

Össur hf.

Condensed Consolidated
Financial Statements

June 30th 2010

Össur hf.
Grjóthalsi 5
110 Reykjavík
Id-no. 560271-0189

Össur hf.

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Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 June 2010 consist of the Condensed Interim Consolidated Financial Statements of Össur 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 176.5 million. The net profit amounted to USD 23.3 million and according to the Balance Sheets the total assets of the Ossur Consolidation amounted to USD 580.1 million at the end of period, liabilities were 268.6 million, and equity was 311.5 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 2010 and operating performance of the period ended 30 June 2010.

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 Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 June 2010 and confirmed with their signatures.

Reykjavik, 26 July 2010

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 2010	YTD 2009	2009	2008	2007
Income Statement						
Net sales	USD '000	176,489	158,525	330,580	346,835	331,966
Gross profit	USD '000	109,642	97,086	201,815	214,203	192,033
Operating expenses ²	USD '000	80,970	77,811	154,071	167,678	171,160
Profit from operations	USD '000	30,154	19,622	48,240	55,958	39,716
Net profit	USD '000	23,286	9,928	22,762	28,488	7,580
EBITDA	USD '000	37,400	29,821	66,988	79,440	64,392
Balance sheet						
Total assets	USD '000	580,149	598,879	628,217	603,778	635,821
Equity	USD '000	311,510	263,582	312,223	249,648	250,282
Net interest-bearing debt (NIBD)	USD '000	130,808	213,177	157,633	234,281	283,106
Cash flow						
Cash generated by operations	USD '000	30,276	32,289	85,770	71,460	61,528
Cash provided by operating activities	USD '000	18,301	24,699	69,155	52,835	45,701
Cash flows from investing activities	USD '000	(4,947)	(3,691)	(16,423)	(6,648)	(17,781)
Cash flows from financing activities	USD '000	(25,308)	(16,634)	(4,284)	(30,610)	(25,289)
Free Cash flow	USD '000	15,395	21,008	58,629	46,187	38,762
Key figures						
Sales Growth USD	%	11.3	(12.4)	(4.7)	4.5	33.5
Operating margin	%	17.1	12.4	14.6	16.0	12.0
EBITDA margin	%	21.2	18.8	20.3	22.9	19.4
Equity ratio	%	53.7	44.0	49.7	41.3	39.4
Ratio of net debt to EBITDA ¹		1.8	3.2	2.4	2.9	4.4
Current ratio		2.2	1.8	2.3	1.1	0.9
Return on equity	%	11.6	10.8	8.1	11.0	4.0
Market						
Market value of equity ³	USD '000	641,269	384,667	529,151	349,263	672,024
Number of shares	Millions	454	423	454	423	423
Price/earnings ratio, (P/E) ¹		17.8	13.8	23.2	12.3	88.7
Diluted EPS ¹	US Cent	8.15	6.57	5.30	6.73	1.94
Diluted Cash EPS ¹	US Cent	11.71	11.65	9.66	12.29	8.24

Notes

1. Financial ratios for YTD 2010 and YTD 2009 are based on operations for the preceding 12 months.
2. Excluding other income.
3. Market value based on last trade at 30.06.2010 on Nasdaq OMX, Iceland and Denmark.

Report on Review of Financial Information

To the Board of Directors and shareholders of Össur hf.

Introduction

We have reviewed the accompanying statement of financial position of Össur hf. as of June 30, 2010 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, 2010, 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, 26 July 2010

Deloitte hf.

Sigurður Pall Hauksson
State authorized public accountant

Thorsteinn Petur Gudjonsson
State authorized public accountant

Consolidated Income Statements for the period 01.01 - 30.06.2010 and 01.01 - 30.06.2009

	Notes	2010 YTD	2009 YTD	Unreviewed	
				2010 Q2	2009 Q2
Net sales	4	176,489	158,525	90,021	81,345
Cost of goods sold		<u>(66,847)</u>	<u>(61,439)</u>	<u>(34,467)</u>	<u>(31,284)</u>
Gross profit		109,642	97,086	55,554	50,061
Other income		1,482	347	64	120
Sales and marketing expenses		(48,408)	(47,168)	(23,645)	(23,105)
Research and development expenses		(9,840)	(9,778)	(4,738)	(4,813)
General and administrative expenses		<u>(22,722)</u>	<u>(20,865)</u>	<u>(11,224)</u>	<u>(10,490)</u>
Profit from operations		30,154	19,622	16,011	11,773
Financial income		150	140	119	70
Financial expenses		(7,713)	(7,467)	(3,921)	(4,080)
Net exchange rate difference		8,455	733	5,692	(4,481)
Net financial income / (expenses)	6	<u>892</u>	<u>(6,594)</u>	<u>1,890</u>	<u>(8,491)</u>
Profit before tax		31,046	13,028	17,901	3,282
Income tax	7	<u>(7,760)</u>	<u>(3,100)</u>	<u>(4,308)</u>	<u>(927)</u>
Net profit		<u>23,286</u>	<u>9,928</u>	<u>13,593</u>	<u>2,355</u>
Attributable to:					
Owners of the Company		22,999	9,928	13,437	2,355
Non-controlling interests		<u>287</u>	<u>0</u>	<u>156</u>	<u>0</u>
		<u>23,286</u>	<u>9,928</u>	<u>13,593</u>	<u>2,355</u>
Earnings per Share					
Basic Earnings per Share		<u>5.26</u>	<u>2.35</u>	<u>3.00</u>	<u>0.56</u>
Diluted Earnings per Share		<u>5.25</u>	<u>2.35</u>	<u>2.99</u>	<u>0.56</u>

Consolidated Statements of Comprehensive Income

for the period 01.01 - 30.06.2010 and 01.01 - 30.06.2009

	Notes	2010 YTD	2009 YTD	2010 Q2	2009 Q2
Net profit		23,286	9,928	13,593	2,355
Other comprehensive income					
Gain / (loss) on hedge of a net investment in foreign operations.....		6,711	235	3,529	(2,875)
Gain / (loss) on cash flow hedges		1,920	(37)	602	1,369
Transl. difference of shares in foreign operations.....		(31,320)	3,804	(18,102)	15,549
Income tax relating to components of other comprehensive income.....		(1,268)	(26)	(458)	70
Other comprehensive income (net of tax).....		(23,957)	3,976	(14,429)	14,113
Total comprehensive income		<u>(671)</u>	<u>13,904</u>	<u>(836)</u>	<u>16,468</u>
	Attributable to:				
Owners of the Company		(958)	13,904	(992)	16,468
Non-controlling interests		287	0	156	0
		<u>(671)</u>	<u>13,904</u>	<u>(836)</u>	<u>16,468</u>

Consolidated Balance Sheets

Assets

	Notes	30.06.2010	31.12.2009
Non-current assets			
Property, plant and equipment	9	29,058	32,286
Goodwill	10	319,237	334,844
Other intangible assets	11	29,157	35,382
Other financial assets	13	4,559	3,567
Deferred tax asset	21	35,268	42,367
		<u>417,279</u>	<u>448,446</u>
Current assets			
Inventories	15	39,550	43,526
Accounts receivables	16	47,806	43,693
Other assets	16	9,023	10,413
Assets classified as held for sale	9	1,190	2,308
Bank balances and cash	14	65,301	79,831
		<u>162,870</u>	<u>179,771</u>
Total assets		<u><u>580,149</u></u>	<u><u>628,217</u></u>

30 June 2010 and 2009

Equity and liabilities

	Notes	30.06.2010	31.12.2009
Equity			
Issued capital	17	201,997	201,997
Reserves		(18,185)	5,582
Retained earnings		126,646	103,647
		<u>310,458</u>	<u>311,226</u>
Non-controlling interest in equity		1,052	997
Total equity		<u>311,510</u>	<u>312,223</u>
Non-current liabilities			
Borrowings	19	170,631	210,282
Deferred tax liabilities	21	9,391	11,024
Provisions	22	5,234	5,744
Other financial liabilities	20	8,074	9,995
		<u>193,330</u>	<u>237,045</u>
Current liabilities			
Borrowings	19	25,478	27,182
Accounts payable		13,420	13,353
Taxes payable		4,437	2,452
Provisions	22	2,396	2,686
Other liabilities	24	29,578	33,276
		<u>75,309</u>	<u>78,949</u>
Total equity and liabilities		<u><u>580,149</u></u>	<u><u>628,217</u></u>

Consolidated Statements of Cash Flows

for the period 1.1 - 30.06.2010 and 1.1 - 30.06.2009

	Notes	YTD 2010	YTD 2009
Cash flows from operating activities			
Profit from operations		30,154	19,622
Depreciation and amortization	9, 11	7,246	10,200
Gain / loss on disposal of assets		(1,051)	59
Change in provisions		(581)	(924)
Changes in operating assets and liabilities		(5,492)	3,332
Cash generated by operations		<u>30,276</u>	<u>32,289</u>
Interest received		78	143
Interest paid		(11,099)	(4,698)
Taxes paid		(954)	(3,035)
Net cash provided by operating activities		<u>18,301</u>	<u>24,699</u>
Cash flows from investing activities			
Purchase of fixed assets	9, 11	(4,092)	(3,803)
Proceeds from sale of fixed assets		2,549	194
Acquisition of subsidiaries	12	(2,041)	0
Changes in financial assets		(1,363)	(82)
		<u>(4,947)</u>	<u>(3,691)</u>
Cash flows from financing activities			
Proceeds from long-term borrowings		(1,287)	2,268
Repayments of long-term borrowings		(23,725)	(18,902)
Dividends from subsidiaries paid to non-controlling interests		(296)	0
		<u>(25,308)</u>	<u>(16,634)</u>
Net change in cash		(11,954)	4,374
Effects of foreign exchange rate adjustments		(2,576)	390
Cash at beginning of period		<u>79,831</u>	<u>30,906</u>
Cash at end of period		<u>65,301</u>	<u>35,670</u>
Additional information regarding cash flow	8		

Consolidated Statements of Changes in Equity for the period ended 30 June 2010

	Share capital	Share premium	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2009.....	4,821	168,081	1,205	989	(8,053)	1,602	81,003	249,648		249,648
Net profit.....							9,928	9,928		9,928
Gain on hedge of a net investment in foreign operations net of tax.....						204		204		204
Loss on cash flow hedges net of tax.....					(32)			(32)		(32)
Translation difference of shares in foreign operations.....						3,804		3,804		3,804
Total comprehensive income for the period.....	0	0	0	0	(32)	4,008	9,928	13,904	0	13,904
Share option charge for the period.....				30				30		30
Balance at 30 June 2009.....	4,821	168,081	1,205	1,019	(8,085)	5,610	90,931	263,581	0	263,581
Balance at 1 January 2010.....	5,068	196,929	1,267	1,415	(8,480)	11,380	103,647	311,226	997	312,223
Net profit.....							22,999	22,999	287	23,286
Gain on hedge of a net investment in foreign operations net of tax.....						6,997		6,997		6,997
Gain on cash flow hedges net of tax.....					1,574			1,574		1,574
Translation difference of shares in foreign operations.....						(32,528)		(32,528)		(32,528)
Total comprehensive income for the period.....	0	0	0	0	1,574	(25,531)	22,999	(958)	287	(671)
Payment of dividends.....								0	(232)	(232)
Share option charge for the period.....				190				190		190
Balance at 30 June 2010.....	5,068	196,929	1,267	1,605	(6,906)	(14,151)	126,646	310,458	1,052	311,510

Notes to the Condensed Consolidated Financial Statements

1. General information

Össur hf. (the Company) is a global orthopaedics company, specializing in the development, manufacturing and sales of prosthetics, bracing and supports 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, Norway, the Netherlands, UK, France, Australia, Spain, Swiss and China in addition to the Iceland-based parent company.

The main production of the Company is conducted at Össur hf. in Iceland, Gibaud Group (La Tour Finance) in St. Etienne, Trevoux in France and at Össur 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 quality control and all production, inventory management and distribution; Research & Development, responsible for product development and product management; Sales & Marketing responsible for sales and marketing through the subsidiaries.

2. Summary of Significant Accounting Policies

2.1 Statement of compliance

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 Company's Annual Financial Statements for the period ended 31 December 2009.

2.2 Basis of preparation

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 2009.

3. Quarterly statements

	Q2	Q1	Q4	Q3	Q2
	2010	2010	2009	2009	2009
Net sales	90,021	86,468	87,871	84,184	81,345
Cost of goods sold	(34,467)	(32,380)	(34,863)	(32,463)	(31,284)
Gross profit	55,554	54,088	53,008	51,721	50,061
Other income	64	1,418	131	18	120
Sales and marketing expenses	(23,645)	(24,763)	(23,451)	(21,948)	(23,105)
Research and development expenses	(4,738)	(5,102)	(5,132)	(4,170)	(4,813)
General and administrative expenses	(11,224)	(11,498)	(10,834)	(10,725)	(10,490)
Profit from operations	16,011	14,143	13,722	14,896	11,773
Net financial income /expenses	(3,802)	(3,761)	(4,004)	(4,002)	(4,010)
Net exchange rate difference	5,692	2,763	793	(4,196)	(4,481)
Total financial income/(expenses)	1,890	(998)	(3,211)	(8,198)	(8,491)
Profit before tax	17,901	13,145	10,511	6,698	3,282
Income tax	(4,308)	(3,452)	(2,437)	(1,938)	(927)
Net profit	13,593	9,693	8,074	4,760	2,355
EBITDA	19,568	17,832	17,812	19,355	16,958

In quarter two and three of last year the Company received incorrect information relating to the accrued position on its interest rate swap agreements. This was corrected before year-end 2009. However, the financial expenses in the Financial statement of 30.6.2009 and 30.9.2009 were understated. The effect on interest expense in Q2 2009 is 1.145 and in Q3 2009, 1.245. The quarterly split has been adjusted in the comparative figure in this Financial Statement. The adjustment has no effect on the total 2009 result.

Notes to the Condensed Consolidated Financial Statements

4. Net sales

Specified according to geographical segments:

	YTD 2010	YTD 2009
Americas.....	88,522	75,207
EMEA.....	80,583	77,328
Asia.....	7,384	5,991
	<u>176,489</u>	<u>158,525</u>

Specified according to product lines:

Prosthetics.....	79,144	69,216
Bracing and Supports.....	87,541	79,414
Compression Therapy (Phlebology).....	8,900	8,745
Other products.....	904	1,150
	<u>176,489</u>	<u>158,525</u>

Specified according to currency:

US Dollar, USD.....	85,166	75,561
Euro, EUR.....	60,373	56,635
British Pound, GBP.....	9,169	9,110
Canadian dollar, CAD.....	8,044	6,724
Swedish Krona, SEK.....	6,352	5,053
Norwegian Krona, NOK.....	3,738	2,864
Australian Dollar, AUD.....	1,786	1,094
Icelandic Krona, ISK.....	604	642
Other.....	1,257	842
	<u>176,489</u>	<u>158,525</u>

Notes to the Consolidated Financial Statements

5. Geographical segments

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

2010	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2010	YTD 2010	YTD 2010	YTD 2010	YTD 2010
Revenue					
External sales.....	88,522	80,583	7,384	0	176,489
Inter-segment sales.....	11,337	44,078	0	(55,415)	0
Total revenue.....	<u>99,859</u>	<u>124,661</u>	<u>7,384</u>	<u>(55,415)</u>	<u>176,489</u>

Inter-segment sales are calculated from production cost.

Result

Segment result.....	<u>17,223</u>	<u>10,506</u>	<u>2,425</u>	<u>0</u>	30,154
Financial income/(expenses).....					<u>892</u>
Profit before tax.....					31,046
Income tax.....					<u>(7,760)</u>
Net profit.....					<u>23,286</u>

Other information

Capital additions.....	1,996	2,029	67	0	4,092
Depreciation and amortization.....	2,617	4,529	100	0	7,246

Balance sheet 30.6.2010

Assets

Segment assets.....	374,937	840,346	8,036	(643,170)	<u>580,149</u>
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Liabilities

Segment liabilities.....	250,458	475,261	8,542	(465,622)	<u>268,639</u>
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Notes to the Consolidated Financial Statements

2009	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2009	YTD 2009	YTD 2009	YTD 2009	YTD 2009
Revenue					
External sales.....	75,207	77,328	5,991	0	158,525
Inter-segment sales.....	9,349	25,044	0	(34,392)	0
Total revenue.....	<u>84,556</u>	<u>102,372</u>	<u>5,991</u>	<u>(34,392)</u>	<u>158,525</u>
Result					
Segment result.....	<u>8,034</u>	<u>10,225</u>	<u>1,362</u>	<u>0</u>	19,622
Financial income/(expenses).....					<u>(6,594)</u>
Profit before tax.....					13,028
Income tax.....					<u>(3,100)</u>
Net profit.....					<u>9,928</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 31.12.2009					
Assets					
Segment assets.....	429,724	1,034,923	8,378	(844,808)	<u>628,217</u>
Liabilities					
Segment liabilities.....	308,668	588,956	8,469	(590,099)	<u>315,994</u>

Notes to the Condensed Consolidated Financial Statements

6. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2010	YTD 2009
Financial income		
Interests on bank deposits.....	73	120
Income from other financial assets.....	3	11
Other financial income.....	74	9
	<u>150</u>	<u>140</u>
Finance expenses		
Interest on bank overdrafts and loans.....	(7,470)	(6,270)
Other financial expenses.....	(243)	(1,197)
	<u>(7,713)</u>	<u>(7,467)</u>
Net exchange rate differences.....	8,455	733
Net financial income / (expenses).....	<u>892</u>	<u>(6,594)</u>

7. Income tax

Income tax is specified as follows:

	YTD 2010	YTD 2009
Current tax expenses.....	(3,596)	(2,016)
Deferred tax expenses.....	(4,435)	(1,084)
Deferred tax reclassified from equity to income.....	271	0
	<u>(7,760)</u>	<u>(3,100)</u>

	YTD 2010		YTD 2009	
	Amount	%	Amount	%
Profit before taxes.....	<u>31,046</u>		<u>13,028</u>	
Income tax calculated at 18% / 15%	(5,588)	18%	(1,954)	15%
Effect of different tax rates of other jurisdictions.....	(1,601)	5%	(286)	2%
Effect of non-deductible expenses.....	(312)	1%	(430)	3%
Effect of change in tax rate.....	(8)	0%	(32)	0%
Other changes.....	(251)	1%	(398)	3%
	<u>(7,760)</u>	25%	<u>(3,100)</u>	24%

8. Additional information regarding cash flow

	YTD 2010	YTD 2009
Net profit	23,286	9,928
Items not affecting cash	<u>1,777</u>	<u>10,361</u>
Working capital provided by operating activities	25,063	20,289
Decrease / (increase) in inventories	1,404	5,174
(Increase) / decrease in receivables	(6,016)	(448)
Increase / (decrease) in payables	<u>(2,150)</u>	<u>(316)</u>
Net cash provided by operating activities	<u>18,301</u>	<u>24,699</u>

Notes to the Condensed Consolidated Financial Statements

9. Property, plant and equipment

Operating fixed assets are specified as follows:

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2010.....	15,056	40,337	33,667	89,060
Reclassification.....	0	(586)	(2,424)	(3,010)
Additions.....	15	1,586	2,294	3,895
Exchange rate differences.....	(2,227)	(1,923)	(991)	(5,141)
Eliminated on disposal.....	0	(257)	(1,886)	(2,143)
Fully depreciated assets.....	0	(5,000)	(6,792)	(11,792)
At 30 June 2010.....	<u>12,844</u>	<u>34,157</u>	<u>23,868</u>	<u>70,869</u>
Accumulated depreciation				
At 1 January 2010.....	8,244	25,616	22,914	56,774
Reclassification.....	0	(627)	(1,297)	(1,924)
Charge for the period.....	189	1,718	1,683	3,590
Exchange rate differences.....	(1,237)	(1,199)	(531)	(2,967)
Eliminated on disposal.....	0	(92)	(1,778)	(1,870)
Fully depreciated assets.....	0	(5,000)	(6,792)	(11,792)
At 30 June 2010.....	<u>7,196</u>	<u>20,416</u>	<u>14,199</u>	<u>41,811</u>
Carrying Amount:				
At 30 June 2010.....	<u>5,648</u>	<u>13,741</u>	<u>9,669</u>	<u>29,058</u>
At 31 December 2009.....	<u>6,812</u>	<u>14,721</u>	<u>10,753</u>	<u>32,286</u>

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

	YTD 2010	YTD 2009
Cost of goods sold	2,019	1,411
Sales and marketing expenses	250	590
Research and development expenses.....	268	149
General and administrative expenses	1,053	1,714
	<u>3,590</u>	<u>3,864</u>

Assets held for sale

At end of 2009 the Company classified its two office facilities in Aliso Viejo, California as held for sale. In March 2010 it sold one of the buildings for 2.4 million with a sale gain of 1.2 million.

Notes to the Condensed Consolidated Financial Statements

10. Goodwill

	30.06.2010
Cost	
At 1 January 2009.....	322,381
Arising on acquisition of subsidiaries.....	7,083
Exchange rate differences.....	5,380
At 31 December 2009.....	334,844
Arising on acquisition of subsidiaries.....	1,500
Exchange rate differences.....	(17,107)
At 30 June 2010.....	319,237
Carrying amount	
At 30 June 2010.....	319,237
At 31 December 2009.....	334,844

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

	30.06.2010	31.12.2009
Americas.....	205,199	205,312
EMEA.....	111,193	126,611
Asia.....	2,845	2,921
	319,237	334,844

11. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January 2010.....	29,019	15,675	35,379	15,484	95,557
Reclassification.....	18,505	0	(16,771)	1,276	3,010
Additions.....	0	0	0	197	197
Fully depreciated assets.....	(2,370)	(519)	0	(2,490)	(5,379)
Exchange rate differences.....	(2,452)	(15)	(2,593)	0	(5,060)
At 30 June 2010.....	42,702	15,141	16,015	14,467	88,325
Amortization					
At 1 January 2010.....	28,308	12,246	6,877	12,744	60,175
Reclassification.....	5,355	0	(4,905)	1,474	1,924
Charge for the period.....	958	965	233	1,500	3,656
Fully depreciated assets.....	(2,370)	(519)	0	(2,490)	(5,379)
Exchange rate differences.....	(870)	(150)	(188)	0	(1,208)
At 30 June 2010.....	31,381	12,542	2,017	13,228	59,168
Carrying Amount:					
At 30 June 2010.....	11,321	2,599	13,998	1,239	29,157
At 31 December 2009.....	711	3,429	28,502	2,740	35,382

Notes to the Condensed Consolidated Financial Statements

Software was previously classified within Property plant and equipment, but has been reclassified to Other intangible assets. A reclassification was also performed within Other intangible assets. This reclassification does not affect amortization percentage nor the lifetime of these assets.

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

	YTD 2010	YTD 2009
Cost of goods sold.....	10	8
Sales and marketing expenses.....	1,550	4,395
Research and development expenses.....	1,558	1,732
General and administrative expenses.....	538	201
	<u>3,656</u>	<u>6,336</u>

12. The Consolidation

During the period, the Company disposed of 1,5% of its interest in Team Makena, reducing its continuing interest to 61%. The proceeds on disposal were received in cash.

The Company established a new entity in Mexico during the period, Ossur Mexico, S.de R.L. de C.V

At period-end the Company acquired 100% of Orthopaedic Partner Africa, which is a sales and distribution company in South Africa. The acquisition has an immaterial effect on the overall financial position of Össur.

13. Other financial assets

Financial assets carried at fair value through profit or loss (FVTPL)

	30.06.2010	31.12.2009
Investment in associates.....	1,710	1,445
Loans and receivables.....	2,849	2,122
	<u>4,559</u>	<u>3,567</u>

14. Bank balances and cash

	30.06.2010	31.12.2009
Bank accounts.....	63,089	76,618
Bankers draft received.....	2,100	2,818
Cash and other cash equivalents.....	112	395
	<u>65,301</u>	<u>79,831</u>

15. Inventories

	30.06.2010	31.12.2009
Raw material.....	12,846	14,397
Work in progress.....	4,509	3,170
Finished goods	22,195	25,959
	<u>39,550</u>	<u>43,526</u>

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to 8.5 million (2009: 8.1 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of 2.0 million (2009: 2.1 million) is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

Notes to the Condensed Consolidated Financial Statements

16. Accounts receivables and other assets

	30.06.2010	31.12.2009
Nominal value.....	52,170	47,940
Allowances for doubtful accounts.....	(3,638)	(3,521)
Allowances for sales return.....	(726)	(726)
	<u>47,806</u>	<u>43,693</u>

Other assets

	30.06.2010	31.12.2009
VAT refundable.....	2,049	1,779
Prepaid expenses.....	4,315	5,174
Other.....	2,659	3,460
	<u>9,023</u>	<u>10,413</u>

17. Issued capital

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

	Shares	Nominal value
Total share capital at period-end.....	454	5,068

Total shares issued and outstanding at period-end is 453,732,008 (2009: 454 million). 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 2009.....	4,821	168,081	172,902
29,500,000 fully paid ordinary shares 3 November 2009.....	237	27,572	27,809
1,250,000 fully paid ordinary shares 30 November 2009.....	10	1,276	1,286
Balance at 1 January 2010.....	<u>5,068</u>	<u>196,929</u>	<u>201,997</u>
Balance at 30 June 2010.....	<u>5,068</u>	<u>196,929</u>	<u>201,997</u>

Notes to the Condensed Consolidated Financial Statements

18. Stock option contracts and obligations to increase share capital

The following option contracts have been issued at period end:

	Number	Grant date	Exercise date	Exercise price DKK	Fair value at grant date (Date of conversion to DKK)
Issued 5 February 2007	1,540,000	5.2.2007	1.12.2011	7.8	5.5
Issued 8 February 2007	1,250,000	5.2.2007	1.12.2011	7.8	5.5
Issued 23 February 2008	1,950,000	23.2.2008	23.2.2012	6.9	5.5
Issued 15 July 2008	500,000	15.7.2008	15.7.2012	5.4	5.5
Issued 2 March 2009	200,000	2.3.2009	1.3.2013	4.4	5.2
Issued 15 December 2009	400,000	15.12.2009	15.12.2013	5.2	5.2
Issued 2 January 2010	200,000	2.1.2010	2.1.2014	5.3	5.8
Issued 26 May 2010	50,000	26.5.2010	26.5.2014	8.5	8.5
Total issued option contracts.....	<u>6,090,000</u>				

Estimated remaining cost due to the stock option contracts are 0.8 million which will be expensed over the next four years. An expense of 0.2 million is recognised in the Income Statement for the period.

19. Borrowings

Secured - at amortized cost	Current		Non - current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Loans in USD.....	12,517	13,641	90,456	102,721
Loans in EUR.....	12,449	13,022	77,536	104,886
Other borrowings.....	504	496	2,638	2,675
Bank overdrafts.....	8	23	0	0
	<u>25,478</u>	<u>27,182</u>	<u>170,631</u>	<u>210,282</u>

Aggregated maturities of long-term loans are as follows:

	30.06.2010	31.12.2009
In 1.7.2010 - 30.6.2011 / 2010.....	25,470	27,159
In 1.7.2011 - 30.6.2012 / 2011.....	26,253	104,006
In 1.7.2012 - 30.6.2013 / 2012.....	26,474	106,167
In 1.7.2013 - 30.6.2014 / 2013.....	26,751	0
In 1.7.2014 - 30.6.2015 / 2014.....	13,748	0
In 1.7.2015 - 30.6.2016 / 2015.....	77,296	0
	<u>196,101</u>	<u>237,441</u>

The Company's loan facilities include various provisions that limit certain actions by the Company without prior consulting with the lender. In addition, the loan facilities include certain financial covenants. The Company has pledged all material assets, including buildings, machinery, equipment and inventories to secure banking facilities granted.

Notes to the Condensed Consolidated Financial Statements

20. Other financial liabilities

Outstanding interest rate swap contracts (cash flow hedge) at 30 June 2010 are due over the next three years. The contracts' fair value is negative 8,1 million and principal amount 130 million.

21. Deferred tax asset / (liability)

	30.06.2010	31.12.2009
At beginning of period.....	31,343	34,487
Income tax payable for the period.....	3,596	4,996
Calculated tax for the period.....	(7,760)	(7,475)
Reclassification to deferred tax asset/ (liability).....	0	(700)
Recognised due to acquisition / disposal of subsidiaries.....	0	(293)
Recognised directly through equity.....	(1,268)	313
Exchange rate differences.....	(34)	15
	<u>25,877</u>	<u>31,343</u>

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

	Assets	Liabilities	Net
Goodwill.....	27,482	(3,652)	23,830
Intangible assets.....	569	(5,467)	(4,898)
Operating fixed assets.....	1,032	(116)	916
Tax loss carry forward.....	1,710	0	1,710
Inventories.....	2,197	0	2,197
Provisions.....	439	(700)	(261)
Current liabilities.....	1,758	(271)	1,487
Other.....	2,535	(1,639)	896
Total tax assets / (liabilities).....	<u>37,722</u>	<u>(11,845)</u>	<u>25,877</u>
Tax asset and liabilities offsetting.....	(2,454)	2,454	0
	<u>35,268</u>	<u>(9,391)</u>	<u>25,877</u>

Notes to the Condensed Consolidated Financial Statements

22. Provisions

	Current		Non-current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Warranty.....	548	715	4,988	4,271
Other.....	1,848	1,971	246	1,473
	<u>2,396</u>	<u>2,686</u>	<u>5,234</u>	<u>5,744</u>
	Warranty provisions	Restructuring provisions	Other provisions	Total
At 1 January 2009.....	6,539	3,017	1,678	11,234
Additional provision recognised.....	3,633	0	1,157	4,790
Utilization of provision.....	(3,686)	(2,753)	(264)	(6,703)
Exchange differences.....	0	(264)	0	(264)
Reclassification.....	(1,500)	0	873	(627)
At 31 December 2009.....	4,986	0	3,444	8,430
Additional provision recognised.....	2,211	0	(1,119)	1,092
Utilization of provision.....	(1,661)	0	(7)	(1,668)
Exchange differences.....	0	0	(224)	(224)
At 30 June 2010.....	<u>5,536</u>	<u>0</u>	<u>2,094</u>	<u>7,630</u>
Non-current.....	4,988	0	246	5,234
Current.....	548	0	1,848	2,396
At 30 June 2010.....	<u>5,536</u>	<u>0</u>	<u>2,094</u>	<u>7,630</u>

23. Related party transactions

The Company had no material transactions with related parties during the period.

24. Other liabilities

	30.06.2010	31.12.2009
Accrued expenses.....	8,363	11,999
Accrued salaries and related expenses.....	13,625	14,760
Accrued Royalties.....	1,098	1,185
Sales tax and VAT.....	338	934
Payable due to previous acquisition.....	2,324	2,324
Other.....	3,829	2,075
	<u>29,578</u>	<u>33,276</u>

Notes to the Condensed Consolidated Financial Statements

25. Litigation

On 5 December 2006, Össur hf., parent company of Össur North America Inc. and Royce Medical Inc., Össur America's predecessor companies, disclosed to the Office of Inspector General of the U.S. Department of Defence that Össur 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 Defence in the last quarter of 2007. The likely outcome of this matter remains uncertain.

26. Approval of the Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements were approved by the board of directors and authorised for issue on 26 July 2010.