

Össur hf.

Condensed Consolidated
Financial Statements

June 30 2012

Össur hf.
Grjóthálsi 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 2012 consist of the Financial Statements of Össur hf. and its subsidiaries. The 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 202.5 million and the net profit amounted to USD 19.8 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 593.4 million at the end of period, liabilities were 209.8 million, and equity was 383.6 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 financial position at 30 June 2012 and operating performance of the period ended 30 June 2012.

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 2012 and confirm them by means of their signatures.

Reykjavik, 25 July 2012

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Þórður Magnússon

Svafa Grönfeldt

President and CEO

Jón Sigurðsson

Financial Highlights and Key Ratios

Consolidated statements

		YTD 2012	YTD 2011	2011	2010	2009
Income Statements						
Net sales	USD '000	202,525	202,019	401,325	358,538	330,580
Gross profit	USD '000	125,938	124,833	249,070	222,622	201,815
Operating expenses (excl. other income)	USD '000	94,742	93,489	188,773	163,964	154,071
Profit from operations	USD '000	30,981	32,054	62,400	60,245	48,240
Net profit	USD '000	19,805	18,330	36,631	35,362	22,762
EBITDA	USD '000	37,330	38,192	75,606	74,358	66,988
Sales Growth						
Sales Growth USD	%	0	15	12	9	(5)
Growth brake down:						
Organic growth in LCY	%	3	5	5	6	(1)
Currency effect	%	(4)	4	3	(1)	(4)
Acquired/divested business	%	1	6	5	4	0
Balance Sheets						
Total assets	USD '000	593,371	606,176	581,991	607,078	628,217
Equity	USD '000	383,620	366,254	366,756	343,558	312,223
Net interest-bearing debt (NIBD)	USD '000	105,620	135,685	111,413	132,816	157,633
Cash Flows						
Cash generated by operations	USD '000	28,490	30,024	68,377	64,331	85,770
Cash provided by operating activities	USD '000	23,711	17,720	48,447	39,995	69,155
Cash flows from investing activities	USD '000	(18,044)	(9,080)	(18,585)	(18,987)	(16,423)
Cash flows from financing activities	USD '000	(6,616)	(41,881)	(64,507)	(45,594)	(4,284)
Free Cash flow	USD '000	17,004	10,384	32,493	33,389	60,238
Key figures						
Operating margin	%	15.3	15.9	15.5	16.8	14.6
EBITDA margin	%	18.4	18.9	18.8	20.7	20.3
Equity ratio	%	64.7	60.4	63.0	56.6	49.7
Ratio of net debt to EBITDA ¹		1.4	1.8	1.5	1.8	2.4
Ratio of debt to EBITDA ¹		1.7	2.1	1.7	2.5	3.5
Current ratio		1.8	1.8	1.8	1.9	2.3
Return on equity ¹	%	10.0	8.7	10.0	10.2	8.1
Market						
Market value of equity	USD '000	626,056	713,246	675,533	777,593	529,151
Number of shares	Millions	454	454	454	454	454
Price/earnings ratio, (P/E) ¹		16.9	24.2	19.2	22.3	23.2
Diluted EPS ¹	US Cent	8.48	6.69	8.11	7.77	5.30
Diluted Cash EPS ¹	US Cent	11.46	9.55	11.03	10.87	9.66

Notes

1. Financial ratios for YTD 2012 and YTD 2011 are based on operations for the preceding 12 months.

Report on Review of Financial Information

To the Board of Directors and Stockholders of Össur hf.

We have reviewed the accompanying balance sheet of Össur hf. as of 30 June 2012 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's and the Board of directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim 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 interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2012, its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Kópavogur, 25 July 2012

Deloitte hf.

Sigurður Páll Hauksson
State Authorized Public Accountant

Signý Magnúsdóttir
State Authorized Public Accountant

Consolidated Income Statements for the period 1.1 - 30.06.2012 and 1.1 - 30.06.2011

	Notes	2012 YTD	2011 YTD	Unreviewed	
				2012 Q2	2011 Q2
Net sales	3	202,525	202,019	102,708	105,024
Cost of goods sold		<u>(76,587)</u>	<u>(77,186)</u>	<u>(38,804)</u>	<u>(41,628)</u>
Gross profit		125,938	124,833	63,904	63,396
Other income	5	(215)	710	(106)	654
Sales and marketing expenses		(60,317)	(59,496)	(30,186)	(30,075)
Research and development expenses		(10,703)	(9,686)	(5,427)	(5,065)
General and administrative expenses		<u>(23,722)</u>	<u>(24,307)</u>	<u>(11,855)</u>	<u>(12,014)</u>
Profit from operations		30,981	32,054	16,330	16,896
Financial income		79	66	28	30
Financial expenses		(3,712)	(5,941)	(1,807)	(2,474)
Net exchange rate difference		<u>(672)</u>	<u>(1,244)</u>	<u>(1,228)</u>	<u>(382)</u>
Net financial income / (expenses)	6	<u>(4,305)</u>	<u>(7,119)</u>	<u>(3,007)</u>	<u>(2,826)</u>
Profit before tax		26,676	24,935	13,323	14,070
Income tax	7	<u>(6,871)</u>	<u>(6,605)</u>	<u>(3,320)</u>	<u>(3,762)</u>
Net profit		<u>19,805</u>	<u>18,330</u>	<u>10,003</u>	<u>10,308</u>
Attributable to:					
Owners of the Company		19,396	17,576	9,835	10,021
Non-controlling interests		409	754	168	287
		<u>19,805</u>	<u>18,330</u>	<u>10,003</u>	<u>10,308</u>
Earnings per Share					
Basic Earnings per Share		<u>4.41</u>	<u>4.04</u>	<u>2.23</u>	<u>2.28</u>
Diluted Earnings per Share		<u>4.41</u>	<u>4.03</u>	<u>2.23</u>	<u>2.28</u>

Consolidated Statements of Comprehensive Income for the period 1.1 - 30.06.2012 and 1.1 - 30.06.2011

	Notes	2012 YTD	2011 YTD	Unreviewed	
				2012 Q2	2011 Q2
Net profit		19,805	18,330	10,003	10,308
Other comprehensive income					
Gain / (loss) on hedge of a net investment in foreign operations.....		0	(1,175)	0	0
Change on cash flow hedges		744	604	384	(270)
Transl. difference of shares in foreign operations.....		(2,858)	12,121	(7,455)	2,247
Income tax relating to components of other comprehensive income.....		(374)	(536)	(494)	185
Other comprehensive income (net of tax).....		(2,488)	11,014	(7,565)	2,162
Total comprehensive income		<u>17,317</u>	<u>29,344</u>	<u>2,438</u>	<u>12,470</u>
	Attributable to:				
Owners of the Company		16,908	28,590	2,270	12,183
Non-controlling interests		409	754	168	287
		<u>17,317</u>	<u>29,344</u>	<u>2,438</u>	<u>12,470</u>

Consolidated Balance Sheets

Assets

	Notes	30.06.2012	31.12.2011
Non-current assets			
Property, plant and equipment	10	35,634	36,239
Goodwill	11	341,164	333,484
Other intangible assets	12	30,698	29,921
Other financial assets	14	6,696	6,809
Deferred tax assets	25	31,414	30,974
		<u>445,606</u>	<u>437,427</u>
Current assets			
Inventories	15	53,018	52,171
Accounts receivables	16	65,576	55,549
Other assets	17	10,666	17,188
Bank balances and cash	18	18,505	19,656
		<u>147,765</u>	<u>144,564</u>
Total assets		<u>593,371</u>	<u>581,991</u>

30 June 2012 and 31 December 2011

Equity and liabilities

	Notes	30.06.2012	31.12.2011
Equity			
Issued capital	19	193,791	193,791
Reserves	20	(6,856)	(3,841)
Retained earnings	21	193,972	174,576
Equity attributable to owners of the Company		<u>380,907</u>	<u>364,526</u>
Non-controlling interest in equity		2,713	2,230
Total equity		<u>383,620</u>	<u>366,756</u>
Non-current liabilities			
Borrowings	23	103,755	110,113
Deferred tax liabilities	25	18,376	16,010
Provisions	26	5,134	4,493
Other financial liabilities	24	2,264	2,216
		<u>129,529</u>	<u>132,832</u>
Current liabilities			
Borrowings	23	20,370	20,956
Accounts payable		19,319	20,305
Taxes payable		6,223	3,915
Provisions	26	3,497	3,634
Accrued salaries and related expenses		15,984	18,192
Other liabilities	27	14,829	15,401
		<u>80,222</u>	<u>82,403</u>
Total equity and liabilities		<u>593,371</u>	<u>581,991</u>

Consolidated Statements of Cash Flows

for the period 1.1 - 30.06.2012 and 1.1 - 30.06.2011

	Notes	2012 YTD	2011 YTD	Unreviewed	
				2012 Q2	2011 Q2
Cash flows from operating activities					
Profit from operations		30,981	32,054	16,330	16,896
Depreciation and amortization	10, 12	6,349	6,138	3,163	3,026
(Gain) / loss on disposal of assets		(16)	(109)	(15)	(116)
Change in provisions		540	800	141	596
Changes in operating assets and liabilities		(9,364)	(8,859)	(438)	(2,861)
Cash generated by operations		<u>28,490</u>	<u>30,024</u>	<u>19,181</u>	<u>17,541</u>
Interest received		61	3	27	(203)
Interest paid		(2,582)	(9,407)	(1,442)	(798)
Taxes paid		(2,258)	(2,900)	(1,187)	(268)
Net cash provided by operating activities		<u>23,711</u>	<u>17,720</u>	<u>16,579</u>	<u>16,272</u>
Cash flows from investing activities					
Purchase of fixed and intangible assets	10, 12	(6,735)	(7,525)	(3,347)	(4,139)
Proceeds from sale of fixed assets		29	189	28	125
Acquisition of subsidiaries		(11,317)	0	(2,141)	0
Changes in financial assets		(21)	(1,744)	54	(1,696)
		<u>(18,044)</u>	<u>(9,080)</u>	<u>(5,406)</u>	<u>(5,710)</u>
Cash flows from financing activities					
Proceeds from long-term borrowings		0	123,443	0	5,813
Repayments of long-term borrowings		(10,733)	(192,208)	(5,733)	(7,426)
Changes in revolving credit facility		4,255	33,891	(4,179)	(1,085)
Dividends from subsidiaries paid to non-controlling interests		(138)	(418)	181	(343)
Purchased treasury shares		0	(6,589)	0	(6,589)
		<u>(6,616)</u>	<u>(41,881)</u>	<u>(9,731)</u>	<u>(9,630)</u>
Net change in cash		(949)	(33,241)	1,442	932
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		261	(1,475)	661	(351)
Other items held in foreign currencies		(463)	3,013	(1,267)	533
Cash at beginning of period		<u>19,656</u>	<u>54,399</u>	<u>17,669</u>	<u>21,582</u>
Cash at end of period		<u>18,505</u>	<u>22,696</u>	<u>18,505</u>	<u>22,696</u>

Additional information regarding cash flow 9

Consolidated Statements of Changes in Equity for the period ended 30 June 2012

	Share capital	Share premium	Statutory reserve	Share option reserve	Hedging reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2011.....	5,068	196,929	1,267	1,944	(4,023)	2,232	138,513	341,930	1,628	343,558
Net profit.....							17,576	17,576	754	18,330
Loss on hedge of a net investment in foreign operations net of tax.....						(1,175)		(1,175)		(1,175)
Change in cash flow hedges net of tax.....					68			68		68
Translation difference of shares in foreign operations....						12,121		12,121		12,121
Total comprehensive income for the period.....	0	0	0	0	68	10,946	17,576	28,590	754	29,344
Payment of dividends.....								0	(319)	(319)
Share option charge for the period.....				260				260		260
Purchased treasury shares.....	(35)	(6,554)						(6,589)		(6,589)
Balance at 30 June 2011.....	5,033	190,375	1,267	2,204	(3,955)	13,178	156,089	364,191	2,063	366,254
Balance at 1 January 2012.....	5,024	188,767	1,267	1,453	(2,979)	(3,582)	174,576	364,526	2,230	366,756
Net profit.....							19,396	19,396	409	19,805
Change in cash flow hedges.....					733			733		733
Translation difference of shares in foreign operations....						(3,221)		(3,221)		(3,221)
Total comprehensive income for the period.....	0	0	0	0	733	(3,221)	19,396	16,908	409	17,317
Payment of dividends.....								0	(138)	(138)
Share option charge for the period.....				163				163		163
Arising on acquisition.....								0	212	212
Share option vested during the period.....				(690)				(690)		(690)
Balance at 30 June 2012.....	5,024	188,767	1,267	926	(2,246)	(6,803)	193,972	380,907	2,713	383,620

Notes to the Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1.1 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 2011.

1.2 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 2011.

2. Quarterly statements (Unreviewed)

	Q2	Q1	Q4	Q3	Q2
	2012	2012	2011	2011	2011
Net sales	102,708	99,817	97,991	101,315	105,024
Cost of goods sold	(38,804)	(37,783)	(37,473)	(37,596)	(41,628)
Gross profit	63,904	62,034	60,518	63,719	63,396
Gross profit margin	62%	62%	62%	63%	60%
Other income	(106)	(109)	1,203	190	654
Sales and marketing expenses	(30,186)	(30,131)	(30,375)	(29,442)	(30,075)
Research and development expenses	(5,427)	(5,276)	(5,157)	(4,811)	(5,065)
General and administrative expenses	(11,855)	(11,867)	(13,442)	(12,057)	(12,014)
Profit from operations	16,330	14,651	12,747	17,599	16,896
Net financial income /(expenses)	(1,779)	(1,854)	(2,116)	(2,526)	(2,444)
Net exchange rate difference	(1,228)	556	(391)	(417)	(382)
Total financial income/(expenses)	(3,007)	(1,298)	(2,507)	(2,943)	(2,826)
Profit before tax	13,323	13,353	10,240	14,656	14,070
Income tax	(3,320)	(3,551)	(2,585)	(4,010)	(3,762)
Net profit	10,003	9,802	7,655	10,646	10,308
EBITDA	19,493	17,837	16,353	21,061	19,922
EBITDA ratio	19%	18%	17%	21%	19%

Notes to the Condensed Consolidated Financial Statements

3. Net sales

Specified according to geographical segments:

	YTD 2012	YTD 2011	Unreviewed	
			Q2 2012	Q2 2011
Americas.....	104,964	103,647	53,700	53,774
EMEA.....	87,456	89,823	43,238	46,829
Asia.....	10,105	8,549	5,770	4,421
	<u>202,525</u>	<u>202,019</u>	<u>102,708</u>	<u>105,024</u>

Specified according to product lines:

Bracing and Supports.....	106,630	106,613	54,342	54,296
Prosthetics.....	85,869	85,505	43,611	45,535
Compression Therapy (Phlebology).....	9,640	9,205	4,569	4,749
Other products.....	386	696	186	444
	<u>202,525</u>	<u>202,019</u>	<u>102,708</u>	<u>105,024</u>

Specified according to currency:

US Dollar, USD.....	104,963	101,898	54,152	53,024
Euro, EUR.....	61,589	64,061	30,006	33,422
British Pound, GBP.....	9,491	9,425	4,825	4,766
Canadian Dollar, CAD.....	8,858	9,022	4,743	4,711
Swedish Krona, SEK.....	4,409	5,324	2,154	2,763
Norwegian Krona, NOK.....	4,462	4,412	2,253	2,312
Australian Dollar, AUD.....	2,378	2,256	1,182	1,154
Icelandic Krona, ISK.....	916	559	431	309
Other.....	5,459	5,062	2,962	2,563
	<u>202,525</u>	<u>202,019</u>	<u>102,708</u>	<u>105,024</u>

Notes to the Condensed Consolidated Financial Statements

4. Segment information

2012	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2012	YTD 2012	YTD 2012	YTD 2012	YTD 2012
Sales					
External sales.....	104,964	87,456	10,105	0	202,525
Inter-segment sales.....	19,423	51,067	0	(70,490)	0
Total sales.....	<u>124,387</u>	<u>138,524</u>	<u>10,105</u>	<u>(70,490)</u>	<u>202,525</u>

The results from global functions including R&D, Headquarters, Global manufacturing and Global marketing have been divided between the segments using appropriate methods.

Result

Segment result.....	<u>13,099</u>	<u>15,677</u>	<u>2,205</u>	<u>0</u>	30,981
Financial income/(expenses).....					<u>(4,305)</u>
Profit before tax.....					26,676
Income tax.....					<u>(6,871)</u>
Net profit.....					<u>19,805</u>

Balance sheet 30.6.2012

Assets

Segment assets.....	487,345	365,752	14,235	(273,961)	<u>593,371</u>
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Liabilities

Segment liabilities.....	188,661	223,324	6,210	(208,444)	<u>209,751</u>
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Other information

Capital additions.....	2,545	3,590	600	0	6,735
Depreciation and amortization.....	2,180	4,016	153	0	6,349

Notes to the Condensed Consolidated Financial Statements

2011	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2011	YTD 2011	YTD 2011	YTD 2011	YTD 2011
Sales					
External sales.....	103,647	89,823	8,549	0	202,019
Inter-segment sales.....	19,238	48,037	0	(67,275)	0
Total sales.....	<u>122,885</u>	<u>137,860</u>	<u>8,549</u>	<u>(67,275)</u>	<u>202,019</u>

The results from global functions including R&D, Headquarters, Global manufacturing and Global marketing have been divided between the segments using appropriate methods. This is a change from allocating it according to geographical location of the global function.

Result

Segment result.....	<u>12,042</u>	<u>18,016</u>	<u>1,996</u>	<u>0</u>	32,054
Financial income/(expenses).....					<u>(7,119)</u>
Profit before tax.....					24,935
Income tax.....					<u>(6,605)</u>
Net profit.....					<u>18,330</u>

Balance sheet 30.6.2011

Assets

Segment assets.....	420,955	414,786	10,385	(239,950)	<u>606,176</u>
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Liabilities

Segment liabilities.....	185,344	272,210	4,620	(222,252)	<u>239,922</u>
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Other information YTD

Capital additions.....	3,047	4,355	123	0	7,525
Depreciation and amortization.....	1,830	4,162	146	0	6,138

Notes to the Condensed Consolidated Financial Statements

5. Other income

Included in other income 2011 is 0.6 million received when settling a patent infringement.

6. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2012	YTD 2011	Unreviewed	
			Q2 2012	Q2 2011
Financial income				
Interests on bank deposits.....	42	36	9	13
Other financial income.....	37	30	19	17
	<u>79</u>	<u>66</u>	<u>28</u>	<u>30</u>
Financial expenses				
Interest on loans.....	(3,469)	(5,557)	(1,689)	(2,238)
Other financial expenses.....	(243)	(384)	(118)	(236)
	<u>(3,712)</u>	<u>(5,941)</u>	<u>(1,807)</u>	<u>(2,474)</u>
Net exchange rate differences.....	(672)	(1,244)	(1,228)	(382)
Net financial income / (expenses).....	<u>(4,305)</u>	<u>(7,119)</u>	<u>(3,007)</u>	<u>(2,826)</u>

7. Income tax

Income tax is specified as follows:

	YTD 2012	YTD 2011	Unreviewed	
			Q2 2012	Q2 2011
Current tax expenses.....	(4,832)	(7,803)	(2,522)	(4,709)
Deferred tax expenses.....	(2,039)	1,198	(798)	912
Deferred tax reclassified from equity to income.....	0	0	0	35
	<u>(6,871)</u>	<u>(6,605)</u>	<u>(3,320)</u>	<u>(3,762)</u>

	YTD 2012		YTD 2011	
	Amount	%	Amount	%
Profit before taxes.....	<u>26,676</u>		<u>24,935</u>	
Income tax calculated at 20%.....	(5,335)	20%	(4,987)	20%
Effect of different tax rates of other jurisdictions.....	(1,182)	4%	(1,226)	5%
Effect of non-deductible expenses / non taxable income.....	(209)	1%	(119)	0%
Other changes.....	(145)	1%	(273)	1%
	<u>(6,871)</u>	<u>26%</u>	<u>(6,605)</u>	<u>26%</u>

Deferred tax expense:

	YTD 2012	YTD 2011
Origination and reversal of temporary differences.....	(2,036)	1,340
Losses (recognised) and utilised.....	0	(131)
Effect of changes in tax rate and laws.....	(3)	(11)
	<u>(2,039)</u>	<u>1,198</u>

Notes to the Condensed Consolidated Financial Statements

8. Earnings per share

	YTD 2012	YTD 2011	Unreviewed	
			Q2 2012	Q2 2011
Net profit.....	19,805	18,330	10,003	10,308
Total weighted average number of ordinary shares (in thousands).....	448,880	453,250	448,880	451,819
Total average number of shares including potential shares from options (in thousands).....	449,342	454,472	449,342	452,900
Basic Earnings per Share (US cent).....	4.41	4.04	4.41	2.28
Diluted Earnings per Share (US cent).....	4.41	4.03	4.41	2.28
Cash Earnings per Share.....	5.83	5.40	5.83	2.95
Diluted Cash Earnings per Share.....	5.82	5.38	5.82	2.94

9. Additional information regarding cash flow

	YTD 2012	YTD 2011	Unreviewed	
			Q2 2012	Q2 2011
Net profit.....	19,805	18,330	10,003	10,308
Items not affecting cash	10,366	3,334	6,079	2,539
Working capital provided by operating activities.....	30,171	21,664	16,082	12,847
(Increase) / decrease in inventories.....	(1,194)	(3,501)	494	(1,827)
(Increase) / decrease in receivables.....	(3,748)	(6,785)	(414)	(1,440)
Increase / (decrease) in payables.....	(1,518)	6,342	417	6,692
Net cash provided by operating activities.....	23,711	17,720	16,579	16,272

Notes to the Condensed Consolidated Financial Statements

10. Property, plant and equipment

2012	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2012.....	13,865	38,957	25,469	78,291
Reclassification.....	0	(81)	32	(49)
Additions.....	12	2,163	1,544	3,719
Acquired on acquisition of subsidiary.....	0	0	501	501
Additions relating to previous acquisitions.....	0	395	0	395
Exchange rate differences.....	(351)	(438)	(206)	(995)
Eliminated on disposal.....	0	(326)	(34)	(360)
Fully depreciated assets.....	0	(1,661)	(1,147)	(2,808)
At 30 June 2012.....	<u>13,526</u>	<u>39,009</u>	<u>26,159</u>	<u>78,694</u>
Depreciation				
At 1 January 2012.....	8,226	21,453	12,373	42,052
Reclassification.....	0	(50)	15	(35)
Charge for the period.....	188	2,600	1,784	4,572
Acquired on acquisition of subsidiary.....	0	119	79	198
Exchange rate differences.....	(271)	(260)	(112)	(643)
Eliminated on disposal.....	0	(274)	(2)	(276)
Fully depreciated assets.....	0	(1,661)	(1,147)	(2,808)
At 30 June 2012.....	<u>8,143</u>	<u>21,926</u>	<u>12,991</u>	<u>43,060</u>
Carrying Amount:				
At 30 June 2012.....	<u>5,383</u>	<u>17,083</u>	<u>13,168</u>	<u>35,634</u>
At 31 December 2011.....	<u>5,639</u>	<u>17,504</u>	<u>13,096</u>	<u>36,239</u>

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

	YTD 2012	YTD 2011
Cost of goods sold	2,496	2,074
Sales and marketing expenses	319	285
Research and development expenses.....	344	268
General and administrative expenses	1,413	1,334
	<u>4,572</u>	<u>3,961</u>

Notes to the Condensed Consolidated Financial Statements

11. Goodwill

Cost

At 1 January 2011.....	339,153
Reclass due to previous acquisitions (purchase price allocation, PPA).....	(1,939)
Exchange rate differences.....	<u>(3,730)</u>
At 31 December 2011.....	333,484
Reclass due to previous acquisitions (purchase price allocation, PPA).....	159
Arising on acquisition of subsidiaries.....	10,090
Exchange rate differences.....	<u>(2,569)</u>
At 30 June 2012.....	<u>341,164</u>

Carrying amount

At 30 June 2012.....	<u>341,164</u>
At 31 December 2011.....	<u>333,484</u>

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

	<u>30.06.2012</u>	<u>31.12.2011</u>
Americas.....	223,173	213,046
EMEA.....	114,874	117,323
Asia.....	<u>3,117</u>	<u>3,115</u>
	<u>341,164</u>	<u>333,484</u>

Notes to the Condensed Consolidated Financial Statements

12. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
2012					
Cost					
At 1 January 2012.....	23,403	10,892	15,438	13,739	63,472
Reclassification.....	0	0	0	49	49
Additions.....	308	0	0	2,708	3,016
Acquired on acquisition of subsidiary.....	0	165	0	0	165
Fully depreciated assets.....	0	(6,360)	0	(1,749)	(8,109)
Exchange rate differences.....	(420)	(27)	(391)	(12)	(850)
At 30 June 2012.....	23,291	4,670	15,047	14,735	57,743
Amortization					
At 1 January 2012.....	12,394	10,172	593	10,392	33,551
Reclassification.....	0	0	0	35	35
Charge for the period.....	1,178	195	0	404	1,777
Fully depreciated assets.....	0	(6,360)	0	(1,749)	(8,109)
Exchange rate differences.....	(202)	(11)	12	(8)	(209)
At 30 June 2012.....	13,370	3,996	605	9,074	27,045
Carrying Amount:					
At 30 June 2012.....	9,921	674	14,442	5,661	30,698
At 31 December 2011.....	11,009	720	14,845	3,347	29,921

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

	YTD 2012	YTD 2011
Cost of goods sold.....	23	11
Sales and marketing expenses.....	1,238	1,239
Research and development expenses.....	225	699
General and administrative expenses.....	291	228
	1,777	2,177

Notes to the Condensed Consolidated Financial Statements

13. The Consolidation

The Consolidation is split into three geographical segments, Americas, EMEA and Asia. The main operation is carried out in the following companies:

Name of subsidiary	Place of registration and operation	Ownership %	Principal activity
Americas			
Össur Americas, Inc.....	USA	100%	Sales, distribution and services
Össur Canada, Inc.....	Canada	100%	Manufacturer, sales, distribution and services
Össur Mexico S. de R.L. de C.V.....	Mexico	100%	Manufacturer
EMEA			
Össur Europe BV.....	Netherlands	100%	Sales, distribution and services
Gibaud SAS.....	France	100%	Manufacturer, sales, distribution and services
Össur Nordic AB.....	Sweden	100%	Sales, distribution and services
Össur UK Ltd.....	UK	100%	Sales, distribution and services
Össur Iberia SA.....	Spain	100%	Sales, distribution and services
Össur South Africa (Pty) Ltd.....	South Africa	100%	Sales, distribution and services
Asia			
Össur Asia Pacific PTY, Ltd.....	Australia	100%	Sales, distribution and services
Össur Prosth. & Rehabilit. Co, Ltd.....	China	100%	Sales, distribution and services
Össur Hong Kong, Ltd.....	Hong Kong	100%	Sales, distribution and services

The Consolidation is financed through two companies Össur Americas LP and Össur Finance AG.

14. Other financial assets

	30.06.2012	31.12.2011
Investment in associates.....	2,903	2,986
Restricted cash.....	1,256	1,273
Loans and receivables.....	2,537	2,550
	<u>6,696</u>	<u>6,809</u>

Investments in associates

The Company has invested 30-50% of shares in associated companies located in France and USA. The principal activities of those companies are manufacturing and distribution.

	2012	2011
At 1 January.....	2,986	20
Additions due to acquisition.....	0	2,830
Share in net profit.....	(81)	61
Exchange differences.....	(3)	75
	<u>2,903</u>	<u>2,986</u>

Notes to the Condensed Consolidated Financial Statements

15. Inventories

	30.06.2012	31.12.2011
Raw material.....	13,666	12,840
Work in progress.....	2,846	2,762
Finished goods	36,506	36,569
	<u>53,018</u>	<u>52,171</u>

16. Accounts receivables

	30.06.2012	31.12.2011
Nominal value.....	67,952	58,049
Allowances for doubtful accounts.....	(1,426)	(1,419)
Allowances for sales return.....	(950)	(1,081)
	<u>65,576</u>	<u>55,549</u>

17. Other assets

	30.06.2012	31.12.2011
VAT refundable.....	1,777	2,349
Prepaid expenses.....	4,723	4,285
Taxes receivable.....	2,032	4,490
Receivable from sale of fixed assets.....	0	2,412
Other.....	2,134	3,652
	<u>10,666</u>	<u>17,188</u>

18. Bank balances and cash

	30.06.2012	31.12.2011
Bank accounts.....	16,004	16,817
Bankers draft received.....	2,487	2,778
Cash and other cash equivalents.....	14	61
	<u>18,505</u>	<u>19,656</u>

Notes to the Condensed Consolidated Financial Statements

19. Issued capital

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

	Shares	Nominal value
Total share capital at 30 June 2012.....	453,750	5,068
Treasury shares at period-end.....	(5,018)	(44)
	<u>448,732</u>	<u>5,024</u>

Total shares issued at balance sheet date is 453,750,008. The nominal value of each share is one Icelandic Króna.

	Share capital	Share premium	Issued capital
Balance at 1 January 2011.....	5,068	196,929	201,997
Purchased treasury shares.....	(44)	(8,162)	(8,206)
Balance at 1 January 2012.....	<u>5,024</u>	<u>188,767</u>	<u>193,791</u>
Balance at 30 June 2012.....	<u>5,024</u>	<u>188,767</u>	<u>193,791</u>

20. Reserves

	Statutory reserve	Share option reserve	Hedging reserve	Translation reserve	Total reserves
Balance at 1 January 2011.....	1,267	1,944	(4,023)	2,232	1,420
Change on cash flow hedges.....			1,044		1,044
Share option vested during the period.....		(211)			(211)
Share option charge for the period.....		517			517
Change in hedge of a net investment.....				(1,175)	(1,175)
Transl. diff. of foreign operations.....				(4,639)	(4,639)
Share option reserve release.....		(797)			(797)
Balance at 1 January 2012.....	<u>1,267</u>	<u>1,453</u>	<u>(2,979)</u>	<u>(3,582)</u>	<u>(3,841)</u>
Change on cash flow hedges.....			733		733
Share option vested during the period.....		(690)			(690)
Share option charge for the period.....		163			163
Transl. diff. of foreign operations.....				(3,221)	(3,221)
Balance at 30 June 2012.....	<u>1,267</u>	<u>926</u>	<u>(2,246)</u>	<u>(6,803)</u>	<u>(6,856)</u>

Notes to the Condensed Consolidated Financial Statements

21. Retained earnings

	Retained earnings
At 1 January 2011.....	138,513
Share option reserve release.....	797
Net profit.....	35,266
At 1 January 2012.....	174,576
Net profit.....	19,396
Balance at 30 June 2012.....	193,972

22. Share option contracts and obligations to increase share capital

22.1 Employee share option plan

The following share-based payment arrangements were in existence at balance sheet date:

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Issued to Executive Management	500,000	2008	2012	5.4	5.5
Issued to Management team	500,000	2009	2013	4.4 - 5.3	5.2 - 5.3
Issued to Management team	200,000	2010	2014	5.7 - 10.7	5.7 - 10.7
Issued to Management team	300,000	2011	2014 / 2015	7.9 - 9.5	7.6 - 9.0
Issued to Executive Management	3,750,000	2012	2015	8.6	8.8
Issued to Management team	2,100,000	2012	2015	8.7	8.8
Total issued option contracts.....	7,350,000				

The employee must remain continuously employed with Össur until expiring date, either as an employee or in any other way, deemed satisfactory by the Company.

22.2 Movements in shares options during the period

The following reconciles the share options outstanding at the beginning and end of the period.

	30.06.2012		31.12.2011	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	3,300,000	6.6	6,290,000	7.1
Granted during period	5,850,000	8.6	300,000	8.7
Forfeited during period	0	0.0	(500,000)	7.5
Exercised during period.....	(1,800,000)	6.9	(2,790,000)	7.8
Outstanding at end of period.....	7,350,000	8.2	3,300,000	6.6

Notes to the Condensed Consolidated Financial Statements

22.3 Share options exercised during the period

The following share options were exercised during the period

	Number exercised	Exercise date	Share price at exercise date (in DKK)
Issued to Management team	1,800,000	23.2.2012	8.2

Share options issued to Management team on 23 February 2008 vested on 23 February 2012. The share options could not be exercised due to restrictions in the Icelandic Foreign Exchange Act. The Board decided to settle the contracts with the respective parties by cash payment equalling the difference of exercise price and market price. The total payment amounted to USD 0.7 million.

22.4 Costs due to share options

Estimated remaining cost due to the share option contracts are 2.3 million (2011: 0.6 million). An expense of 0.1 million (2011: 0.3 million) is recognised in the Income Statement for the period.

23. Borrowings

	30.06.2012		31.12.2011	
	Current	Non-current	Current	Non-current
Loans in USD.....	12,725	51,395	12,670	57,548
Loans in EUR.....	6,504	23,465	6,458	27,832
Revolver in USD.....	0	21,460	0	16,500
Revolver in EUR.....	0	5,663	0	6,472
Other borrowings.....	1,141	1,772	1,828	1,761
	<u>20,370</u>	<u>103,755</u>	<u>20,956</u>	<u>110,113</u>

The maturity of the revolving credit facility is March 2016. The Company has classified the revolver as non current liability as the intention is to use it for further growth of the Company.

Aggregated maturities of borrowings are as follows:

	30.06.2012	31.12.2011
In 1.7.2012 - 30.6.2013 / 2012.....	20,370	20,956
In 1.7.2013 - 30.6.2014 / 2013.....	20,182	19,913
In 1.7.2014 - 30.6.2015 / 2014.....	20,453	20,425
In 1.7.2015 - 30.6.2016 / 2015.....	63,120	42,655
In 1.7.2016 - 30.6.2017 / 2016.....	0	27,120
	<u>124,125</u>	<u>131,069</u>

24. Other financial liabilities

At balance sheet date three interest rate swap agreements are effective, with a negative value of 2.7 million of which 0.4 million is already settled leaving a liability of 2.3 million.

Notes to the Condensed Consolidated Financial Statements

25. Deferred tax asset / (liability)

	30.06.2012	31.12.2011
At beginning of period.....	14,964	22,480
Income tax payable for the period.....	4,832	6,525
Calculated tax for the period.....	(6,871)	(13,200)
Arising on acquisition of a subsidiary.....	0	(880)
Recognised directly through equity.....	29	(56)
Exchange rate differences.....	84	95
	<u>13,038</u>	<u>14,964</u>
Deferred tax in the balance sheet:		
Deferred tax asset.....	31,414	30,974
Deferred tax liabilities.....	(18,376)	(16,010)
	<u>13,038</u>	<u>14,964</u>

26. Provisions

	30.06.2012		31.12.2011	
	Current	Non-current	Current	Non-current
Warranty (i).....	2,510	5,134	2,686	4,339
Other.....	987	0	948	154
	<u>3,497</u>	<u>5,134</u>	<u>3,634</u>	<u>4,493</u>

(i) The warranty provision represents management's best estimate of the Company's liability under warranties granted on prosthetic products, based on past experience.

	Warranty provisions	Other provisions	Total
At 1 January 2011.....	5,763	1,537	7,300
Additional provision recognised.....	4,814	114	4,928
Utilization of provision.....	(3,552)	(527)	(4,079)
Exchange differences.....	0	(22)	(22)
At 31 December 2011.....	7,025	1,102	8,127
Additional provision recognised.....	2,177	27	2,204
Utilization of provision.....	(1,558)	(131)	(1,689)
Exchange differences.....	0	(11)	(11)
Balance at 30 June 2012.....	<u>7,644</u>	<u>987</u>	<u>8,631</u>
Non-current.....	5,134	0	5,134
Current.....	2,510	987	3,497
Balance at 30 June 2012.....	<u>7,644</u>	<u>987</u>	<u>8,631</u>

Notes to the Condensed Consolidated Financial Statements

27. Other liabilities

	30.06.2012	31.12.2011
Accrued expenses.....	6,699	7,452
Accrued Royalties.....	1,130	1,536
Sales tax and VAT.....	2,165	1,816
Payable due to previous acquisition.....	2,324	2,324
Other.....	2,511	2,273
	<u>14,829</u>	<u>15,401</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 2007. The likely outcome of this matter remains uncertain.

Össur has filed a civil action in the US against a competitor in the prosthetic market and alleges that it infringes certain of the Company's patents. The competitor has denied the allegations and claims the patents are invalid. The likely outcome remains uncertain.

29. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements were approved by the board of directors and authorised for issue on 25 July 2012.