

# Össur hf.

---

Condensed Consolidated  
Financial Statements

---

**March 31st 2010**

---

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

# Össur hf.

---

## Condensed Consolidated Financial Statements

---

### March 31st 2010

#### **Table of Contents**

Report by the Board of Directors and President and CEO	2
Financial Ratios	3
Consolidated Income Statements	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Financial Position	6
Consolidated Statements of Cash Flows	8
Consolidated Statements 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 Consolidated Financial Statements of Össur hf. for the period from 1 January to 31 March 2010 consist of the Condensed 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 Össur Consolidation amounted to USD 86.4 million. The net profit amounted to USD 9.7 million and according to the Statement of Financial Position the total assets of the Össur Consolidation amounted to USD 606.4 million at the end of period, liabilities were 294.0 million, and equity was 312.5 million.

It is our opinion that these Condensed 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 2010 and operating performance of the period ended 31 March 2010.

In our opinion the Condensed 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 Consolidated Financial Statements for the period from 1 January to 31 March 2010 and confirmed with their signatures.

Reykjavik, 26 April 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
<b>Income Statement</b>						
Net sales	USD '000	86,468	77,180	330,580	346,835	331,966
Gross profit	USD '000	54,088	47,025	201,815	214,203	192,033
Operating expenses <sup>2</sup>	USD '000	41,363	39,403	154,071	167,678	171,160
Profit from operations	USD '000	14,143	7,849	48,240	55,958	39,716
Net profit	USD '000	9,693	7,573	22,762	28,488	7,580
EBITDA	USD '000	17,832	12,863	66,988	79,440	64,392
<b>Balance sheet</b>						
Total assets	USD '000	606,432	581,592	628,217	603,778	635,821
Equity	USD '000	312,457	247,050	312,223	249,648	250,282
Net interest-bearing debt (NIBD)	USD '000	143,180	222,682	157,633	234,281	283,106
<b>Cash flow</b>						
Working capital from operating activities	USD '000	8,479	9,007	44,473	58,070	43,991
Cash provided by operating activities	USD '000	8,276	7,003	69,155	52,835	45,701
Cash flows from investing activities	USD '000	(346)	(1,582)	(16,423)	(6,648)	(17,781)
Cash flows from financing activities	USD '000	(14,011)	(9,632)	(4,284)	(30,610)	(25,289)
Free Cash flow	USD '000	7,930	5,421	58,629	46,187	38,762
<b>Key figures</b>						
Sales Growth USD	%	12.0	(13.2)	(4.7)	4.5	33.5
Operating margin	%	16.4	10.2	14.6	16.0	12.0
EBITDA margin	%	20.6	16.7	20.3	22.9	19.4
Equity ratio	%	51.5	42.5	49.7	41.3	39.4
Ratio of net debt to EBITDA <sup>1</sup>		2.0	3.2	2.4	2.9	4.4
Current ratio		2.6	1.8	2.3	1.1	0.9
Return on equity	%	8.0	12.0	8.1	11.0	4.0
<b>Market</b>						
Market value of equity <sup>3</sup>	USD '000	700,252	310,109	529,151	349,263	672,024
Number of shares	Millions	454	423	454	423	423
Price/earnings ratio, (P/E) <sup>1</sup>		28.1	10.6	23.2	12.3	88.7
Diluted EPS <sup>1</sup>	US Cent	5.48	6.95	5.30	6.73	1.94
Diluted Cash EPS <sup>1</sup>	US Cent	9.32	12.29	9.66	12.29	8.24

## Notes

1. Financial ratios for YTD 2009 and YTD 2008 are based on operations for the preceding 12 months.
2. Excluding other income and restructuring expenses.
3. Market value based on last trade at 31.3.2010 on Nasdaq OMX, Iceland and Denmark.

# Consolidated Income Statements for the period 1.1 - 31.3.2010 and 1.1. - 31.3.2009

	Notes	2010 YTD	2009 YTD
<b>Net sales</b>	4	86,468	77,180
Cost of goods sold .....		<u>(32,380)</u>	<u>(30,155)</u>
<b>Gross profit</b>		54,088	47,025
Other income .....		1,418	227
Sales and marketing expenses .....		(24,763)	(24,063)
Research and development expenses .....		(5,102)	(4,965)
General and administrative expenses .....		<u>(11,498)</u>	<u>(10,375)</u>
<b>Profit from operations</b>		14,143	7,849
Financial income .....		31	70
Financial expenses .....		(3,792)	(3,387)
Net exchange rate difference .....		2,763	5,214
Net financial income / (expenses)	6	<u>(998)</u>	<u>1,897</u>
<b>Profit before tax</b>		13,145	9,746
Income tax .....	7	<u>(3,452)</u>	<u>(2,173)</u>
<b>Net profit</b>		<u>9,693</u>	<u>7,573</u>
		Attributable to:	
Owners of the Company .....		9,562	7,573
Non-controlling interests .....		131	0
		<u>9,693</u>	<u>7,573</u>
<b>Earnings per Share</b>	8		
Basic Earnings per Share .....		<u>2.14</u>	<u>1.79</u>
Diluted Earnings per Share .....		<u>2.13</u>	<u>1.79</u>

# Consolidated Statements of Comprehensive Income for the period 1.1 - 31.3.2010 and 1.1 - 31.3.2009

	Notes	2010 YTD	2009 YTD
<b>Net profit</b>		9,693	7,573
<b>Other comprehensive income</b>			
Gain / (loss) on hedge of a net investment in foreign operations.....		3,182	5,655
Loss on cash flow hedges .....		1,318	(1,439)
Transl. difference of shares in foreign operations.....		(13,218)	(13,848)
Income tax relating to components of other comprehensive income.....		(810)	(632)
Other comprehensive income (net of tax).....		(9,528)	(10,264)
<b>Total comprehensive income</b>		<u>165</u>	<u>(2,691)</u>
	<i>Attributable to:</i>		
Owners of the Company .....		34	(2,691)
Non-controlling interests .....		131	0
		<u>165</u>	<u>(2,691)</u>

# Consolidated Statements of Financial Position

## Assets

	Notes	31.03.2010	31.12.2009
<b>Non-current assets</b>			
Property, plant and equipment .....	10	30,797	32,286
Goodwill .....	11	327,512	334,844
Other intangible assets .....	12	32,897	35,382
Other financial assets .....	14	3,672	3,567
Deferred tax asset .....	24	40,144	42,367
		<u>435,022</u>	<u>448,446</u>
<b>Current assets</b>			
Inventories .....	16	41,051	43,526
Accounts receivables .....	17	46,104	43,693
Other assets .....	17	10,330	10,413
Assets classified as held for sale .....	10	1,190	2,308
Bank balances and cash .....	15	72,735	79,831
		<u>171,410</u>	<u>179,771</u>
<b>Total assets</b>		<u><u>606,432</u></u>	<u><u>628,217</u></u>

## 31 March 2010 and 2009

### Equity and liabilities

	Notes	31.03.2010	31.12.2009
<b>Equity</b>			
Issued capital .....	18	201,997	201,997
Reserves .....	19	(3,877)	5,582
Retained earnings .....	20	113,209	103,647
		<u>311,329</u>	<u>311,226</u>
Non-controlling interest in equity .....		1,128	997
<b>Total equity</b>		<u>312,457</u>	<u>312,223</u>
<b>Non-current liabilities</b>			
Borrowings .....	22	203,289	210,282
Deferred tax liabilities .....	24	10,428	11,024
Provisions .....	25	5,197	5,744
Other financial liabilities .....	23	8,676	9,995
		<u>227,590</u>	<u>237,045</u>
<b>Current liabilities</b>			
Borrowings .....	22	12,626	27,182
Accounts payable .....		14,125	13,353
Taxes payable .....		4,744	2,452
Provisions .....	25	2,626	2,686
Other liabilities .....	27	32,264	33,276
		<u>66,385</u>	<u>78,949</u>
<b>Total equity and liabilities</b>		<u><u>606,432</u></u>	<u><u>628,217</u></u>



# Consolidated Statements of Cash Flows

## for the period 1.1 - 31.3.2010 and 1.1 - 31.3.2009

	Notes	YTD 2010	YTD 2009
<b>Cash flows from operating activities</b>			
Profit from operations .....		14,143	7,849
Depreciation and amortization .....	10, 12	3,689	5,015
Gain / loss on disposal of assets .....		(1,246)	4
Change in provisions .....		(554)	(581)
Changes in operating assets and liabilities .....		(4,631)	(2,316)
<b>Cash generated by operations</b>		<u>11,401</u>	<u>9,971</u>
Interest received .....		29	20
Interest paid .....		(2,294)	(1,914)
Taxes paid .....		(860)	(1,074)
<b>Net cash provided by operating activities</b>		<u>8,276</u>	<u>7,003</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets .....	10, 12	(2,512)	(1,614)
Proceeds from sale of fixed assets .....		2,420	153
Changes in financial assets .....		(254)	(121)
		<u>(346)</u>	<u>(1,582)</u>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings .....		0	2,218
Repayments of long-term borrowings .....		(14,011)	(11,850)
		<u>(14,011)</u>	<u>(9,632)</u>
<b>Net change in cash</b> .....		(6,081)	(4,211)
<b>Effects of foreign exchange rate adjustments</b> .....		(1,015)	(506)
<b>Cash at beginning of year</b> .....		79,831	30,906
<b>Cash at end of period</b> .....		<u>72,735</u>	<u>26,189</u>
Additional information regarding cash flow .....	9		

## Consolidated Statements of Changes in Equity for the period ended 31 March 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.....							7,573	7,573		7,573
Gain on hedge of a net investment in foreign operations net of tax.....						4,807		4,807		4,807
Loss on cash flow hedges net of tax.....					(1,223)			(1,223)		(1,223)
Translation difference of shares in foreign operations.....						(13,848)		(13,848)		(13,848)
Total comprehensive income for the period.....	0	0	0	0	(1,223)	(9,041)	7,573	(2,691)	0	(2,691)
Share option charge for the period.....				94				94		94
Balance at 31 March 2009.....	4,821	168,081	1,205	1,083	(9,276)	(7,439)	88,576	247,050	0	247,050
Balance at 1 January 2009.....	5,068	196,929	1,267	1,415	(8,480)	11,380	103,647	311,226	997	312,223
Net profit.....							9,562	9,562	131	9,693
Loss on hedge of a net investment in foreign operations net of tax.....						2,609		2,609		2,609
Loss on cash flow hedges net of tax.....					1,081			1,081		1,081
Translation difference of shares in foreign operations.....						(13,218)		(13,218)		(13,218)
Total comprehensive income for the period.....	0	0	0	0	1,081	(10,609)	9,562	34	131	165
Share option charge for the period.....				69				69		69
Balance at 31 December 2009.....	5,068	196,929	1,267	1,484	(7,399)	771	113,209	311,329	1,128	312,457

# 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 Consolidated Financial Statements of the Company 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

	Q1	Q4	Q3	Q2	Q1
	2010	2009	2009	2009	2009
Net sales .....	86,468	87,871	84,184	81,345	77,180
Cost of goods sold .....	(32,380)	(34,863)	(32,463)	(31,284)	(30,155)
<b>Gross profit</b> .....	54,088	53,008	51,721	50,061	47,025
Other income .....	1,418	131	18	120	227
Sales and marketing expenses .....	(24,763)	(23,451)	(21,948)	(23,105)	(24,063)
Research and development expenses .....	(5,102)	(5,132)	(4,170)	(4,813)	(4,965)
General and administrative expenses .....	(11,498)	(10,834)	(10,725)	(10,490)	(10,375)
<b>Profit from operations</b> .....	14,143	13,722	14,897	11,773	7,849
Financial income .....	31	69	45	70	70
Financial expenses .....	(3,792)	(4,073)	(4,047)	(4,080)	(3,387)
Net exchange rate difference .....	2,763	793	(4,196)	(4,481)	5,214
Total financial income/(expenses) .....	(998)	(3,211)	(8,198)	(8,491)	1,897
<b>Profit before tax</b> .....	13,145	10,511	6,699	3,282	9,746
Income tax .....	(3,452)	(2,437)	(1,938)	(927)	(2,173)
<b>Net profit</b> .....	9,693	8,074	4,761	2,355	7,573
EBITDA .....	17,832	17,812	19,355	16,958	12,863

# Notes to the Condensed Consolidated Financial Statements

## 4. Net sales

Specified according to geographical segments:

	YTD 2010	YTD 2009
Americas.....	41,767	35,988
EMEA.....	41,044	38,362
Asia.....	3,657	2,831
	<u>86,468</u>	<u>77,180</u>

Specified according to product lines:

Prosthetics.....	37,720	32,800
Bracing and supports.....	43,337	39,149
Compression Therapy (Phlebology).....	4,847	4,663
Other products.....	564	568
	<u>86,468</u>	<u>77,180</u>

Specified according to currency:

US Dollar, USD.....	40,182	36,286
Euro, EUR.....	31,440	28,627
British Pound, GBP.....	4,471	4,432
Canadian dollar, CAD.....	3,810	3,112
Swedish Krona, SEK.....	2,934	2,228
Norwegian Krona, NOK.....	1,840	1,294
Australian Dollar, AUD.....	916	515
Icelandic Krona, ISK.....	358	338
Other.....	517	348
	<u>86,468</u>	<u>77,180</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
<b>Revenue</b>					
External sales.....	41,767	41,044	3,657	0	86,468
Inter-segment sales.....	5,216	17,716	0	(22,932)	0
Total revenue.....	<u>46,983</u>	<u>58,760</u>	<u>3,657</u>	<u>(22,932)</u>	<u>86,468</u>

Inter-segment sales are calculated from production cost.

### Result

Segment result.....	<u>7,379</u>	<u>5,527</u>	<u>1,237</u>	<u>0</u>	14,143
Financial income/(expenses).....					(998)
Profit before tax.....					13,145
Income tax.....					(3,452)
Net profit.....					<u>9,693</u>

### Other information

Capital additions.....	1,189	1,318	5	0	2,512
Depreciation and amortization.....	1,328	2,311	50	0	3,689

### Balance sheet

	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
<b>Assets</b>					
Segment assets.....	432,674	909,694	8,076	(744,012)	<u>606,432</u>
<b>Liabilities</b>					
Segment liabilities.....	309,350	541,914	8,466	(565,755)	<u>293,975</u>

# Notes to the Consolidated Financial Statements

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>40,456</u>	<u>48,879</u>	<u>2,831</u>	<u>(14,984)</u>	<u>77,180</u>
<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>					
	Americas	EMEA	Asia	Eliminations	Consolidated
Capital additions.....	321	1,197	96	0	1,614
Depreciation and amortization.....	2,950	2,028	37	0	5,015
<b>Balance sheet</b>					
	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
<b>Assets</b>					
Segment assets.....	429,724	1,034,923	8,378	(844,808)	<u>628,217</u>
<b>Liabilities</b>					
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:

	<u>YTD 2010</u>	<u>YTD 2009</u>
<b>Financial income</b>		
Interests on bank deposits.....	26	68
Other financial income.....	5	2
	<u>31</u>	<u>70</u>
<b>Finance expenses</b>		
Interest on bank overdrafts and loans.....	(3,697)	(3,294)
Other financial expenses.....	(95)	(93)
	<u>(3,792)</u>	<u>(3,387)</u>
Net exchange rate differences.....	2,763	5,214
Net financial income / (expenses).....	<u>(998)</u>	<u>1,897</u>

## 7. Income tax

Income tax is specified as follows:

	<u>YTD 2010</u>	<u>YTD 2009</u>
Current tax expenses.....	(2,491)	(1,500)
Deferred tax expenses.....	(1,091)	(673)
Deferred tax reclassified from equity to income.....	130	0
	<u>(3,452)</u>	<u>(2,173)</u>

	<u>YTD 2010</u>		<u>YTD 2009</u>	
	Amount	%	Amount	%
Profit before taxes.....	<u>13,145</u>		<u>9,746</u>	
Income tax calculated at 18% / 15% .....	(2,366)	18%	(1,462)	15%
Effect of different tax rates of other jurisdictions.....	(687)	5%	207	(2%)
Effect of non-deductible expenses.....	(260)	2%	(583)	6%
Effect of change in tax rate.....	0	0%	(22)	0%
Other changes.....	(139)	1%	(313)	3%
	<u>(3,452)</u>	26%	<u>(2,173)</u>	22%

# Notes to the Condensed Consolidated Financial Statements

## 8. Earnings per share

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

	<u>Q1 2010</u>	<u>Q1 2009</u>
Net profit.....	9,693	7,573
Total average number of shares outstanding during Q1 (in thousands).....	453,714	422,982
Total average number of shares including potential shares (in thousands).....	454,133	422,906
Basic Earnings per Share (US cent) .....	2.14	1.79
Diluted Earnings per Share (US cent) .....	2.13	1.79
Cash Earnings per Share .....	2.95	2.98
Diluted Cash Earnings per Share .....	2.95	2.98

## 9. Additional information regarding cash flow

	<u>YTD 2010</u>	<u>YTD 2009</u>
Net profit .....	9,693	7,573
Items not affecting cash .....	(1,214)	1,434
Working capital provided by operating activities .....	8,479	9,007
Decrease / (increase) in inventories .....	1,348	3,005
(Increase) / decrease in receivables .....	(4,681)	(1,954)
Increase / (decrease) in payables .....	3,130	(3,055)
Net cash provided by operating activities .....	8,276	7,003

### Non-cash transactions

During the period the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:



# 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
<b>31.3.2010</b>				
<b>Cost</b>				
At 1 January 2010.....	15,056	40,337	33,667	89,060
Reclassification.....	3	(625)	(2,196)	(2,818)
Additions.....	13	873	1,500	2,386
Exchange rate differences.....	(988)	(772)	(391)	(2,151)
Eliminated on disposal.....	0	(101)	(475)	(576)
Fully depreciated assets.....	0	(1,772)	(2,934)	(4,706)
At 31 March 2010.....	<u>14,084</u>	<u>37,940</u>	<u>29,171</u>	<u>81,195</u>
<b>Accumulated depreciation</b>				
At 1 January 2010.....	8,244	25,616	22,914	56,774
Reclassification.....	0	(535)	(1,275)	(1,810)
Charge for the period.....	99	905	869	1,873
Exchange rate differences.....	(544)	(447)	(221)	(1,212)
Eliminated on disposal.....	0	(85)	(436)	(521)
Fully depreciated assets.....	0	(1,772)	(2,934)	(4,706)
At 31 March 2010.....	<u>7,799</u>	<u>23,682</u>	<u>18,917</u>	<u>50,398</u>
<b>Carrying Amount:</b>				
At 31 March 2010.....	<u>6,285</u>	<u>14,258</u>	<u>10,254</u>	<u>30,797</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 .....	1,008	700
Sales and marketing expenses .....	131	292
Research and development expenses.....	122	74
General and administrative expenses .....	612	864
	<u>1,873</u>	<u>1,930</u>

The following useful lives are used in the calculation of depreciation.

Buildings	20 - 50 years
Fixtures and furniture	3 - 10 years
Machinery and equipment	4 - 10 years

### Assets pledged as security

All the Company's assets have been pledged in relation to financing arranged by Arion Bank. The Company is not allowed to pledge the assets as security to raise further financing.

### 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 its building for 2.4 million with a sale gain of USD 1.2 million. The remaining asset has been vacated and put for sale.

# Notes to the Condensed Consolidated Financial Statements

## 11. Goodwill

	31.3.2010
<b>Cost</b>	
At 1 January 2009.....	322,381
Arising on acquisition of subsidiaries.....	7,083
Exchange rate differences.....	5,380
At 31 December 2009.....	334,844
Exchange rate differences.....	(7,332)
At 31 March 2010.....	327,512
<b>Carrying amount</b>	
At 31 March 2010.....	327,512
At 31 December 2009.....	334,844

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

	31.3.2010	31.12.2009
Americas.....	205,827	205,312
EMEA.....	118,737	126,611
Asia.....	2,948	2,921
	327,512	334,844

## 12. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
<b>31.3.2010</b>					
<b>Cost</b>					
At 1 January 2010.....	29,019	15,675	35,379	15,484	95,557
Reclassification.....	18,489	17	(14,316)	(935)	3,255
Additions.....	0	0	0	126	126
Fully depreciated assets.....	0	(285)	0	0	(285)
Exchange rate differences.....	(1,049)	10	(1,219)	(17)	(2,275)
At 31 March 2010.....	46,459	15,417	19,844	14,658	96,378
<b>Amortization</b>					
At 1 January 2010.....	28,308	12,246	6,877	12,744	60,175
Reclassification.....	5,355	4	(2,630)	(482)	2,247
Charge for the period.....	575	494	114	633	1,816
Fully depreciated assets.....	0	(285)	0	0	(285)
Exchange rate differences.....	(336)	26	(149)	(13)	(472)
At 31 March 2010.....	33,902	12,485	4,212	12,882	63,481
<b>Carrying Amount:</b>					
At 31 March 2010.....	12,557	2,932	15,632	1,776	32,897
At 31 December 2009.....	711	3,429	28,502	2,740	35,382

# Notes to the Condensed Consolidated Financial Statements

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

	YTD 2010	YTD 2009
Cost of goods sold.....	0	8
Sales and marketing expenses.....	794	1,881
Research and development expenses.....	792	856
General and administrative expenses.....	230	340
	<u>1,816</u>	<u>3,085</u>

## 13. The Consolidation

Name of subsidiary	Place of registration and operation	Ownership %	Principal activity
Össur Holding, AB.....	Sweden	100%	Holding
Össur Nordic, AB.....	Sweden	100%	Sales, distribution and services
Össur Nordic, AS.....	Norway	100%	Sales, distribution and services
Össur Americas Holdings, Inc.....	USA	100%	Holding
Össur Americas, Inc.....	USA	100%	Manufacturer, sales, distribution and services
Empower Reimbursement Services Inc..	USA	100%	Services
Empower Business Solutions, Inc.....	USA	100%	No operation
Team Makena LLC.....	USA	62%	Distribution
Össur Funding LLC.....	USA	100%	Holding
Össur Canada, Inc.....	Canada	100%	Manufacturer, sales, distribution and services
Össur Europe Holding, BV.....	Netherlands	100%	Holding
Össur Europe, BV.....	Netherlands	100%	Sales, distribution and services
Össur UK, Holdings, Ltd.....	UK	100%	Holding
IMP Holdings, Ltd.....	UK	100%	Holding
Össur 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%	No operation
Ortex, Ltd.....	UK	100%	No operation
Medistox, Ltd.....	UK	100%	No operation
Össur Iberia SA.....	Spain	100%	Sales, distribution and services
Össur 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
Tournier Bottu SAS.....	France	100%	Manufacturer
Gibaud Suisse SA.....	Swiss	100%	Sales, distribution and services
Össur Asia Pacific PTY, Ltd.....	Australia	100%	Sales, distribution and services
Össur Prosth. & Rehabilit. Co, Ltd.....	China	100%	Manufacturer, sales, distribution and services
Össur Holding BV.....	Netherlands	100%	Holding
Össur Hong Kong Limited.....	Hong Kong	100%	No operation
Gentleheal ehf.....	Iceland	100%	No operation

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

# Notes to the Condensed Consolidated Financial Statements

## 14. Other financial assets

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

	31.3.2010	31.12.2009
Investment in associates.....	1,682	1,445
Loans and receivables.....	1,990	2,122
	<u>3,672</u>	<u>3,567</u>

### Investments in associates

Name	Place of registration and operation	Ownership %	Principal activity	31.3.2010	31.12.2009
Derby Finances, SAS.....	France	50%	Manufacturer	20	21
Dashe Orthopedic Supplies, Inc.....	USA	50%	Distribution	1,662	1,424
				<u>1,682</u>	<u>1,445</u>

## 15. Bank balances and cash

	31.03.2010	31.12.2009
Bank accounts.....	70,173	76,618
Bankers draft received.....	2,449	2,818
Cash and other cash equivalents.....	113	395
	<u>72,735</u>	<u>79,831</u>

## 16. Inventories

	31.03.2010	31.12.2009
Raw material.....	13,052	14,397
Work in progress.....	4,802	3,170
Finished goods .....	23,197	25,959
	<u>41,051</u>	<u>43,526</u>

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to 8.7 million (2009: 8.1 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of 2.3 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

## 17. Accounts receivables and other assets

	31.03.2010	31.12.2009
Nominal value.....	50,380	47,940
Allowances for doubtful accounts.....	(3,551)	(3,521)
Allowances for sales return.....	(725)	(726)
	<u>46,104</u>	<u>43,693</u>

### Other assets

	31.03.2010	31.12.2009
VAT refundable.....	2,416	1,779
Prepaid expenses.....	5,982	5,174
Other.....	1,932	3,460
	<u>10,330</u>	<u>10,413</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.....	454	5,068

Shares issued and outstanding at period-end totalled of 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 31 March 2010.....	<u>5,068</u>	<u>196,929</u>	<u>201,997</u>

# Notes to the Condensed Consolidated Financial Statements

## 19. Reserves

	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Total reserves
Balance at 1 January 2009.....	1,205	989	(8,053)	1,602	(4,257)
Loss on cash flow hedges.....			(427)		(427)
Share option charge for the period.....		426			426
Loss on hedge of a net investment.....				(997)	(997)
Transl. diff. of foreign operations.....				10,775	10,775
Transferred to statutory reserves.....	62				62
Balance at 1 January 2010.....	1,267	1,415	(8,480)	11,380	5,582
Loss on cash flow hedges.....			1,081		1,081
Share option charge for the period.....		69			69
Loss on hedge of a net investment.....				2,609	2,609
Transl. diff. of foreign operations.....				(13,218)	(13,218)
Balance at 31 March 2010.....	1,267	1,484	(7,399)	771	(3,877)

## 20. Retained earnings

	Retained earnings
At 1 January 2009.....	81,003
Transferred to statutory reserves.....	(62)
Net profit.....	22,706
At 1 January 2010.....	103,647
Net profit.....	9,562
At 31 March 2010.....	113,209

## 21. Stock option contracts and obligations to increase share capital

The following option contracts have been issued at end of period:

	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 .....	300,000	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
Total issued option contracts.....	5,940,000				

Estimated remaining cost due to the stock option contracts are USD 1.0 million which will be expensed over the next four years. An expense of USD 0.1 million is recognised in the Income Statement for the period.

# Notes to the Condensed Consolidated Financial Statements

## 22. Borrowings

Secured - at amortized cost	Current		Non - current	
	31.03.2010	31.12.2009	31.03.2010	31.12.2009
Loans in USD.....	6,083	13,641	102,457	102,721
Loans in EUR.....	6,000	13,022	98,185	104,886
Other borrowings.....	510	496	2,647	2,675
Bank overdrafts.....	32	23	0	0
Bridge loan in EUR.....	0	0	0	0
Total at end of period.....	12,626	27,182	203,289	210,282

Aggregated annual maturities of long-term loans are as follows:

	31.03.2010	31.12.2009
In 1.4.2010 - 31.3.2011 / 2010.....	12,594	27,159
In 1.4.2010 - 31.3.2012 / 2011.....	100,444	104,006
In 1.4.2010 - 31.3.2013 / 2012.....	100,197	103,601
	213,235	234,766

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 certain assets, including buildings, machinery, equipment and inventories to secure banking facilities granted.

## 23. Other financial liabilities

Outstanding interest rate swap contracts (cash flow hedge) at 31 March 2010 are due over the next three years. The contracts' fair value is negative USD 8,7 million and principal amount USD 147 million.

## 24. Deferred tax asset / (liability)

	31.03.2010	31.12.2009
At beginning of period.....	31,343	34,487
Income tax payable for the period.....	2,491	4,996
Calculated tax for the period.....	(3,452)	(7,475)
Reclassification to deferred tax asset/ (liability).....	0	(700)
Recognised due to acquisition / disposal of subsidiaries.....	0	(293)
Recognised directly through equity.....	(810)	313
Exchange rate differences.....	144	15
	29,716	31,343

# Notes to the Condensed Consolidated Financial Statements

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

	Assets	Liabilities	Net
Goodwill.....	28,288	(3,722)	24,566
Intangible assets.....	543	(6,120)	(5,577)
Operating fixed assets.....	1,050	(140)	910
Tax loss carry forward.....	3,710	0	3,710
Inventories.....	2,528	0	2,528
Provisions.....	623	(700)	(77)
Current liabilities.....	1,797	(271)	1,526
Other.....	2,628	(498)	2,130
Total tax assets / (liabilities).....	41,167	(11,451)	29,716
Tax asset and liabilities offsetting.....	(1,023)	1,023	0
Total.....	40,144	(10,428)	29,716

## 25. Provisions

	Current		Non-current	
	31.03.2010	31.12.2009	31.03.2010	31.12.2009
Warranty (i).....	644	715	4,437	4,271
Other.....	1,982	1,971	760	1,473
	2,626	2,686	5,197	5,744

(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.

	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.....	883	0	(649)	234
Utilization of provision.....	(788)	0	0	(788)
Exchange differences.....	0	0	(53)	(53)
At 31 March 2010.....	5,081	0	2,742	7,823
Non-current.....	4,437	0	760	5,197
Current.....	644	0	1,982	2,626
At 31 March 2010.....	5,081	0	2,742	7,823



# Notes to the Condensed Consolidated Financial Statements

---

## 26. Related party transactions

The Company had no material transactions with related parties in Q1 2010

## 27. Other liabilities

	<u>31.03.2010</u>	<u>31.12.2009</u>
Accrued expenses.....	11,227	11,999
Accrued salaries and related expenses.....	14,996	14,760
Accrued Royalties.....	1,043	1,185
Sales tax and VAT.....	691	934
Payable due to previous acquisition.....	2,324	2,324
Other.....	1,984	2,075
	<u>32,264</u>	<u>33,276</u>

## 28. 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.

## 29. Approval of the Consolidated Financial Statements

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