

Ossur hf.

Condensed Consolidated
Financial Statements

June 30th 2009

Ossur hf.
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110 Reykjavik
Id-no. 560271-0189

Ossur hf.

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Table of Contents

Statement by the Board of Directors and President and CEO	2
Financial Ratios	3
Report on Review of Financial Information	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9
Notes to the Condensed Consolidated Financial Statements	10

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Ossur hf. for the period from 1 January to 30 June 2009 consist of the Condensed Interim Consolidated Financial Statements of Ossur hf. and its subsidiaries. The Condensed Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU.

The total sales of the Ossur Consolidation amounted to USD 158.5 million. The net profit amounted to USD 11.1 million and according to the Balance Sheets the total assets of the Ossur Consolidation amounted to USD 598.9 million at the end of period, liabilities were 334.2 million, and equity was 264.7 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's assets and liabilities, financial position at 30 June 2009 and operating performance of the period ended 30 June 2009.

In our opinion the Condensed Interim Consolidated Financial Statements and Statement by the Board of Directors and President and CEO give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the President and CEO of Ossur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 June 2009 and confirmed with their signatures.

Reykjavik, 27 July 2009

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristjan T. Ragnarsson

Thordur Magnusson

Svafa Gronfeldt

President and CEO

Jon Sigurdsson

Financial Ratios

Consolidated statement

		YTD 2009	YTD 2008	2008	2007	2006	2005
Growth							
Net sales ²	USD '000	158,525	180,925	346,835	331,966	248,653	159,827
EBITDA	USD '000	29,823	41,988	79,440	64,392	39,493	25,832
Profit from operations	USD '000	19,622	29,785	55,958	39,716	19,743	16,525
Net income	USD '000	11,073	10,628	28,488	7,580	4,360	11,688
Total assets	USD '000	598,879	645,924	603,778	635,821	612,752	407,986
Operational performance							
Cash provided by operating activities	USD '000	24,699	21,654	52,835	45,701	15,988	15,481
- as ratio to total debt ¹	%	16	13	14	11	5	10
- as ratio to net result		2.2	2.0	1.9	6.0	3.7	1.3
Working capital from operating activities	USD '000	21,434	32,857	58,070	43,991	24,663	18,954
- as ratio to long-term debt and Equity ¹	%	9	10	15	11	6	8
Liquidity and solvency							
Quick ratio		1.2	0.6	0.7	0.5	0.4	1.4
Current ratio		1.9	1.1	1.1	0.9	0.6	2.1
Equity ratio	%	44	42	41	39	26	37
Asset utilization and efficiency							
Total asset turnover ¹		0.5	0.5	0.6	0.5	0.5	0.6
Grace period granted ¹	Days	51	54	49	55	46	44
Profitability							
Return on capital ¹	%	9	7	9	5	5	10
Return on common equity ¹	%	11	8	11	4	3	15
Operating profit as ratio to net sales	%	12	16	16	12	8	10
Net income before taxes as ratio to net sales	%	9	9	11	2	0	8
Net income for the period as ratio to net sales	%	7	6	8	2	2	7
Market							
Market value of equity	USD '000	384,667	498,463	349,263	672,024	605,572	695,125
Price/earnings ratio, (P/E) ¹		13.3	25.7	12.3	88.7	138.9	59.5
Price/book ratio		1.5	1.9	1.4	2.7	3.7	4.5
Number of shares	Millions	423	423	423	423	385	385
Earnings per Share, (EPS) ¹	US Cent	6.84	4.74	6.74	1.94	1.13	3.53
Diluted Earnings per Share, (Diluted EPS) ¹	US Cent	6.84	4.73	6.73	1.94	1.13	3.52
Cash EPS ¹	US Cent	11.92	9.85	12.29	8.24	6.27	6.34
Diluted Cash EPS ¹	US Cent	11.92	9.84	12.29	8.24	6.27	6.33

Notes

1. Financial ratios for YTD 2009 and YTD 2008 are based on operations for the preceding 12 months.

2. Freight revenues from customers have been reclassified to operating expenses in all years.

Report on Review of Financial Information

To the Board of Directors and shareholders of Ossur hf.

Introduction

We have reviewed the accompanying statement of financial position of Ossur hf. as of June 30, 2009 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this financial information in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. Our responsibility is to express a conclusion on this financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view of the financial position of the entity as at June 30, 2009, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 as adopted by the EU, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards.

Kopavogur, 27 July 2009

Deloitte hf.

Sigurður Pall Hauksson
State authorized public accountant

Thorsteinn Petur Gudjonsson
State authorized public accountant

Consolidated Statement of Comprehensive Income for the period 1.1 - 30.6 2009 and 1.1. - 30.6.2008

	Notes	YTD 2009	YTD 2008	Unreviewed	
				2009 Q2	2008 Q2
Net sales	3	158,525	180,925	81,345	92,055
Cost of goods sold		<u>(61,439)</u>	<u>(69,442)</u>	<u>(31,284)</u>	<u>(35,656)</u>
Gross profit		97,086	111,483	50,061	56,399
Other income	5	347	7,003	120	1,264
Sales and marketing expenses		(47,168)	(50,946)	(23,105)	(25,540)
Research and development expenses		(9,778)	(10,803)	(4,813)	(5,379)
General and administrative expenses		<u>(20,865)</u>	<u>(26,952)</u>	<u>(10,490)</u>	<u>(14,000)</u>
Profit from operations		19,622	29,785	11,774	12,744
Financial income	6	873	198	70	105
Financial expenses	6	<u>(6,322)</u>	<u>(14,336)</u>	<u>(7,416)</u>	<u>(5,200)</u>
Profit before tax		14,173	15,647	4,428	7,649
Income tax	7	<u>(3,100)</u>	<u>(5,019)</u>	<u>(927)</u>	<u>(3,705)</u>
Net profit		<u>11,073</u>	<u>10,628</u>	<u>3,501</u>	<u>3,944</u>
Other comprehensive income					
Gain / (loss) on hedge of a net investment in foreign operations		235	6,784	(2,875)	288
Cash flow hedges		(37)	(382)	1,369	6,233
Transl. difference of shares in foreign operations.....		3,804	2,544	15,549	(315)
Income tax relating to components of other comprehensive income		<u>(26)</u>	<u>(835)</u>	<u>70</u>	<u>(976)</u>
Other comprehensive income (net of tax).....		<u>3,976</u>	<u>8,111</u>	<u>14,113</u>	<u>5,230</u>
Total comprehensive income		<u>15,049</u>	<u>18,739</u>	<u>17,614</u>	<u>9,174</u>
Earnings per Share					
Basic Earnings per Share	8	<u>2.62</u>	<u>2.51</u>	<u>0.83</u>	<u>0.93</u>
Diluted Earnings per Share		<u>2.62</u>	<u>2.51</u>	<u>0.83</u>	<u>0.93</u>

Consolidated Statement of Financial Position

Assets

	Notes	30.06.2009	31.12.2008
Non-current assets			
Property, plant and equipment	10	32,898	32,927
Goodwill	11	324,565	322,381
Other intangible assets	12	38,975	45,175
Financial assets	14	2,062	1,156
Deferred tax asset	23	59,063	56,407
		<u>457,563</u>	<u>458,046</u>
Current assets			
Inventories	16	50,822	55,818
Accounts receivables	17	46,211	43,821
Other receivables	17	8,417	9,828
Financial assets	14	196	203
Tax asset	23	0	5,156
Bank balances and cash	15	35,670	30,906
		<u>141,316</u>	<u>145,732</u>
Total assets		<u>598,879</u>	<u>603,778</u>

30 June 2009 and 31 December 2008

Equity and liabilities

	Notes	30.06.2009	31.12.2008
Equity			
Issued capital	18	172,902	172,902
Reserves	19	(251)	(4,257)
Retained earnings	20	92,076	81,003
		<u>264,727</u>	<u>249,648</u>
Non-current liabilities			
Borrowings	22	218,516	183,117
Deferred tax liabilities	23	26,519	27,076
Provisions	24	4,340	3,575
Financial liabilities	14	9,445	9,474
		<u>258,820</u>	<u>223,242</u>
Current liabilities			
Borrowings	22	30,331	82,070
Accounts payable		11,531	13,593
Tax liabilities		1,394	1,434
Provisions	24	4,965	7,659
Other liabilities	25	27,111	26,132
		<u>75,332</u>	<u>130,888</u>
Total equity and liabilities		<u><u>598,879</u></u>	<u><u>603,778</u></u>

Consolidated Statement of Cash Flows

for the period 1.1. - 30.6.2009 - and 1.1. - 30.6.2008

	Notes	YTD 2009	YTD 2008
Cash flows from operating activities			
Profit from operations		19,622	29,785
Depreciation and amortization	10, 12	10,200	12,203
Gain on disposal of assets		59	41
Changes in operating assets and liabilities		2,408	(10,141)
Cash generated by operations		<u>32,289</u>	<u>31,888</u>
Interest received		143	1,536
Interest paid		(4,698)	(9,473)
Taxes paid		<u>(3,035)</u>	<u>(2,297)</u>
Net cash provided by operating activities		<u>24,699</u>	<u>21,654</u>
Cash flows from investing activities			
Purchase of fixed assets	10, 12	(3,803)	(3,865)
Proceeds from sale of fixed assets		194	958
Changes in financial assets		(82)	13
		<u>(3,691)</u>	<u>(2,894)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		2,268	0
Repayments of short-term borrowings		0	(15,595)
Repayments of long-term borrowings		(18,902)	(8,052)
Cost due to increasing capital	18	0	(396)
		<u>(16,634)</u>	<u>(24,043)</u>
Net change in cash		4,374	(5,283)
Effects of foreign exchange adjustments		390	604
Cash at beginning of period		<u>30,906</u>	<u>15,889</u>
Cash at end of period		<u>35,670</u>	<u>11,210</u>
Additional information regarding cash flow	9		

Consolidated Statement of Changes in Equity for the period ended 30 June 2009

	Share capital	Share premium	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Accumulated profits	Total equity
Balance at 1 January 2008.....	4,821	168,477	1,043	332	552	22,379	52,677	250,281
Net profit.....							10,628	10,628
Gain on hedge of a net investment in foreign operations net of tax.....						5,899		5,899
Loss on cash flow hedges net of tax.....					(332)			(332)
Translation difference of shares in foreign companies.....						2,544		2,544
Total comprehensive income for the period.....	0	0	0	0	(332)	8,443	10,628	18,739
Cost due to increasing capital.....		(396)						(396)
Share option charge for the period.....				307				307
Balance at 30 June 2008.....	4,821	168,081	1,043	639	220	30,822	63,305	268,931
Balance at 1 January 2009.....	4,821	168,081	1,205	989	(8,053)	1,602	81,003	249,648
Net profit.....							11,073	11,073
Gain on hedge of a net investment in foreign operations net of tax.....						204		204
Loss on cash flow hedges net of tax.....					(32)			(32)
Translation difference of shares in foreign operations.....						3,804		3,804
Total comprehensive income for the period.....	0	0	0	0	(32)	4,008	0	15,049
Share option charge for the period.....				30				30
Balance at 30 June 2009.....	4,821	168,081	1,205	1,019	(8,085)	5,610	92,076	264,727

Notes to the Condensed Consolidated Financial Statements

1. General information

Ossur hf. is a global orthopaedics company, specializing in the development, manufacturing and sales of prosthetics, bracing and support and compression therapy products. The principal market areas of the Company are Americas, Europe, Middle East and Africa (EMEA) and Asia, which are served by subsidiaries in the United States, Canada, Sweden, the Netherlands, UK, France, Australia and China in addition to the Iceland-based parent company.

The main production of the Company is conducted at Ossur hf. in Iceland, Gibaud Group (La Tour Finance) in St. Etienne, Trevoux in France and at Ossur Americas in California USA. Part of the production is outsourced to Asia.

According to the Company's organizational structure, the consolidation is divided into four main functions; Corporate Finance, responsible for overall financial management; Manufacturing & Operations, responsible for all production, inventory management and distribution; Research & Development, responsible for product development, product management and quality control; Sales & Marketing responsible for sales and marketing through the subsidiaries.

2. Summary of Significant Accounting Policies

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. They do not include all of the information required for full annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Company for the period ended 31 December 2008. The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for the revaluation of financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the period ended 31 December 2008.

3. Net sales

Specified according to geographical segments:

	<u>YTD 2009</u>	<u>YTD 2008</u>
Americas.....	75,206	78,364
EMEA.....	77,327	96,584
Asia.....	5,991	5,977
	<u>158,525</u>	<u>180,925</u>

Specified according to product lines:

Prosthetics.....	69,216	73,256
Bracing and support.....	79,414	95,165
Compression Therapy (Phlebology).....	8,745	11,145
Other products.....	1,150	1,359
	<u>158,525</u>	<u>180,925</u>

Specified according to currency:

US Dollar, USD.....	75,561	80,731
Euro, EUR.....	56,635	65,409
British Pound, GBP.....	9,110	13,691
Canadian dollar, CAD.....	6,724	8,079
Swedish Krona, SEK.....	5,053	6,584
Norwegian Krona, NOK.....	2,864	3,587
Australian Dollar, AUD.....	1,094	1,121
Icelandic Krona, ISK.....	642	1,063
Other.....	842	659
	<u>158,525</u>	<u>180,925</u>

Notes to the Condensed Consolidated Financial Statements

4. Geographical segments

The Company uses geographical markets as its primary segments. Segment information is presented below, according to location of customers:

2009	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2009	YTD 2009	YTD 2009	YTD 2009	YTD 2009
Revenue					
External sales.....	75,206	77,327	5,991	0	158,525
Inter-segment sales.....	9,349	25,043	0	(34,392)	0
Total revenue.....	<u>84,556</u>	<u>102,370</u>	<u>5,991</u>	<u>(34,392)</u>	<u>158,525</u>

Inter-segment sales are calculated from production cost.

Result

Segment result.....	<u>8,034</u>	<u>10,225</u>	<u>1,362</u>	<u>0</u>	19,622
Financial income/(expenses).....					<u>(5,449)</u>
Profit before tax.....					14,173
Income tax.....					<u>(3,100)</u>
Net profit.....					<u>11,073</u>

Other information

Capital additions.....	930	2,758	115	0	3,803
Depreciation and amortization.....	5,891	4,218	91	0	10,200

Balance sheet

	30.06.2009	30.06.2009	30.06.2009	30.06.2009	30.06.2009
Assets					
Segment assets.....	406,650	941,399	5,694	(754,864)	<u>598,879</u>
Liabilities					
Segment liabilities.....	294,765	550,593	7,549	(518,755)	<u>334,152</u>

Notes to the Condensed Consolidated Financial Statements

2008	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2008	YTD 2008	YTD 2008	YTD 2008	YTD 2008
Revenue					
External sales.....	78,364	96,584	5,977	0	180,925
Inter-segment sales.....	13,813	40,898	0	(54,711)	0
Total revenue.....	<u>92,177</u>	<u>137,482</u>	<u>5,977</u>	<u>(54,711)</u>	<u>180,925</u>
Result					
Segment result.....	<u>15,929</u>	<u>12,387</u>	<u>1,469</u>	<u>0</u>	29,785
Financial income/(expenses).....					<u>(14,138)</u>
Profit before tax.....					15,647
Income tax.....					<u>(5,019)</u>
Net profit.....					<u>10,628</u>
Other information					
Capital additions.....	1,337	2,471	57	0	3,865
Depreciation and amortization.....	7,975	4,202	26	0	12,203
Balance sheet					
	31.12.2008	31.12.2008	31.12.2008	31.12.2008	31.12.2008
Assets					
Segment assets.....	406,532	926,189	4,245	(733,188)	<u>603,778</u>
Liabilities					
Segment liabilities.....	295,042	553,895	6,353	(501,160)	<u>354,130</u>

Notes to the Condensed Consolidated Financial Statements

5. Other income

Included in other income in 2008 is a gain amounting to 6.5 million USD related to sale of the Advanced Wound Care product line to BSN medical GmbH, a leading global provider of wound care products.

6. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2009	YTD 2008
Financial income		
Bank deposit.....	120	133
Income from financial assets.....	11	57
Other financial income.....	9	8
	<u>140</u>	<u>198</u>
Exchange rate differences.....	733	0
	<u>873</u>	<u>198</u>
 Finance expenses		
Interest on bank overdrafts and loans.....	(6,270)	(9,247)
Other financial expenses.....	(52)	(390)
	<u>(6,322)</u>	<u>(9,637)</u>
Exchange rate differences.....	0	(4,699)
	<u>(6,322)</u>	<u>(14,336)</u>
Net finance costs.....	<u>(5,449)</u>	<u>(14,138)</u>

7. Income tax

Income tax is specified as follows:

	YTD 2009	YTD 2008
Current tax expenses.....	(2,016)	(2,486)
Deferred tax expenses.....	(1,084)	(2,533)
	<u>(3,100)</u>	<u>(5,019)</u>

	YTD 2009		YTD 2008	
	Amount	%	Amount	%
Profit before taxes.....	<u>14,173</u>		<u>15,647</u>	
Income tax calculated at 15%.....	(2,126)	15%	(2,347)	15%
Effect of different tax rates of other jurisdictions.....	(278)	2%	(286)	2%
Effect of nondeductible expenses.....	(430)	3%	(1,025)	7%
Effect of change in tax rate.....	(32)	0%	(882)	6%
Other changes.....	(234)	2%	(479)	3%
	<u>(3,100)</u>	<u>22%</u>	<u>(5,019)</u>	<u>32%</u>

Notes to the Condensed Consolidated Financial Statements

8. Earnings per share

The calculation of Earnings per Share is based on the following data:

	<u>Q2 2009</u>	<u>Q2 2008</u>
Net profit.....	3,501	3,944
Total average number of shares outstanding during Q2 (in thousands).....	422,982	422,982
Total average number of shares including potential shares (in thousands).....	422,449	423,160
Basic Earnings per Share (US cent)	0.83	0.93
Diluted Earnings per Share (US cent)	0.83	0.93

9. Additional information regarding cash flow

	<u>YTD 2009</u>	<u>YTD 2008</u>
Net profit	11,073	10,628
Items not affecting cash	10,361	22,229
Working capital provided by operating activities	21,434	32,857
Decrease / (increase) in inventories	5,174	(2,338)
Increase in receivables	(448)	(12,252)
(Decrease) / increase in payables	(1,461)	3,387
Net cash provided by operating activities	24,699	21,654

Notes to the Condensed Consolidated Financial Statements

10. Property, plant and equipment

Operating fixed assets are specified as follows:

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2008.....	17,274	34,286	28,182	79,742
Additions.....	419	3,870	3,465	7,754
Exchange differences.....	(620)	(1,880)	(1,025)	(3,525)
Disposed of on disposal of a subsidiary.....	0	(1,776)	(794)	(2,570)
Fully depreciated assets.....	0	(471)	0	(471)
At 31 December 2008.....	17,073	34,029	29,828	80,930
Reclassification.....	0	302	0	302
Additions.....	339	1,833	1,631	3,803
Exchange differences.....	76	375	289	740
Eliminated on disposal.....	0	(738)	(50)	(788)
Fully depreciated assets.....	0	(20)	(31)	(51)
At 30 June 2009.....	17,488	35,780	31,669	84,937
Accumulated depreciation				
At 1 January 2008.....	8,351	20,731	14,690	43,772
Charge for the period.....	525	3,339	4,863	8,727
Exchange differences.....	(355)	(1,515)	(585)	(2,455)
Eliminated on disposal.....	0	(954)	(616)	(1,570)
Fully depreciated assets.....	0	(471)	0	(471)
At 31 December 2008.....	8,521	21,130	18,352	48,003
Reclassification.....	0	274	0	274
Charge for the period.....	208	1,502	2,154	3,864
Exchange differences.....	46	319	184	549
Eliminated on disposal.....	0	(558)	(42)	(600)
Fully depreciated assets.....	0	(20)	(31)	(51)
At 30 June 2009.....	8,775	22,647	20,617	52,039
Carrying Amount				
At 30 June 2009.....	8,713	13,133	11,052	32,898
At 31 December 2008.....	8,552	12,899	11,476	32,927

Depreciation classified by operational category, is shown in the following schedule:

	YTD 2009	YTD 2008
Cost of goods sold	1,411	1,958
Sales and marketing expenses	590	328
Research and development expenses.....	149	122
General and administrative expenses	1,714	2,156
	3,864	4,564

Notes to the Condensed Consolidated Financial Statements

11. Goodwill

Cost

At 1 January 2008.....	342,359
Reclassification of Goodwill to deferred tax.....	(3,047)
Addition due to previous acquisitions.....	2,399
Exchange differences.....	(19,330)
At 31 December 2008.....	322,381
Exchange differences.....	2,184
At 30 June 2009.....	324,565

Carrying amount

At 30 June 2009.....	324,565
At 31 December 2008.....	322,381

The carrying amount of goodwill was allocated to the following cash-generating units:

	30.6.2009	31.12.2008
Ossur Americas.....	197,076	196,280
Ossur Europe.....	27,257	25,241
Gibaud.....	97,454	98,283
Ossur Asia.....	2,778	2,577
	<u>324,565</u>	<u>322,381</u>

Notes to the Condensed Consolidated Financial Statements

12. Other intangible assets

	Cust./distrib. relationship	Patent	Trademark	Other	Total
Cost					
At 1 January 2008.....	29,731	16,615	36,307	16,784	99,437
Exchange differences.....	(1,496)	(758)	(1,564)	0	(3,818)
At 31 December 2008.....	28,235	15,857	34,743	16,784	95,619
Reclassification.....	0	(302)	0	0	(302)
Eliminated on disposal.....	(7)	0	0	(167)	(174)
Fully depreciated assets.....	0	(373)	0	(1,184)	(1,557)
Exchange differences.....	284	193	382	0	859
At 30 June 2009.....	28,512	15,375	35,125	15,433	94,445
Amortization					
At 1 January 2008.....	14,097	8,451	5,568	9,524	37,640
Charge for the period.....	8,828	2,362	1,125	2,440	14,755
Exchange differences.....	(916)	(565)	(470)	0	(1,951)
At 31 December 2008.....	22,009	10,248	6,223	11,964	50,444
Charge for the period.....	3,834	1,077	287	1,138	6,336
Reclassification.....	0	(274)	0	0	(274)
Eliminated on disposal.....	0	0	0	(108)	(108)
Fully depreciated assets.....	0	(373)	0	(1,184)	(1,557)
Exchange differences.....	273	138	218	0	629
At 30 June 2009.....	26,116	10,816	6,728	11,810	55,470
Carrying Amount					
At 30 June 2009.....	2,396	4,559	28,397	3,623	38,975
At 31 December 2008.....	6,226	5,609	28,520	4,820	45,175

Amortization classified by operational category, is shown in the following schedule:

	YTD 2009	YTD 2008
Cost of goods sold.....	8	334
Sales and marketing expenses.....	4,395	3,479
Research and development expenses.....	1,732	2,164
General and administrative expenses.....	201	1,662
	6,336	7,639

Notes to the Condensed Consolidated Financial Statements

13. The Consolidation

Name of subsidiary	Place of registration and operation	Ownership %	Principal activity
Ossur Holding, AB.....	Sweden	100%	Holding
Ossur Nordic, AB.....	Sweden	100%	Sales, distribution and services
Ossur Nordic, AS.....	Norway	100%	Sales, distribution and services
Empower H. C. Solution, AB.....	Sweden	100%	No operation
Ossur Americas Holdings, Inc.....	USA	100%	Holding
Ossur Americas, Inc.....	USA	100%	Manufacturer, sales, distribution and services
Empower Business Sol., Inc.....	USA	100%	No operation
Empower Business Solutions, Inc.....	USA	100%	Services
Ossur Funding LLC.....	USA	100%	Holding
Ossur Canada, Inc.....	Canada	100%	Manufacturer, sales, distribution and services
Ossur Europe, BV.....	Netherlands	100%	Sales, distribution and services
Ossur UK, Holdings, Ltd.....	UK	100%	Holding
IMP Holdings, Ltd.....	UK	100%	Holding
Ossur UK, Ltd.....	UK	100%	Sales, distribution and services
TIM Holdings, Ltd.....	UK	100%	Holding
TIM, Ltd.....	UK	100%	Distribution and services
IMP, Ltd.....	UK	100%	R&D and manufacturer
Ortex, Ltd.....	UK	100%	Manufacturer
Ossur Holding France (SAS).....	France	100%	Holding
La tour Finance (SAS).....	France	100%	Holding
Gibaud Pharma (EURL).....	France	100%	Immaterial Operations
Gibaud (SAS).....	France	100%	Manufacturer, sales, distribution and services
Derby Finances (SAS).....	France	50%	Manufacturer
Tournier Bottu (SAS).....	France	100%	Manufacturer
Gibaud Espania (SA).....	Spain	100%	Sales, distribution and services
Gibaud Suisse (SA).....	Swiss	100%	Sales, distribution and services
Ossur Asia Pacific PTY, Ltd.....	Australia	100%	Sales, distribution and services
Ossur Prosth. & Rehabilit. Co, Ltd.....	China	100%	Manufacturer, sales, distribution and services
Gentleheal ehf.....	Iceland	100%	No operation

Ossur hf. operates a finance branch in Switzerland to govern intercompany long-term liabilities.

Notes to the Condensed Consolidated Financial Statements

14. Financial assets (liabilities)

	Current		Non-current	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Derivatives designated and effective as hedging instruments carried at fair value				
Interest rate swaps.....	0	0	(9,444)	(9,474)
Financial assets carried at fair value through profit or loss (FVTPL)				
Non-derivative financial assets.....	0	0	2,061	1,156
Held for trading non-derivative financial assets.....	196	203	0	0
	<u>196</u>	<u>203</u>	<u>2,061</u>	<u>1,156</u>
	<u>196</u>	<u>203</u>	<u>(7,383)</u>	<u>(8,318)</u>

Following the collapse of Kaupthing Bank in October 2008, the treatment of Ossur's interest rate swap agreements has been subject to uncertainty. Ossur has formally declared the agreements void and invalid, based on the counterparty's inability to fulfill its obligations according to the agreements. Kaupthing Bank has argued that the agreements remain in full force. As a precaution, the agreements will continue to be accounted for according to International Financial Reporting Standards in the Company's Consolidated Financial Statements. At the end of June their market value amounted to minus 9.4 million (2008: 9.5 million). Changes in market value net of tax are realized through equity.

15. Bank balances and cash

	30.06.2009	31.12.2008
Bank accounts.....	32,880	27,836
Bankers draft received.....	2,434	2,840
Cash and other cash equivalents.....	356	230
	<u>35,670</u>	<u>30,906</u>

16. Inventories

	30.06.2009	31.12.2008
Raw material.....	16,099	16,756
Work in progress.....	3,433	5,191
Finished goods	31,290	33,871
	<u>50,822</u>	<u>55,818</u>

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to 5.4 million (2008: 10.2 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of 1.4 million (2008: 2.6 million) is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

Notes to the Condensed Consolidated Financial Statements

17. Accounts and other receivables

	30.06.2009	31.12.2008
Nominal value.....	50,013	47,552
Allowances for doubtful accounts.....	(3,076)	(3,016)
Allowances for sales return.....	(726)	(715)
	<u>46,211</u>	<u>43,821</u>

Other receivables

	30.06.2009	31.12.2008
VAT refundable.....	1,902	865
Prepaid expenses.....	3,561	5,497
Other.....	2,954	3,466
	<u>8,417</u>	<u>9,828</u>

18. Issued capital

Common stock is as follows in millions of shares and USD thousands:

	Shares	Nominal value
Total share capital at period-end.....	423	4,821

Shares issued and outstanding at period-end totaled of 423,000,000. The nominal value of each share is one Icelandic krona.

Changes in share capital are as follows:

	Share capital	Share premium	Issued capital
Balance at 1 January 2008.....	4,821	168,476	173,298
Cost due to increasing capital.....	0	(396)	(396)
Balance at 1 January 2009.....	<u>4,821</u>	<u>168,081</u>	<u>172,902</u>
Balance at 30 June 2009.....	<u>4,821</u>	<u>168,081</u>	<u>172,902</u>

19. Reserves

	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Total reserves
Balance at 1 January 2008.....	1,043	332	552	22,379	24,306
Loss on cash flow hedges.....			(8,605)		(8,605)
Share option charge for the year.....		657			657
Transferred to statutory reserves.....	162				162
Gain on hedge of a net investment.....				1,252	1,252
Transl. diff. of foreign operations.....				(22,030)	(22,030)
Balance at 1 January 2009.....	<u>1,205</u>	<u>989</u>	<u>(8,053)</u>	<u>1,602</u>	<u>(4,257)</u>
Loss on cash flow hedges.....			(32)		(32)
Share option charge for the period.....		30			30
Gain on hedge of a net investment.....				204	204
Transl. diff. of foreign operations.....				3,804	3,804
Balance at 30 June 2009.....	<u>1,205</u>	<u>1,019</u>	<u>(8,085)</u>	<u>5,610</u>	<u>(251)</u>

Notes to the Condensed Consolidated Financial Statements

20. Retained earnings

	Retained earnings
At 1 January 2008.....	52,677
Transferred to statutory reserves.....	(162)
Net profit.....	28,488
At 1 January 2009.....	81,003
Net profit.....	11,073
At 30 June 2009.....	92,076

21. Stock option contracts and obligations to increase share capital

No changes have occurred during the period. The following option contracts have been issued:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued 5 February 2007	1,540,000	2/5/2007	12/1/2011	92.3	109.5
Issued 8 February 2007	1,250,000	2/5/2007	12/1/2011	92.3	109.0
Issued 23 February 2008	2,450,000	2/23/2008	2/23/2012	91.2	93.1
Issued 15 July 2008	500,000	7/15/2008	7/15/2012	90.9	95.8
Total issued option contracts.....	5,740,000				

Estimated cost due to the stock option contracts are USD 2.0 million which will be expensed over the next four years. An expense of USD 0.2 million is recognised in the Income Statement for the period.

22. Borrowings

	Current		Non - current	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Secured - at amortized cost				
Loans in USD.....	10,303	13,630	109,363	116,339
Loans in EUR.....	10,225	7,172	109,116	66,736
Other borrowings.....	22	32	37	42
Bank overdrafts.....	9,781	7,583	0	0
Bridge loan in EUR.....	0	53,653	0	0
Total at end of period.....	30,331	82,070	218,516	183,117

Aggregated annual maturities of long term loans are as follows:

In 1.7.2009 - 30.6.2010 / 2009.....	20,549	20,834
In 1.7.2010 - 30.6.2011 / 2010.....	13,158	20,886
In 1.7.2011 - 30.6.2012 / 2011.....	97,074	75,604
In 1.7.2012 - 30.6. 2013 / 2012.....	108,248	86,627
	239,029	203,951

In February 2009 the Company refinanced its loan facilities. The bridge loan facility agreement with the outstanding amount of 48.7 million was converted to a long term facility and interest was renegotiated for all the facilities.

Notes to the Condensed Consolidated Financial Statements

23. Deferred tax asset / (liability)

	<u>30.06.2009</u>	<u>31.12.2008</u>
At beginning of period.....	34,487	34,266
Calculated tax for the period.....	(3,100)	(9,745)
Reclassification of goodwill to tax asset.....	0	3,047
Recognised directly through equity.....	26	1,191
Income tax payable for the period.....	2,069	376
Exchange differences.....	(938)	5,352
	<u>32,544</u>	<u>34,487</u>

The following are the major deferred tax liabilities and assets recognised:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Goodwill.....	46,809	0	46,809
Intangible assets.....	9	(26,519)	(26,510)
Operating fixed assets.....	1,365	(345)	1,020
Tax loss carry forward.....	4,888	0	4,888
Inventories.....	2,055	0	2,055
Provisions.....	1,587	0	1,587
Current liabilities.....	1,862	0	1,862
Other.....	1,142	(309)	833
Total tax assets / (liabilities).....	<u>59,717</u>	<u>(27,173)</u>	<u>32,544</u>
Tax asset and liabilities offsetting.....	(654)	654	0
Total.....	<u>59,063</u>	<u>(26,519)</u>	<u>32,544</u>

Notes to the Condensed Consolidated Financial Statements

24. Provisions

	Current		Non-current	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Warranty (i).....	2,732	3,835	3,445	2,704
Restructuring (ii).....	1,365	3,017	0	0
Other.....	868	807	895	871
	<u>4,965</u>	<u>7,659</u>	<u>4,340</u>	<u>3,575</u>

(i) The warranty provision represents management's best estimate of the Company's liability under warranties granted on prosthetics products, based on past experience and industry averages for defective products.

(ii) The restructuring provision is related to the acquisition of Gibaud in December 2006.

	Warranty provisions	Restructuring provisions	Other provisions	Total
At 1 January 2008.....	4,194	3,788	2,059	10,041
Additional provision recognised.....	4,225	0	(238)	3,987
Utilization of provision.....	(1,880)	(604)	0	(2,484)
Exchange differences.....	0	(167)	(143)	(310)
At 31 December 2008.....	<u>6,539</u>	<u>3,017</u>	<u>1,678</u>	<u>11,234</u>
Additional provision recognised.....	1,533	0	53	1,586
Utilization of provision.....	(1,895)	(1,582)	0	(3,477)
Exchange differences.....	0	(68)	30	(38)
At 30 June 2009.....	<u>6,177</u>	<u>1,367</u>	<u>1,761</u>	<u>9,305</u>
Non-current.....	3,445	0	895	4,340
Current.....	<u>2,732</u>	<u>1,367</u>	<u>868</u>	<u>4,967</u>
At 30 June 2009.....	<u>6,177</u>	<u>1,367</u>	<u>1,763</u>	<u>9,307</u>

25. Other liabilities

	30.06.2009	31.12.2008
Accrued expenses.....	7,141	7,279
Accrued salaries and related expenses.....	13,529	12,928
Royalties.....	899	1,334
Sales tax and VAT.....	819	429
Payable due to previous acquisition.....	2,324	2,324
Other.....	2,400	1,839
	<u>27,111</u>	<u>26,132</u>

26. Litigation

On 5 December 2006, Ossur hf., parent company of Ossur North America Inc. and Royce Medical Inc., Ossur America's predecessor companies, disclosed to the Office of Inspector General of the U.S. Department of Defense that Ossur North America, Inc. and Royce Medical Company may have made some sales to the government that were not consistent with the requirements of the Buy American Act or Trade Agreements Act. A review was conducted by third party experts of the sales and the circumstances surrounding the sales. The review's conclusions were sent in a report to the Inspector General of the Department of Defense in the last quarter of 2007. The likely outcome of this matter remains uncertain.

Notes to the Condensed Consolidated Financial Statements

27. Approval of the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements were approved by the board of directors and authorised for issue on July 27th 2009.

28. Unreviewed information

The following information are not reviewed as they relate to quarterly information and the Company only requires review for the first 6 months of the year.

Quarterly statements

	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net sales	81,345	77,180	79,440	86,470	92,055
Cost of goods sold	(31,284)	(30,155)	(30,429)	(32,761)	(35,656)
Gross profit	50,061	47,025	49,011	53,709	56,399
Other income	120	227	(49)	2,479	1,264
Sales and marketing expenses	(23,105)	(24,063)	(22,863)	(24,003)	(25,540)
Research and development expenses	(4,813)	(4,965)	(5,027)	(5,100)	(5,379)
General and administrative expenses	(10,490)	(10,375)	(10,257)	(11,727)	(14,000)
Profit from operations	11,774	7,849	10,815	15,358	12,744
Financial income	70	5,284	639	27	105
Financial expenses	(7,416)	(3,387)	(6,608)	2,355	(5,200)
Profit before tax	4,428	9,746	4,846	17,740	7,649
Income tax	(927)	(2,173)	(675)	(4,051)	(3,705)
Net profit	3,501	7,573	4,171	13,689	3,944
EBITDA	16,959	12,865	16,324	21,128	19,038

Reclassification of comparative figures

In 2009 all income and expenses related to freight to customers are classified as sales and marketing expenses. This will affect the 2008 comparative. The total reclassification from net sales and cost of goods sold can be seen in the table below. This reclassification has no effect on the Company's operational profit or net result.

2008 reclassification of freight

	Total	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net sales	(3,182)	(678)	(794)	(826)	(884)
Cost of goods sold	11,031	2,524	2,738	2,978	2,791
Gross profit	7,849	1,846	1,944	2,152	1,907
Other income	0	0	0	0	0
Sales and marketing expenses	(7,849)	(1,846)	(1,944)	(2,152)	(1,907)
Research and development expenses	0	0	0	0	0
General and administrative expenses	0	0	0	0	0
Profit from operations	0	0	0	0	0