

Össur hf.

Condensed Consolidated
Financial Statements

March 31 2013

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

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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 31 March 2013 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 Condensed Interim Consolidated Financial Statements are not audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 97.1 million and the net profit amounted to USD 5.8 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 590.3 million at the end of period, liabilities were 189.2 million, and equity was 401.1 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 31 March 2013 and operating performance of the period ended 31 March 2013.

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 31 March 2013 and confirm them by means of their signatures.

Reykjavík, 24 April 2013

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Guðbjörg Edda Eggertsdóttir

Svafa Grönfeldt

President and CEO

Jón Sigurðsson

Financial Highlights and Key Ratios

Consolidated statements

		Q1 2013	Q1 2012	2012	2011	2010	2009
Income Statements							
Net sales	USD '000	97,101	99,817	399,437	398,325	358,538	330,580
Gross profit	USD '000	60,045	62,034	247,952	246,070	222,622	201,815
Operating expenses (excl. other income)	USD '000	50,176	47,274	191,278	188,773	163,964	154,071
Profit from operations	USD '000	10,054	14,651	56,776	59,400	60,245	48,240
Net profit	USD '000	5,778	9,802	37,763	34,608	35,362	22,762
EBITDA	USD '000	13,523	17,837	69,956	72,606	74,358	66,988
Sales growth							
Sales growth USD	%	(3)	4	0	11	9	(5)
Growth brake down:							
Organic growth in LCY	%	(3)	5	3	5	6	(1)
Currency effect	%	0	(2)	(3)	3	(1)	(4)
Acquired/divested business	%	0	0	1	4	4	0
Balance Sheets							
Total assets	USD '000	590,258	598,076	591,163	579,968	607,078	628,217
Equity	USD '000	401,059	379,276	407,734	364,733	343,558	312,223
Net interest-bearing debt (NIBD)	USD '000	81,691	118,054	82,218	111,413	132,816	157,633
Cash Flows							
Cash generated by operations	USD '000	8,534	9,309	70,553	68,377	64,331	85,770
Cash provided by operating activities	USD '000	4,204	7,132	57,568	48,447	39,995	69,155
Cash flows from investing activities	USD '000	(3,844)	(12,638)	(26,633)	(18,585)	(18,987)	(16,423)
Cash flows from financing activities	USD '000	(1,492)	3,115	(29,173)	(64,507)	(45,594)	(4,284)
Free Cash flow	USD '000	365	3,744	43,310	32,493	33,389	60,238
Key figures							
Operating margin	%	10.4	14.7	14.2	14.9	16.8	14.6
EBITDA margin	%	13.9	17.9	17.5	18.2	20.7	20.3
Equity ratio	%	67.9	63.4	69.0	62.9	56.6	49.7
Ratio of net debt to EBITDA ¹		1.2	1.6	1.2	1.5	1.8	2.4
Ratio of debt to EBITDA ¹		1.6	1.9	1.5	1.8	2.5	3.5
Current ratio		1.7	1.8	1.9	1.7	1.9	2.3
Return on equity ¹	%	8.9	10.1	10.0	9.6	10.2	8.1
Market							
Market value of equity	USD '000	646,299	687,616	605,649	675,533	777,593	529,151
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E) ¹		18.6	18.4	15.8	20.0	22.3	23.2
Diluted EPS ¹	US Cent	7.5	8.0	8.4	7.7	7.8	5.3
Diluted Cash EPS ¹	US Cent	10.5	11.0	11.3	10.6	10.9	9.7

1. Financial ratios for Q1 2013 and Q1 2012 are based on operations for the preceding 12 months.

Consolidated Income Statements for the period 1.1 - 31.3.2013 and 1.1 - 31.3.2012

	Notes	2013 YTD	2012 YTD
Net sales	3	97,101	99,817
Cost of goods sold		<u>(37,056)</u>	<u>(37,783)</u>
Gross profit		60,045	62,034
Other income		185	(109)
Sales and marketing expenses		(31,810)	(30,131)
Research and development expenses		(5,935)	(5,276)
General and administrative expenses		<u>(12,431)</u>	<u>(11,867)</u>
Profit from operations		10,054	14,651
Financial income		35	51
Financial expenses		(1,146)	(1,974)
Net exchange rate difference		(1,116)	556
Net financial income / (expenses)	5	<u>(2,227)</u>	<u>(1,367)</u>
Share in net profit of associated companies		<u>72</u>	<u>69</u>
Profit before tax		7,899	13,353
Income tax	6	<u>(2,121)</u>	<u>(3,551)</u>
Net profit		<u>5,778</u>	<u>9,802</u>
Attributable to:			
Owners of the Company		5,876	9,561
Non-controlling interests		<u>(98)</u>	<u>241</u>
		<u>5,778</u>	<u>9,802</u>
Earnings per Share	7		
Basic Earnings per Share (US Cent)		<u>1.3</u>	<u>2.2</u>
Diluted Earnings per Share (US Cent)		<u>1.3</u>	<u>2.2</u>

Consolidated Statements of Comprehensive Income for the period 1.1 - 31.3.2013 and 1.1 - 31.3.2012

	Notes	2013 YTD	2012 YTD
Net profit		5,778	9,802
Other comprehensive income			
Change on cash flow hedges		305	360
Transl. difference of shares in foreign operations.....		(4,899)	4,597
Income tax relating to components of other comprehensive income.....		<u>(273)</u>	<u>120</u>
Other comprehensive income (net of tax).....		<u>(4,867)</u>	<u>5,077</u>
Total comprehensive income		<u><u>911</u></u>	<u><u>14,879</u></u>
	Attributable to:		
Owners of the Company		1,009	14,638
Non-controlling interests		<u>(98)</u>	<u>241</u>
		<u><u>911</u></u>	<u><u>14,879</u></u>

Consolidated Balance Sheets

Assets

	Notes	31.3.2013	31.12.2012
Non-current assets			
Property, plant and equipment	9	35,822	35,489
Goodwill	10	341,777	348,935
Other intangible assets	11	34,628	33,136
Other financial assets	12	6,805	6,824
Deferred tax assets	21	24,331	26,565
		<u>443,363</u>	<u>450,949</u>
Current assets			
Inventories	13	56,130	56,757
Accounts receivables	14	58,467	52,666
Other assets	15	11,977	8,913
Bank balances and cash	16	20,321	21,878
		<u>146,895</u>	<u>140,214</u>
Total assets		<u><u>590,258</u></u>	<u><u>591,163</u></u>

31 March 2013 and 31 December 2012

Equity and liabilities

	Notes	31.3.2013	31.12.2012
Equity			
Issued capital	17	193,791	193,791
Reserves		(3,565)	1,091
Retained earnings		209,986	211,971
Equity attributable to owners of the Company		<u>400,212</u>	<u>406,853</u>
Non-controlling interest in equity		847	881
Total equity		<u>401,059</u>	<u>407,734</u>
Non-current liabilities			
Borrowings	19	81,937	83,742
Deferred tax liabilities	21	16,006	17,687
Provisions	22	4,492	4,838
Other financial liabilities	20	1,804	2,151
		<u>104,239</u>	<u>108,418</u>
Current liabilities			
Borrowings	19	20,075	20,354
Accounts payable		17,104	17,120
Taxes payable		4,305	767
Provisions	22	4,261	4,762
Accrued salaries and related expenses		18,030	16,894
Other liabilities	23	21,185	15,114
		<u>84,960</u>	<u>75,011</u>
Total equity and liabilities		<u>590,258</u>	<u>591,163</u>

Consolidated Statements of Cash Flows

for the period 1.1 - 31.3.2013 and 1.1 - 31.3.2012

	Notes	2013 YTD	2012 YTD
Cash flows from operating activities			
Profit from operations		10,054	14,651
Depreciation and amortization	9, 11	3,469	3,186
(Gain) / loss on disposal of assets		(147)	(1)
Change in provisions		(816)	399
Changes in operating assets and liabilities		(4,026)	(8,926)
Cash generated by operations		<u>8,534</u>	<u>9,309</u>
Interest received		22	34
Interest paid		(1,425)	(1,140)
Taxes paid		(2,927)	(1,071)
Net cash provided by operating activities		<u>4,204</u>	<u>7,132</u>
Cash flows from investing activities			
Purchase of fixed and intangible assets	9, 11	(4,148)	(3,388)
Proceeds from sale of fixed assets		309	1
Acquisition of subsidiaries		0	(9,176)
Changes in financial assets		(5)	(75)
		<u>(3,844)</u>	<u>(12,638)</u>
Cash flows from financing activities			
Repayments of long-term borrowings		(5,146)	(5,000)
Changes in revolving credit facility		3,766	8,434
Dividends from subsidiaries paid to non-controlling interests		(112)	(319)
		<u>(1,492)</u>	<u>3,115</u>
Net change in cash		(1,132)	(2,391)
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		(372)	(400)
Other items held in foreign currencies		(53)	804
Cash at beginning of period		<u>21,878</u>	<u>19,656</u>
Cash at end of period		<u>20,321</u>	<u>17,669</u>
Additional information regarding cash flow	8		

Consolidated Statements of Changes in Equity for the period ended 31 March 2013

	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 2012.....	5,024	188,767	1,267	1,453	(2,979)	(3,582)	173,120	363,070	1,663	364,733
Net profit.....							9,561	9,561	241	9,802
Change in cash flow hedges net of tax.....					367			367		367
Translation difference of shares in foreign operations....						4,710		4,710		4,710
Total comprehensive income for the period.....	0	0	0	0	367	4,710	9,561	14,638	241	14,879
Payment of dividends.....								0	(138)	(138)
Share option charge for the period.....				55				55		55
Share option vested during the period.....				(465)				(465)		(465)
Arising on acquisition.....								0	212	212
Balance at 31 March 2012.....	5,024	188,767	1,267	1,043	(2,612)	1,128	182,681	377,298	1,978	379,276
Balance at 1 January 2013.....	5,024	188,767	1,267	958	(1,587)	453	211,971	406,853	881	407,734
Net profit.....							5,876	5,876	(98)	5,778
Change in cash flow hedges net of tax.....					262			262		262
Translation difference of shares in foreign operations....						(5,129)		(5,129)		(5,129)
Total comprehensive income for the period.....	0	0	0	0	262	(5,129)	5,876	1,009	(98)	911
Dividends.....							(7,861)	(7,861)	(172)	(8,033)
Share option charge for the period.....				211				211		211
Share capital increase.....								0	236	236
Balance at 31 March 2013.....	5,024	188,767	1,267	1,169	(1,325)	(4,676)	209,986	400,212	847	401,059

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 International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for Consolidated Financial Statements for listed companies. The Financial Statements are presented in USD, which is the Company's functional currency. 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 2012.

1.2 Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. 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 2012.

2. Quarterly statements

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net sales	97,101	98,395	98,517	102,708	99,817
Cost of goods sold	(37,056)	(38,068)	(36,830)	(38,804)	(37,783)
Gross profit	60,045	60,327	61,687	63,904	62,034
Gross profit margin	62%	61%	63%	62%	62%
Other income	185	275	42	(106)	(109)
Sales and marketing expenses	(31,810)	(31,254)	(29,353)	(30,186)	(30,131)
Research and development expenses	(5,935)	(5,897)	(5,531)	(5,427)	(5,276)
General and administrative expenses	(12,431)	(12,683)	(11,818)	(11,855)	(11,867)
Profit from operations	10,054	10,768	15,027	16,330	14,651
Net financial income / (expenses)	(1,111)	(1,232)	(1,719)	(1,761)	(1,923)
Net exchange rate difference	(1,116)	747	206	(1,228)	556
Total financial income / (expenses)	(2,227)	(485)	(1,513)	(2,989)	(1,367)
Share in profit of associated companies	72	274	131	(18)	69
Profit before tax	7,899	10,557	13,645	13,323	13,353
Income tax	(2,121)	(2,486)	(3,758)	(3,320)	(3,551)
Net profit	5,778	8,071	9,887	10,003	9,802
EBITDA	13,523	14,384	18,242	19,493	17,837
EBITDA ratio	14%	15%	19%	19%	18%

3. Net sales

Specified according to product lines:

	YTD 2013	YTD 2012
Bracing and Supports.....	51,227	52,288
Prosthetics.....	40,890	42,258
Compression Therapy (Phlebology).....	4,742	5,071
Other products.....	242	200
	<u>97,101</u>	<u>99,817</u>

Notes to the Condensed Consolidated Financial Statements

4. Segment information

2013	<u>Americas</u> <u>YTD 2013</u>	<u>EMEA</u> <u>YTD 2013</u>	<u>Asia</u> <u>YTD 2013</u>	<u>Eliminations</u> <u>YTD 2013</u>	<u>Consolidated</u> <u>YTD 2013</u>
Sales					
External sales.....	47,417	43,953	5,731	0	97,101
Inter-segment sales.....	10,941	22,348	341	(33,630)	0
Total sales.....	<u>58,358</u>	<u>66,302</u>	<u>6,072</u>	<u>(33,630)</u>	<u>97,101</u>
Result					
Segment results.....	<u>1,215</u>	<u>7,542</u>	<u>1,297</u>	<u>0</u>	10,054
Financial income/(expenses).....					(2,227)
Share in net profit of associated companies.....					72
Profit before tax.....					7,899
Income tax.....					(2,121)
Net profit.....					<u>5,778</u>
Balance sheet 31.3.2013					
Assets					
Segment assets.....	531,943	393,721	15,439	(350,845)	<u>590,258</u>
Liabilities					
Segment liabilities.....	191,846	236,307	6,096	(245,050)	<u>189,199</u>
Other information YTD 2013					
Capital additions.....	3,596	543	9	0	4,148
Depreciation and amortization.....	1,280	2,098	91	0	3,469

Notes to the Condensed Consolidated Financial Statements

2012	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>	<u>YTD 2012</u>
Sales					
External sales.....	51,264	44,218	4,335	0	99,817
Inter-segment sales.....	9,366	21,620	0	(30,986)	0
Total sales.....	<u>60,630</u>	<u>65,838</u>	<u>4,335</u>	<u>(30,986)</u>	<u>99,817</u>
Result					
Segment results.....	<u>5,716</u>	<u>7,961</u>	<u>974</u>	<u>0</u>	14,651
Financial income/(expenses).....					(1,367)
Share in net profit of associated companies.....					69
Profit before tax.....					13,353
Income tax.....					(3,551)
Net profit.....					<u>9,802</u>
Balance sheet 31.3.2012					
Assets					
Segment assets.....	480,261	379,109	12,692	(270,986)	<u>601,076</u>
Liabilities					
Segment liabilities.....	186,632	225,693	5,132	(197,680)	<u>219,777</u>
Other information YTD 2012					
Capital additions.....	1,075	2,212	101	0	3,388
Depreciation and amortization.....	1,108	2,010	68	0	3,186

Notes to the Condensed Consolidated Financial Statements

5. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2013	YTD 2012
Financial income		
Interests on bank deposits.....	14	33
Other financial income.....	21	18
	<u>35</u>	<u>51</u>
Financial expenses		
Interests on loans.....	(996)	(1,780)
Other financial expenses.....	(150)	(194)
	<u>(1,146)</u>	<u>(1,974)</u>
Net exchange rate differences.....	(1,116)	556
Net financial income / (expenses).....	<u>(2,227)</u>	<u>(1,367)</u>

6. Income tax

	YTD 2013	YTD 2012
Current tax expenses.....	(1,461)	(2,310)
Deferred tax expenses.....	(660)	(1,241)
	<u>(2,121)</u>	<u>(3,551)</u>

	YTD 2013		YTD 2012	
	Amount	%	Amount	%
Profit before taxes.....	<u>7,899</u>		<u>13,353</u>	
Income tax calculated at 20%.....	(1,580)	20%	(2,671)	20%
Effect of different tax rates of other jurisdictions.....	(352)	4%	(732)	5%
Effect of non-deductible expenses / nontaxable income.....	(106)	1%	(134)	1%
Other changes.....	(83)	1%	(14)	0%
	<u>(2,121)</u>	27%	<u>(3,551)</u>	27%

Notes to the Condensed Consolidated Financial Statements

7. Earnings per share

	<u>YTD 2013</u>	<u>YTD 2012</u>
Net profit.....	5,778	9,802
Total weighted average number of ordinary shares (in thousands).....	<u>448,732</u>	<u>448,732</u>
Total average number of shares including potential shares from options (in thousands).....	<u>448,952</u>	<u>449,189</u>
Basic earnings per share (US cent).....	1.3	2.2
Diluted earnings per share (US cent).....	1.3	2.2
Cash earnings per share.....	2.1	2.9
Diluted cash earnings per share.....	2.1	2.9

8. Additional information regarding cash flow

	<u>YTD 2013</u>	<u>YTD 2012</u>
Net profit.....	5,778	9,802
Items not affecting cash	<u>3,545</u>	<u>4,287</u>
Working capital provided by operating activities.....	9,323	14,089
(Increase) / decrease in inventories.....	(140)	(1,688)
(Increase) / decrease in receivables.....	(8,772)	(3,334)
Increase / (decrease) in payables.....	<u>3,793</u>	<u>(1,935)</u>
Net cash provided by operating activities.....	<u>4,204</u>	<u>7,132</u>

Notes to the Condensed Consolidated Financial Statements

9. Property, plant and equipment

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
2013				
Cost				
At 1 January 2013.....	14,155	42,464	26,959	83,578
Additions.....	289	2,008	803	3,100
Purchase price allocation.....	0	0	(73)	(73)
Exchange rate differences.....	(431)	(533)	(136)	(1,100)
Eliminated on disposal.....	(569)	(124)	(23)	(716)
At 31 March 2013.....	13,444	43,815	27,530	84,789
Depreciation				
At 1 January 2013.....	8,734	25,047	14,308	48,089
Charge for the period.....	98	1,369	770	2,237
Exchange rate differences.....	(263)	(407)	(135)	(805)
Eliminated on disposal.....	(446)	(85)	(23)	(554)
At 31 March 2013.....	8,123	25,924	14,920	48,967
Carrying Amount:				
At 31 March 2013.....	5,321	17,891	12,610	35,822
At 31 December 2012.....	5,421	17,417	12,651	35,489

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

	YTD 2013	YTD 2012
Cost of goods sold	1,156	1,278
Sales and marketing expenses	204	183
Research and development expenses.....	116	173
General and administrative expenses	761	679
	2,237	2,313

10. Goodwill

Cost	31.3.2013	31.12.2012
At 1 January.....	348,935	333,484
Arising on acquisition of subsidiaries.....	0	12,295
Purchase price allocation.....	(2,760)	0
Exchange rate differences.....	(4,398)	3,156
At 31 March.....	341,777	348,935

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

	31.3.2013	31.12.2012
Americas.....	206,732	209,875
Americas distribution companies.....	15,750	15,750
EMEA.....	116,135	120,161
Asia.....	3,160	3,149
	341,777	348,935

Notes to the Condensed Consolidated Financial Statements

11. Other intangible assets

	<u>Cust./distrib. relationships</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Software and other</u>	<u>Total</u>
2013					
Cost					
At 1 January 2013.....	24,065	4,806	15,826	17,951	62,648
Additions.....	0	9	0	546	555
Additions - internally generated.....	0	0	0	493	493
Purchase price allocation.....	237	1,372	0	699	2,308
Fully depreciated assets.....	0	0	(21)	0	(21)
Exchange rate differences.....	(562)	(15)	(614)	(28)	(1,219)
At 31 March 2013.....	<u>23,740</u>	<u>6,172</u>	<u>15,191</u>	<u>19,661</u>	<u>64,764</u>
Amortization					
At 1 January 2013.....	15,011	4,140	708	9,653	29,512
Charge for the period.....	610	67	0	555	1,232
Fully depreciated assets.....	0	0	(21)	0	(21)
Exchange rate differences.....	(365)	(48)	(165)	(9)	(587)
At 31 March 2013.....	<u>15,256</u>	<u>4,159</u>	<u>522</u>	<u>10,199</u>	<u>30,136</u>
Carrying amount:					
At 31 March 2013.....	<u>8,484</u>	<u>2,013</u>	<u>14,669</u>	<u>9,462</u>	<u>34,628</u>
At 31 December 2012.....	<u>9,054</u>	<u>666</u>	<u>15,118</u>	<u>8,298</u>	<u>33,136</u>

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

	<u>YTD 2013</u>	<u>YTD 2012</u>
Cost of goods sold.....	101	8
Sales and marketing expenses.....	789	627
Research and development expenses.....	89	113
General and administrative expenses.....	253	125
	<u>1,232</u>	<u>873</u>

Notes to the Condensed Consolidated Financial Statements

12. Other financial assets

	31.3.2013	31.12.2012
Investment in associates.....	4,216	4,144
Restricted cash.....	1,158	1,180
Loans and receivables.....	1,431	1,500
	<u>6,805</u>	<u>6,824</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.

	31.3.2013	31.12.2012
At 1 January.....	4,145	2,986
Additions due to acquisitions.....	0	1,050
Share in net profit (net of dividend received).....	73	108
Exchange differences.....	(2)	0
At end of period.....	<u>4,216</u>	<u>4,144</u>

13. Inventories

	31.3.2013	31.12.2012
Raw material.....	13,806	14,275
Work in progress.....	2,730	2,632
Finished goods	39,594	39,850
	<u>56,130</u>	<u>56,757</u>

14. Accounts receivables

	31.3.2013	31.12.2012
Nominal value.....	60,659	55,612
Allowances for doubtful accounts.....	(1,140)	(1,886)
Allowances for sales return.....	(1,052)	(1,060)
	<u>58,467</u>	<u>52,666</u>

15. Other assets

	31.3.2013	31.12.2012
VAT refundable.....	3,315	2,398
Prepaid expenses.....	5,705	4,583
Taxes receivable.....	357	319
Other.....	2,600	1,613
	<u>11,977</u>	<u>8,913</u>

16. Bank balances and cash

	31.3.2013	31.12.2012
Bank accounts.....	17,872	19,123
Bankers draft received.....	2,437	2,738
Cash and other cash equivalents.....	12	17
	<u>20,321</u>	<u>21,878</u>

Notes to the Condensed Consolidated Financial Statements

17. Issued capital

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

	Shares	Nominal value
Total share capital at 31 March 2013.....	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 are 453,750,008. The nominal value of each share is one Icelandic Króna.

	Share capital	Share premium	Issued capital
Balance at 31 March 2013.....	<u>5,024</u>	<u>188,767</u>	<u>193,791</u>

Issued capital had no movements in 2012 or 2013

18. Share option contracts and obligations to increase share capital

The following share option contracts 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.....	3,850,000	2012	2015/2016	8.6	8.8
Issued to Executive Management.....	200,000	2013	2016/2017	7.7	7.9
Issued to Management team.....	2,900,000	2009/2012	2013/2015	4.4-9.5	5.3-9.5
Issued to Management team.....	600,000	2013	2016/2017	7.9	7.9
Total issued option contracts.....	<u>7,550,000</u>				

Movements in share options:

	31.3.2013		31.12.2012	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	6,750,000	8.3	3,300,000	7.1
Granted during period	800,000	7.9	5,850,000	8.6
Forfeited during period	0		(100,000)	10.7
Exercised during period.....	0		(2,300,000)	6.5
Outstanding at end of period.....	<u>7,550,000</u>	<u>8.3</u>	<u>6,750,000</u>	<u>8.3</u>

Estimated remaining cost due to the share option contracts are 1.8 million (2012: 0.3 million). An expense of 0.2 million (2012: 0.1 million) is recognized in the Income Statement for the period.

Notes to the Condensed Consolidated Financial Statements

19. Borrowings

	31.3.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Loans in USD.....	12,787	42,384	12,866	44,791
Loans in EUR.....	6,390	18,737	6,527	21,850
Revolver in USD.....	0	14,000	0	11,500
Revolver in EUR.....	0	5,755	0	4,616
Other borrowings.....	898	1,061	961	985
	<u>20,075</u>	<u>81,937</u>	<u>20,354</u>	<u>83,742</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:

	31.3.2013	31.12.2012
In 1.4.2013 - 31.3.2014 / 2013.....	20,075	20,354
In 1.4.2014 - 31.3.2015 / 2014.....	20,378	20,498
In 1.4.2015 - 31.3.2016 / 2015.....	61,559	19,544
In 1.4.2016 - 31.3.2017 / 2016.....	0	43,700
	<u>102,012</u>	<u>104,096</u>

20. Other financial liabilities

At balance sheet date, two interest rate swap agreements are effective, with a negative value of 1.8 million (2012 2.2 million).

21. Deferred tax asset / (liability)

	31.3.2013	31.12.2012
At beginning of period.....	8,878	15,941
Income tax payable for the period.....	1,461	6,120
Calculated tax for the period.....	(2,121)	(13,115)
Recognized directly through equity.....	(15)	(44)
Exchange rate differences.....	122	(24)
	<u>8,325</u>	<u>8,878</u>
Deferred tax in the balance sheet:		
Deferred tax asset.....	24,331	26,565
Deferred tax liabilities.....	(16,006)	(17,687)
	<u>8,325</u>	<u>8,878</u>

Notes to the Condensed Consolidated Financial Statements

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

31.3.2013	Assets	Liabilities	Net
Goodwill.....	21,237	(12,076)	9,161
Intangible assets.....	793	(5,255)	(4,462)
Operating fixed assets.....	197	(970)	(773)
Tax loss carry forward.....	780	0	780
Inventories.....	1,674	0	1,674
Provisions.....	0	(765)	(765)
Current liabilities.....	2,904	(450)	2,454
Receivables.....	330	(1,061)	(731)
Other.....	1,007	(20)	987
Total tax assets / (liabilities).....	28,922	(20,597)	8,325
Tax asset and liabilities offsetting.....	(4,591)	4,591	0
	<u>24,331</u>	<u>(16,006)</u>	<u>8,325</u>

22. Provisions

	31.3.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Warranty ⁽ⁱ⁾	2,104	4,246	2,589	4,591
Other.....	2,157	246	2,173	247
	<u>4,261</u>	<u>4,492</u>	<u>4,762</u>	<u>4,838</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 2012.....	7,025	1,102	8,127
Additional provision recognized.....	3,091	1,859	4,950
Utilization of provision.....	(2,936)	(556)	(3,492)
Exchange differences.....	0	15	15
At 31 December 2012.....	7,180	2,420	9,600
Additional provision recognized.....	779	253	1,032
Utilization of provision.....	(1,609)	(238)	(1,847)
Exchange differences.....	0	(32)	(32)
Balance at 31 March 2013.....	<u>6,350</u>	<u>2,403</u>	<u>8,753</u>
Non-current.....	4,246	246	4,492
Current.....	2,104	2,157	4,261
Balance at 31 March 2013.....	<u>6,350</u>	<u>2,403</u>	<u>8,753</u>

Notes to the Condensed Consolidated Financial Statements

23. Other liabilities

	31.3.2013	31.12.2012
Accrued expenses.....	5,196	7,327
Accrued royalties.....	975	1,052
Sales tax and VAT.....	2,796	2,110
Payable due to previous acquisition.....	2,324	2,324
Unpaid dividend.....	7,861	0
Other.....	2,033	2,301
	<u>21,185</u>	<u>15,114</u>

24. Litigation

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

25. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements were approved by the board of directors and authorized for issue on 24 April 2013.