

# Ossur hf.

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Consolidated Financial Statements

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**March 31st 2009**

Ossur hf.  
Grjothalsi 5  
110 Reykjavik  
Id-no. 560271-0189

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March 31st 2009

## Table of Contents

Statement by the Board of Directors and President and CEO	2
Financial Ratios	3
Consolidated Income Statements	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flow	7
Consolidated Statement of Changes in Equity	8
Notes to the Financial Statements	9

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# Statement by the Board of Directors and President and CEO

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The Interim Consolidated Financial Statements of Ossur hf. for the period from 1 January to 31 March 2009 consist of the Consolidated Financial Statements of Ossur hf. and its subsidiaries. The Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Statements, IAS 34.

The total sales of the Ossur Consolidation amounted to USD 77.2 million. The net profit amounted to USD 7.6 million and according to the Balance Sheets the total assets of the Ossur Consolidation amounted to USD 581.6 million at the end of period, liabilities were 334.5 million, and equity was 247.1 million.

The Consolidated Financial Statements for the period from 1 January to 31 March 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. It is our opinion that these 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 31 March 2009 and operating performance of the period ended 31 March 2009.

In our opinion the 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 Interim Consolidated Financial Statements for the period from 1 January to 31 March 2009 and confirmed with their signatures.

Reykjavik, 27 April 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
<b>Growth</b>							
Net sales <sup>2</sup>	USD '000	77,180	88,870	346,835	331,966	248,653	159,827
EBITDA	USD '000	12,865	22,950	79,440	64,392	39,493	25,832
Profit from operations	USD '000	7,849	17,041	55,958	39,716	19,743	16,525
Net income	USD '000	7,573	6,684	28,488	7,580	4,360	11,688
Total assets	USD '000	581,592	651,358	603,778	635,821	612,752	407,986
<b>Operational performance</b>							
Cash provided by operating activities	USD '000	7,003	14,278	52,835	45,701	15,988	15,481
- as ratio to total debt	%	13	14	14	11	5	10
- as ratio to net result		0.9	2.0	1.9	6.0	3.7	1.3
Working capital from operating activities	USD '000	9,007	19,505	58,070	43,991	24,663	18,954
- as ratio to long-term debt and Equity	%	13	17	15	11	6	8
<b>Liquidity and solvency</b>							
Quick ratio		1.1	0.6	0.7	0.5	0.4	1.4
Current ratio		1.8	1.0	1.1	0.9	0.6	2.1
Equity ratio	%	42	40	41	39	26	37
<b>Asset utilization and efficiency</b>							
Total asset turnover <sup>1</sup>		0.5	0.5	0.6	0.5	0.5	0.6
Grace period granted <sup>1</sup>	Days	48	52	49	55	46	44
<b>Profitability</b>							
Return on capital	%	9	7	9	5	5	10
Return on common equity	%	12	8	11	4	3	15
Operating profit as ratio to net sales	%	10	19	16	12	8	10
Net income before taxes as ratio to net sales	%	13	9	11	2	0	8
Net income for the period as ratio to net sales	%	10	7	8	2	2	7
<b>Market</b>							
Market value of equity	USD '000	310,109	511,405	349,263	672,024	605,572	695,125
Price/earnings ratio, (P/E)		10.6	30.1	12.3	88.7	138.9	59.5
Price/book ratio		1.3	2.0	1.4	2.7	3.7	4.5
Number of shares	Millions	423	423	423	423	385	385
Earnings per Share, (EPS) <sup>1</sup>	US Cent	6.95	4.23	6.74	1.94	1.13	3.53
Diluted Earnings per Share, (Diluted EPS) <sup>1</sup>	US Cent	6.95	4.23	6.73	1.94	1.13	3.52
Cash EPS <sup>1</sup>	US Cent	12.29	10.32	12.29	8.24	6.27	6.34
Diluted Cash EPS <sup>1</sup>	US Cent	12.29	10.31	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 has been reclassified to operating expenses in all years.

# Consolidated Income Statements

## for the period 1.1. - 31.3.2009 and 1.1. - 31.3.2008

	Notes	YTD 2009	YTD 2008
<b>Net sales</b>	5	77,180	88,870
Cost of goods sold .....		<u>(30,155)</u>	<u>(33,786)</u>
<b>Gross profit</b>		47,025	55,084
Other income .....		227	5,739
Sales and marketing expenses .....		(24,063)	(25,406)
Research and development expenses .....		(4,965)	(5,424)
General and administrative expenses .....		<u>(10,375)</u>	<u>(12,952)</u>
<b>Profit from operations</b>		7,849	17,041
Financial income .....	7	5,284	93
Financial expenses .....	7	<u>(3,387)</u>	<u>(9,136)</u>
<b>Profit before tax</b>		9,746	7,998
Income tax .....	8	<u>(2,173)</u>	<u>(1,314)</u>
<b>Net profit</b>		<u><u>7,573</u></u>	<u><u>6,684</u></u>
<b>Earnings per Share</b>	4		
Basic Earnings per Share .....		<u>1.79</u>	<u>1.58</u>
Diluted Earnings per Share .....		<u>1.79</u>	<u>1.58</u>

# Consolidated Balance Sheets

## Assets

	Notes	31.03.2009	31.12.2008
<b>Non-current assets</b>			
Property, plant and equipment .....	10	31,788	32,927
Goodwill .....	11	315,080	322,381
Other intangible assets .....	12	40,893	45,175
Financial assets .....	14	1,167	1,156
Deferred tax asset .....	23	59,886	56,407
		<u>448,814</u>	<u>458,046</u>
<b>Current assets</b>			
Inventories .....	16	51,295	55,818
Accounts receivables .....	17	45,408	43,821
Other receivables .....	17	9,699	9,828
Financial assets .....	14	187	203
Tax asset .....	23	0	5,156
Bank balances and cash .....	15	26,189	30,906
		<u>132,778</u>	<u>145,732</u>
<b>Total assets</b>		<u>581,592</u>	<u>603,778</u>

## 31 March 2009 and 31 December 2008

### Equity and liabilities

	Notes	31.03.2009	31.12.2008
<b>Equity</b>			
Issued capital .....	18	172,902	172,902
Reserves .....	19	(14,428)	(4,257)
Retained earnings .....	20	88,576	81,003
		<u>247,050</u>	<u>249,648</u>
<b>Non-current liabilities</b>			
Borrowings .....	22	218,914	183,117
Deferred tax liabilities .....	23	26,276	25,870
Provisions .....	24	4,675	3,575
Financial liabilities .....	14	10,913	9,474
		<u>260,778</u>	<u>222,036</u>
<b>Current liabilities</b>			
Borrowings .....	22	29,957	82,070
Accounts payable .....		9,463	13,593
Tax liabilities .....		1,296	2,640
Provisions .....	24	5,534	7,659
Other liabilities .....	25	27,514	26,132
		<u>73,764</u>	<u>132,094</u>
<b>Total equity and liabilities</b>		<u><u>581,592</u></u>	<u><u>603,778</u></u>

# Consolidated Statements of Cash Flows

## for the period 1.1. - 31.3.2009 - and 1.1. - 31.3.2008

	Notes	YTD 2009	YTD 2008
<b>Cash flows from operating activities</b>			
Profit from operations .....		7,849	17,041
Depreciation and amortization .....	10, 12	5,015	5,909
Gain on disposal of assets .....		4	12
Changes in operating assets and liabilities .....		(2,897)	(4,175)
<b>Cash generated by operations</b>		<u>9,971</u>	<u>18,788</u>
Interest received .....		20	1,264
Interest paid .....		(1,914)	(4,682)
Taxes paid .....		(1,074)	(1,091)
<b>Net cash provided by operating activities</b>		<u>7,003</u>	<u>14,278</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets .....	10, 12	(1,614)	(1,666)
Proceeds from sale of fixed assets .....		153	881
Changes in financial assets .....		(121)	31
		<u>(1,582)</u>	<u>(754)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings .....		2,218	0
Repayments of short-term borrowings .....		0	(10,670)
Repayments of long-term borrowings .....		(11,850)	(4,142)
Cost due to increasing capital .....	18	0	(396)
		<u>(9,632)</u>	<u>(15,208)</u>
<b>Net change in cash</b> .....		(4,211)	(1,684)
<b>Effects of foreign exchange adjustments</b> .....		(506)	583
<b>Cash at beginning of period</b> .....		<u>30,906</u>	<u>15,889</u>
<b>Cash at end of period</b> .....		<u>26,189</u>	<u>14,788</u>
Additional information regarding cash flow .....	9		



## Consolidated Statement of changes in Equity for the period ended 31 March 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
Gain on hedge of a net investment in foreign operations.....						1,252		1,252
Loss on cash flow hedges.....					(8,605)			(8,605)
Translation difference of shares in foreign companies.....						(22,029)		(22,029)
Net loss not recognised in the income statement.....	0	0	0	0	(8,605)	(20,777)	0	(29,382)
Cost due to increasing capital.....		(396)						(396)
Share option charge for the year.....				657				657
Transferred to statutory reserves.....			162				(162)	0
Net profit.....							28,488	28,488
Balance at 31 December 2008.....	4,821	168,081	1,205	989	(8,053)	1,602	81,003	249,648
Gain on hedge of a net investment in foreign operations net of tax.....						4,807		4,807
Loss on cash flow hedges net of tax.....					(1,223)			(1,223)
Translation difference of shares in foreign operations.....						(13,848)		(13,848)
Net loss not recognised in the income statement.....	0	0	0	0	(1,223)	(9,041)	0	(10,264)
Share option charge for the period.....				94				94
Net profit.....							7,573	7,573
Balance at 31 March 2009.....	4,821	168,081	1,205	1,083	(9,276)	(7,439)	88,576	247,050

# Notes to the 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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standard (IFRS) 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 Consolidated Financial Statements have been prepared under the historical cost basis.

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. Quarterly statements

	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net sales .....	77,180	79,440	86,470	92,055	88,870
Cost of goods sold .....	(30,155)	(30,429)	(32,761)	(35,656)	(33,786)
<b>Gross profit</b> .....	47,025	49,011	53,709	56,399	55,084
Other income .....	227	(49)	2,479	1,264	5,739
Sales and marketing expenses .....	(24,063)	(22,863)	(24,003)	(25,540)	(25,406)
Research and development expenses .....	(4,965)	(5,027)	(5,100)	(5,379)	(5,424)
General and administrative expenses .....	(10,375)	(10,257)	(11,727)	(14,000)	(12,952)
<b>Profit from operations</b> .....	7,849	10,815	15,358	12,744	17,041
Financial income .....	5,284	639	27	105	93
Financial expenses .....	(3,387)	(6,608)	2,355	(5,200)	(9,136)
<b>Profit before tax</b> .....	9,746	4,846	17,740	7,649	7,998
Income tax .....	(2,173)	(675)	(4,051)	(3,705)	(1,314)
<b>Net profit</b> .....	7,573	4,171	13,689	3,944	6,684
EBITDA .....	12,865	16,324	21,128	19,038	22,950

In 2009 all income and expenses related to freight to customers will be 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.

# Notes to the Financial Statements

## 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
<b>Gross profit</b> .....	<b>7,849</b>	<b>1,846</b>	<b>1,944</b>	<b>2,152</b>	<b>1,907</b>
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
<b>Profit from operations</b> .....	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 4. Earnings per share

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

	Q1 2009	Q1 2008
Net profit.....	7,573	6,684
Total average number of shares outstanding during Q1 (in thousands).....	422,982	422,982
Total average number of shares including potential shares (in thousands).....	422,982	423,019
Basic Earnings per Share (US cent) .....	1.79	1.58
Diluted Earnings per Share (US cent) .....	1.79	1.58
Cash Earnings per Share .....	2.98	2.98
Diluted Cash Earnings per Share .....	2.98	2.98

## 5. Net sales

Specified according to geographical segments:

	YTD 2009	YTD 2008
Americas.....	35,988	39,413
EMEA.....	38,362	46,761
Asia.....	2,831	2,696
	<u>77,180</u>	<u>88,870</u>

Specified according to product lines:

Prosthetics.....	32,800	34,539
Bracing and support.....	39,149	47,055
Compression Therapy (Phlebology).....	4,663	5,881
Other products.....	568	1,395
	<u>77,180</u>	<u>88,870</u>

# Notes to the Financial Statements

Net sales are specified as follows according to currency:

	YTD 2009	YTD 2008
US Dollar, USD.....	36,286	41,306
Euro, EUR.....	28,627	32,198
British Pound, GBP.....	4,432	6,711
Canadian dollar, CAD.....	3,112	4,034
Swedish Krona, SEK.....	2,228	1,925
Norwegian Krona, NOK.....	1,294	1,544
Australian Dollar, AUD.....	515	496
Icelandic Krona, ISK.....	338	397
Other.....	348	259
	<u>77,180</u>	<u>88,870</u>

## 6. 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
<b>Revenue</b>					
External sales.....	35,988	38,362	2,831	0	77,180
Inter-segment sales.....	4,468	10,517	0	(14,984)	0
Total revenue.....	<u>40,455</u>	<u>48,878</u>	<u>2,831</u>	<u>(14,984)</u>	<u>77,180</u>
Inter-segment sales are calculated from production cost.					
<b>Result</b>					
Segment result.....	<u>2,592</u>	<u>4,619</u>	<u>637</u>	<u>0</u>	7,849
Financial income/(expenses).....					<u>1,897</u>
Profit before tax.....					9,746
Income tax.....					<u>(2,173)</u>
Net profit.....					<u>7,573</u>
<b>Other information</b>					
Capital additions.....	321	1,197	96	0	1,614
Depreciation and amortization.....	2,950	2,028	37	0	5,015
<b>Balance sheet</b>					
	31.03.2009	31.03.2009	31.03.2009	31.03.2009	31.03.2009
<b>Assets</b>					
Segment assets.....	401,941	896,969	4,368	(721,686)	<u>581,592</u>
<b>Liabilities</b>					
Segment liabilities.....	291,999	530,059	6,884	(494,400)	<u>334,542</u>

# Notes to the Financial Statements

<b>2008</b>	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>YTD 2008</u>	<u>YTD 2008</u>	<u>YTD 2008</u>	<u>YTD 2008</u>	<u>YTD 2008</u>
<b>Revenue</b>					
External sales.....	39,369	46,833	2,668	0	88,870
Inter-segment sales.....	6,338	20,728	0	(27,066)	0
Total revenue.....	<u>45,707</u>	<u>67,561</u>	<u>2,668</u>	<u>(27,066)</u>	<u>88,870</u>
<b>Result</b>					
Segment result.....	<u>6,363</u>	<u>10,184</u>	<u>494</u>	<u>0</u>	17,041
Financial income/(expenses).....					<u>(9,043)</u>
Profit before tax.....					7,998
Income tax.....					<u>(1,314)</u>
Net profit.....					<u>6,684</u>
<b>Other information</b>					
	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Eliminations</u>	<u>Consolidated</u>
Capital additions.....	587	1,045	34	0	1,666
Depreciation and amortization.....	3,797	2,089	23	0	5,909
<b>Balance sheet</b>					
	<u>31.12.2008</u>	<u>31.12.2008</u>	<u>31.12.2008</u>	<u>31.12.2008</u>	<u>31.12.2008</u>
<b>Assets</b>					
Segment assets.....	406,532	926,189	4,245	(733,188)	<u>603,778</u>
<b>Liabilities</b>					
Segment liabilities.....	295,042	553,895	6,353	(501,160)	<u>354,130</u>

# Notes to the Financial Statements

## 7. Financial income / (expenses)

Interest income and (expenses) are specified as follows:

	YTD 2009	YTD 2008
<b>Financial income:</b>		
Bank deposit.....	68	77
Income from financial assets.....	0	12
Other interest income.....	2	4
	<u>70</u>	<u>93</u>
Exchange rate differences.....	5,214	0
	<u>5,284</u>	<u>93</u>
<b>Finance expenses:</b>		
Interest on bank overdrafts and loans.....	(3,294)	(4,773)
Other interest expenses.....	(93)	(136)
	<u>(3,387)</u>	<u>(4,909)</u>
Exchange rate differences.....	0	(4,227)
	<u>(3,387)</u>	<u>(9,136)</u>
Net finance costs.....	<u>1,897</u>	<u>(9,043)</u>

## 8. Income tax

Income tax is specified as follows:

	YTD 2009	YTD 2008
Current tax expenses.....	(1,500)	(1,428)
Deferred tax (expenses) / revenue .....	(673)	114
	<u>(2,173)</u>	<u>(1,314)</u>

	YTD 2009		YTD 2008	
	Amount	%	Amount	%
Profit before taxes.....	<u>9,746</u>		<u>7,998</u>	
Income tax revenue calculated at 15%/18%.....	(1,462)	15%	(1,439)	18%
Effect of different tax rates of other jurisdictions.....	207	(2%)	1,126	(14%)
Deductable expenses accounted in equity.....	0	0%	1,035	(13%)
Effect of nondeductible expenses/revenues.....	(583)	6%	(1,352)	17%
Effect of change in tax rate.....	(22)	0%	(755)	9%
Other changes.....	(313)	3%	71	(1%)
	<u>(2,173)</u>	<u>22%</u>	<u>(1,314)</u>	<u>16%</u>

# Notes to the Financial Statements

## 9. Additional information regarding cash flow

	YTD 2009	YTD 2008
Net profit .....	7,573	6,684
Items not affecting cash .....	1,434	12,821
Working capital provided by operating activities .....	9,007	19,505
(Decrease) / Increase in inventories .....	3,005	(1,988)
Increase in receivable .....	(1,954)	(8,405)
(Decrease) / Increase in payables .....	(3,055)	5,166
Net cash provided by operating activities .....	7,003	14,278

## 10. Property, plant and equipment

Operating fixed assets are specified as follows:

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
<b>Cost</b>				
At 1 January 2009.....	17,073	34,028	29,830	80,931
Reclassification.....	0	302	0	302
Additions.....	13	838	763	1,614
Exchange differences.....	(726)	(760)	(333)	(1,819)
Eliminated on disposal.....	0	(332)	(3)	(335)
Fully depreciated assets.....	0	(20)	0	(20)
At 31 March 2009.....	16,360	34,056	30,257	80,673
<b>Accumulated depreciation</b>				
At 1 January 2009.....	8,521	21,130	18,352	48,003
Reclassification.....	0	274	0	274
Charge for the period.....	111	734	1,085	1,930
Exchange differences.....	(401)	(491)	(167)	(1,059)
Eliminated on disposal.....	0	(240)	(3)	(243)
Fully depreciated assets.....	0	(20)	0	(20)
At 31 March 2009.....	8,231	21,387	19,267	48,885
<b>Carrying Amount</b>				
At 31 March 2009.....	8,129	12,669	10,990	31,788
At 31 December 2008.....	8,552	12,898	11,478	32,928

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

	YTD 2009	YTD 2008
Cost of goods sold .....	700	1,014
Sales and marketing expenses .....	292	174
Research and development expenses.....	74	30
General and administrative expenses .....	864	1,133
	1,930	2,351

# Notes to the Financial Statements

## 11. Goodwill

	31.3.2009
<b>Cost</b>	
At 1 January 2009.....	322,381
Exchange differences.....	(7,301)
At 31 March 2009.....	<u>315,080</u>
<b>Carrying amount</b>	
At 31 March 2009.....	<u>315,080</u>
At 31 December 2008.....	<u>322,381</u>

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

	31.3.2009	31.12.2008
Ossur Americas.....	195,934	196,280
Ossur Europe.....	24,535	25,241
Gibaud.....	92,032	98,283
Ossur Asia.....	2,579	2,577
	<u>315,080</u>	<u>322,381</u>

## 12. Other intangible assets

	Cust./distrib. relationship	Patent	Trademark	Other	Total
<b>Cost</b>					
At 1 January 2009.....	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.....	(600)	(125)	(682)	0	(1,407)
At 31 March 2009.....	<u>27,628</u>	<u>15,057</u>	<u>34,061</u>	<u>15,433</u>	<u>92,179</u>
<b>Amortization</b>					
At 1 January 2009.....	22,009	10,248	6,223	11,964	50,444
Charge for the period.....	1,831	549	132	573	3,085
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.....	(174)	(90)	(40)	0	(304)
At 31 March 2009.....	<u>23,666</u>	<u>10,060</u>	<u>6,315</u>	<u>11,245</u>	<u>51,286</u>
<b>Carrying Amount</b>					
At 31 March 2009.....	<u>3,962</u>	<u>4,997</u>	<u>27,746</u>	<u>4,188</u>	<u>40,893</u>
At 31 December 2008.....	<u>6,226</u>	<u>5,609</u>	<u>28,520</u>	<u>4,820</u>	<u>45,175</u>



# Notes to the Financial Statements

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

	YTD 2009	YTD 2008
Cost of goods sold.....	8	15
Sales and marketing expenses.....	1,881	1,620
Research and development expenses.....	856	1,027
General and administrative expenses.....	340	896
	3,085	3,558

## 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
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 Financial Statements

## 14. Financial assets (liabilities)

	Current		Non-current	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
<b>Derivatives designated and effective as hedging instruments carried at fair value</b>				
Interest rate swaps.....	0	0	(10,913)	(9,474)
<b>Financial assets carried at fair value through profit or loss (FVTPL)</b>				
Non-derivative financial assets.....	0	0	1,167	1,156
Held for trading non-derivative financial assets.....	187	203	0	0
	<u>187</u>	<u>203</u>	<u>1,167</u>	<u>1,156</u>
	<u>187</u>	<u>203</u>	<u>(9,746)</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, mainly based on the counterparty's inability to fulfil its obligations according to the agreements. Ossur has not received a response to this declaration from Kaupthing Bank. As a precaution, the agreements will continue to be accounted for according to International Financial Reporting Standards in the Company's financial statements. At the end of March their market value amounted to minus USD 10.9 million (USD 9.3 net of tax). Changes in market value net of tax are realized through equity.

## 15. Bank balances and cash

	31.03.2009	31.12.2008
Bank accounts.....	23,351	27,836
Bankers draft received.....	2,585	2,840
Cash and other cash equivalents.....	254	230
	<u>26,189</u>	<u>30,906</u>

## 16. Inventories

	31.03.2009	31.12.2008
Raw material.....	16,588	16,756
Work in progress.....	4,630	5,191
Finished goods .....	30,077	33,871
	<u>51,295</u>	<u>55,818</u>

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to USD 6,512 thousand (31.12.2008: USD 10,194) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of USD 1,628 thousand is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

# Notes to the Financial Statements

## 17. Accounts and other receivables

	31.03.2009	31.12.2008
Nominal value.....	49,178	47,552
Allowances for doubtful accounts.....	(3,054)	(3,016)
Allowances for sales return.....	(716)	(715)
	<u>45,408</u>	<u>43,821</u>

### Other receivables

	31.03.2009	31.12.2008
VAT refundable.....	1,964	865
Prepaid expenses.....	4,123	5,497
Other.....	3,612	3,466
	<u>9,699</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 31 March 2009.....	<u>4,821</u>	<u>168,081</u>	<u>172,902</u>

# Notes to the Financial Statements

## 19. Reserves

	Statutory reserve	Hedging reserve	Share option reserve	Translation reserve	Total reserves
Balance at 1 January 2008.....	1,043	552	332	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.....	1,205	(8,053)	989	1,601	(4,257)
Loss on cash flow hedges.....		(1,223)			(1,223)
Share option charge for the period.....			94		94
Gain on hedge of a net investment.....				4,807	4,807
Transl. diff. of foreign operations.....				(13,849)	(13,849)
Balance at 31 March 2009.....	1,205	(9,276)	1,083	(7,441)	(14,428)

## 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.....	7,573
At 31 March 2009.....	88,576

## 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	5.2.2007	1.12.2011	92.3	109.5
Issued 8 February 2007 .....	1,250,000	5.2.2007	1.12.2011	92.3	109.0
Issued 23 February 2008 .....	2,450,000	23.2.2008	23.2.2012	91.2	93.1
Issued 15 July 2008 .....	500,000	15.7.2008	15.7.2012	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 periods. An expense of USD 0.1 million is recognised in the Income Statement for the period.

# Notes to the Financial Statements

## 22. Borrowings

Secured - at amortized cost	Current		Non - current	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
Loans in USD.....	10,201	13,630	112,863	116,339
Loans in EUR.....	9,999	7,172	106,014	66,736
Other borrowings.....	24	32	37	42
Bank overdrafts.....	9,732	7,583	0	0
Bridge loan in EUR.....	0	53,653	0	0
Total at end of period.....	29,957	82,070	218,914	183,117

Aggregated annual maturities of long term loans are as follows:

In 1.4.2009 - 31.3.2010 / 2009.....	20,225	20,834
In 1.4.2010 - 31.3.2011 / 2010.....	19,224	20,886
In 1.4.2011 - 31.3.2012 / 2011.....	94,617	75,604
In 1.4.2012 - 31.3.2013 / 2012.....	105,035	86,627
	239,101	203,951

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

## 23. Deferred tax asset / (liability)

	31.03.2009	31.12.2008
At 1 January.....	34,487	34,266
Calculated tax for the period.....	(2,173)	(9,745)
Reclassification of goodwill to tax asset.....	0	3,047
Recognised directly through equity.....	(190)	1,191
Income tax payable for the period.....	1,500	376
Exchange differences.....	(14)	5,352
At 31 March.....	33,610	34,487

# Notes to the Financial Statements

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

	Assets	Liabilities	Net
Goodwill.....	47,140	0	47,140
Intangible assets.....	23	(26,276)	(26,253)
Operating fixed assets.....	1,363	(461)	902
Tax loss carry forward.....	4,944	0	4,944
Inventories.....	2,323	0	2,323
Provisions.....	1,917	0	1,917
Current liabilities.....	1,861	0	1,861
Other.....	1,035	(259)	776
Total tax assets/ (liabilities).....	60,606	(26,996)	33,610
Tax asset and liabilities offsetting.....	(720)	720	0
Total.....	59,886	(26,276)	33,610

## 24. Provisions

	Current		Non-current	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
Warranty (i).....	2,731	3,835	3,807	2,704
Restructuring (ii).....	2,038	3,017	0	0
Other.....	765	807	868	871
	5,534	7,659	4,675	3,575

(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 2009.....	6,539	3,018	1,677	11,234
Additional provision recognised.....	696	0	0	696
Utilization of provision.....	(697)	(780)	0	(1,477)
Exchange differences.....	0	(200)	(44)	(244)
At 31 March 2009.....	6,538	2,038	1,633	10,209
Non-current.....	3,807	0	868	4,675
Current.....	2,731	2,038	765	5,534
At 31 March 2009.....	6,538	2,038	1,633	10,209

# Notes to the Financial Statements

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## 25. Other liabilities

	<u>31.03.2009</u>	<u>31.12.2008</u>
Accrued expenses.....	7,289	7,279
Accrued salaries and related expenses.....	13,675	12,928
Royalties.....	1,348	1,334
Sales tax and V.a.t. ....	475	429
Payable due to previous acquisition.....	2,324	2,324
Other.....	2,404	1,839
	<u>27,514</u>	<u>26,132</u>

## 26. Approval of the Consolidated Financial Statements

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