquired Royce Medical in 2003.

"Jeff Lipsitz, Senior Managing Director of Cortec Group, said "It has been a privilege to own Royce and work closely with management in the process of creating value over the last two years. Ossur is acquiring a very special business and the prospects of the combination are very exciting."

Banc of America Securities Limited and the Investment Banking division of Kaupthing Bank, Iceland advised Ossur on the transaction. Kaupthing Bank will manage the financing of the transaction. In addition to the acquisition of Royce Medical, Ossur intends to re-finance Ossur fully through syndicated debt financing and an upcoming rights issue. The equity offering is scheduled for the autumn of 2005. The total financing will be about USD 313 million, approximately 260 million USD of which will be used to finance the acquisition, refinance Ossur's current outstanding debt, and fund transaction expenses. 33 million USD of the total financing will be available in a revolving and guarantee facility but undrawn.

For further information please contact

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Ossur

Ossur (Icelandic Stock Exchange: OSSR) is a trusted and global leader in the development, manufacturing, distribution, sales and marketing of high technology orthotic and prosthetic devices. With its head office in Reykjavik, Iceland, the company's U.S. sales and marketing headquarters are located in Aliso Viejo, California; the Canadian office is in Vancouver, BC; the Nordic office is in Uppsala, Sweden; and the European office is in Eindhoven, Holland. The company has a considerable distribution network in other markets. Given its mission to offer people a life without limitations, Ossur allocates an industry record of 6-8 percent of its revenue on medical technology research and development, and provides extensive education programs through the Ossur Academy. The company also sponsors a variety of community outreach programs and non-profit organizations. Combined companies have 912 employees. Website: www.ossur.com.

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