

Össur hf.

Condensed Consolidated
Financial Statements

June 30 2013

Össur hf.
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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 2013 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim 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 203.1 million and the net profit amounted to USD 14.1 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 594.3 million at the end of period, liabilities were 184.5 million, and equity was 409.8 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 2013 and operating performance of the period ended 30 June 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 30 June 2013 and confirm them by means of their signatures.

Reykjavík, 24 July 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		Unreviewed		2012	2011	2010	2009
		Q2 2013	Q2 2012				
Income Statements							
Net sales	USD '000	105,963	102,708	399,437	398,325	358,538	330,580
Gross profit	USD '000	64,615	63,904	247,952	246,070	222,622	201,815
Operating expenses (excl. other income)	USD '000	52,755	47,468	191,278	188,773	163,964	154,071
Profit from operations	USD '000	11,918	16,330	56,776	59,400	60,245	48,240
Net profit	USD '000	8,365	10,003	37,763	34,608	35,362	22,762
EBITDA	USD '000	15,301	19,493	69,956	72,606	74,358	66,988
Sales growth							
Sales growth USD	%	3	(2)	0	11	9	(5)
Growth breakdown:							
Organic growth in LCY	%	3	3	3	5	6	(1)
Currency effect	%	0	(5)	(3)	3	(1)	(4)
Acquired/divested business	%	0	0	1	4	4	0
Balance Sheets							
Total assets	USD '000	594,262	591,348	591,163	579,968	607,078	628,217
Equity	USD '000	409,809	381,597	407,734	364,733	343,558	312,223
Net interest-bearing debt (NIBD)	USD '000	84,822	105,620	82,218	111,413	132,816	157,633
Cash Flows							
Cash generated by operations	USD '000	11,162	19,181	70,553	68,377	64,331	85,770
Cash provided by operating activities	USD '000	10,835	16,579	57,568	48,447	39,995	69,155
Cash flows from investing activities	USD '000	(5,026)	(5,406)	(26,633)	(18,585)	(18,987)	(16,423)
Cash flows from financing activities	USD '000	(7,209)	(9,731)	(29,173)	(64,507)	(45,594)	(4,284)
Free cash flow	USD '000	5,821	13,260	43,310	32,493	33,389	60,238
Key figures							
Operating margin	%	11.2	15.9	14.2	14.9	16.8	14.6
EBITDA margin	%	14.4	19.0	17.5	18.2	20.7	20.3
Equity ratio	%	69.0	64.5	69.0	62.9	56.6	49.7
Ratio of net debt to EBITDA ¹		1.4	1.4	1.2	1.5	1.8	2.4
Ratio of debt to EBITDA ¹		1.7	1.7	1.5	1.8	2.5	3.5
Current ratio		1.9	1.8	1.9	1.7	1.9	2.3
Return on equity ¹	%	8.4	10.1	10.0	9.6	10.2	8.1
Market							
Market value of equity	USD '000	600,161	626,056	605,649	675,533	777,593	529,151
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E) ¹		18.0	17.4	15.8	20.0	22.3	23.2
Diluted EPS ¹	US cent	7.2	8.3	8.4	7.7	7.8	5.3
Diluted cash EPS ¹	US cent	10.2	11.2	11.3	10.6	10.9	9.7

1. Financial ratios for Q2 2013 and Q2 2012 are based on operations for the preceding 12 months.

Report on Review of Interim 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 2013 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 for Interim Financial Reporting, IAS 34, 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 at 30 June 2013, its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional Danish disclosure requirements for listed companies.

Kópavogur, 24 July 2013

Deloitte ehf.

Þorsteinn Pétur Guðjónsson
State Authorized Public Accountant

Signý Magnúsdóttir
State Authorized Public Accountant

Consolidated Income Statements for the period

1.1 - 30.6.2013 and 1.1 - 30.6.2012

	Notes	2013 YTD	2012 YTD	Unreviewed	
				2013 Q2	2012 Q2
Net sales	3	203,064	202,525	105,963	102,708
Cost of goods sold		<u>(78,404)</u>	<u>(76,587)</u>	<u>(41,348)</u>	<u>(38,804)</u>
Gross profit		124,660	125,938	64,615	63,904
Other income		243	(215)	58	(106)
Sales and marketing expenses		(65,612)	(60,317)	(33,802)	(30,186)
Research and development expenses		(11,231)	(10,703)	(5,296)	(5,427)
General and administrative expenses		<u>(26,088)</u>	<u>(23,722)</u>	<u>(13,657)</u>	<u>(11,855)</u>
Profit from operations		21,972	30,981	11,918	16,330
Financial income		151	79	116	28
Financial expenses		(2,259)	(3,763)	(1,113)	(1,789)
Net exchange rate difference		<u>(769)</u>	<u>(672)</u>	<u>347</u>	<u>(1,228)</u>
Net financial income / (expenses)	5	<u>(2,877)</u>	<u>(4,356)</u>	<u>(650)</u>	<u>(2,989)</u>
Share in net profit of associated companies		<u>58</u>	<u>51</u>	<u>(14)</u>	<u>(18)</u>
Profit before tax		19,153	26,676	11,254	13,323
Income tax	6	<u>(5,010)</u>	<u>(6,871)</u>	<u>(2,889)</u>	<u>(3,320)</u>
Net profit		<u>14,143</u>	<u>19,805</u>	<u>8,365</u>	<u>10,003</u>
		Attributable to:			
Owners of the Company		14,227	19,396	8,351	9,835
Non-controlling interests		<u>(84)</u>	<u>409</u>	<u>14</u>	<u>168</u>
		<u>14,143</u>	<u>19,805</u>	<u>8,365</u>	<u>10,003</u>
Earnings per share	7				
Basic earnings per share (US cent)		<u>3.2</u>	<u>4.4</u>	<u>1.9</u>	<u>2.2</u>
Diluted earnings per share (US cent)		<u>3.2</u>	<u>4.4</u>	<u>1.9</u>	<u>2.2</u>

Consolidated Statements of Comprehensive Income for the period 1.1 - 30.6.2013 and 1.1 - 30.6.2012

	Notes	2013 YTD	2012 YTD	Unreviewed	
				2013 Q2	2012 Q2
Net profit		14,143	19,805	8,365	10,003
Other comprehensive income					
Change on cash flow hedges		(431)	744	(736)	384
Transl. difference of shares in foreign operations.....		(3,958)	(2,858)	941	(7,455)
Income tax relating to components of other comprehensive income.....		199	(374)	472	(494)
Other comprehensive income (net of tax).....		(4,190)	(2,488)	677	(7,565)
Total comprehensive income		<u>9,953</u>	<u>17,317</u>	<u>9,042</u>	<u>2,438</u>
	Attributable to:				
Owners of the Company		10,037	16,908	9,028	2,270
Non-controlling interests		(84)	409	14	168
		<u>9,953</u>	<u>17,317</u>	<u>9,042</u>	<u>2,438</u>

Consolidated Balance Sheets

Assets

	Notes	30.6.2013	31.12.2012
Non-current assets			
Property, plant and equipment	9	37,020	35,489
Goodwill	10	343,743	348,935
Other intangible assets	11	35,294	33,136
Other financial assets	12	6,777	6,824
Deferred tax assets	21	24,506	26,565
		<u>447,340</u>	<u>450,949</u>
Current assets			
Inventories	13	54,251	56,757
Accounts receivables	14	63,388	52,666
Other assets	15	10,366	8,913
Bank balances and cash	16	18,917	21,878
		<u>146,922</u>	<u>140,214</u>
Total assets		<u><u>594,262</u></u>	<u><u>591,163</u></u>

30 June 2013 and 31 December 2012

Equity and liabilities

	Notes	30.6.2013	31.12.2012
Equity			
Issued capital	17	193,791	193,791
Reserves		(3,118)	1,091
Retained earnings		218,337	211,971
Equity attributable to owners of the Company		<u>409,010</u>	<u>406,853</u>
Non-controlling interest in equity		799	881
Total equity		<u>409,809</u>	<u>407,734</u>
Non-current liabilities			
Borrowings	19	83,487	83,742
Deferred tax liabilities	21	17,265	17,687
Provisions	22	4,561	4,838
Other financial liabilities	20	1,488	2,151
		<u>106,801</u>	<u>108,418</u>
Current liabilities			
Borrowings	19	20,252	20,354
Accounts payable		16,846	17,120
Taxes payable		2,622	767
Provisions	22	5,349	4,762
Accrued salaries and related expenses		16,006	16,894
Other liabilities	23	16,577	15,114
		<u>77,652</u>	<u>75,011</u>
Total equity and liabilities		<u>594,262</u>	<u>591,163</u>

Consolidated Statements of Cash Flows

for the period 1.1 - 30.6.2013 and 1.1 - 30.6.2012

	Notes	2013 YTD	2012 YTD	Unreviewed	
				2013 Q2	2012 Q2
Cash flows from operating activities					
Profit from operations		21,972	30,981	11,918	16,330
Depreciation and amortization	9, 11	6,852	6,349	3,383	3,163
(Gain) / loss on disposal of assets		319	(16)	466	(15)
Change in provisions		339	540	1,155	141
Changes in operating assets and liabilities		(9,786)	(9,364)	(5,760)	(438)
Cash generated by operations		<u>19,696</u>	<u>28,490</u>	<u>11,162</u>	<u>19,181</u>
Interest received		173	61	151	27
Interest paid		(1,832)	(2,582)	(407)	(1,442)
Taxes paid		(2,998)	(2,258)	(71)	(1,187)
Net cash provided by operating activities		<u>15,039</u>	<u>23,711</u>	<u>10,835</u>	<u>16,579</u>
Cash flows from investing activities					
Purchase of fixed and intangible assets	9, 11	(8,927)	(6,735)	(4,779)	(3,347)
Proceeds from sale of fixed assets		74	29	(235)	28
Acquisition of subsidiaries		0	(11,317)	0	(2,141)
Changes in financial assets		(17)	(21)	(12)	54
		<u>(8,870)</u>	<u>(18,044)</u>	<u>(5,026)</u>	<u>(5,406)</u>
Cash flows from financing activities					
Proceeds from long-term borrowings		(36)	0	(36)	0
Repayments of long-term borrowings		(10,200)	(10,733)	(5,054)	(5,733)
Changes in revolving credit facility		9,630	4,255	5,864	(4,179)
Payment of dividends		(7,861)	0	(7,861)	0
Dividends from subsidiaries paid to non-controlling interests		(234)	(138)	(122)	181
		<u>(8,701)</u>	<u>(6,616)</u>	<u>(7,209)</u>	<u>(9,731)</u>
Net change in cash		(2,532)	(949)	(1,400)	1,442
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(294)	261	78	661
Other items held in foreign currencies		(135)	(463)	(82)	(1,267)
Cash at beginning of period		<u>21,878</u>	<u>19,656</u>	<u>20,321</u>	<u>17,669</u>
Cash at end of period		<u>18,917</u>	<u>18,505</u>	<u>18,917</u>	<u>18,505</u>
Additional information regarding cash flow	8				

Consolidated Statements of Changes in Equity for the period ended 30 June 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.....							19,396	19,396	409	19,805
Change in cash flow hedges net of tax.....					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
Share option vested during the period.....				(690)				(690)		(690)
Arising on acquisition.....								0	212	212
Balance at 30 June 2012.....	5,024	188,767	1,267	926	(2,246)	(6,803)	192,516	379,451	2,146	381,597
Balance at 1 January 2013.....	5,024	188,767	1,267	958	(1,587)	453	211,971	406,853	881	407,734
Net profit.....							14,227	14,227	(84)	14,143
Change in cash flow hedges net of tax.....					(277)			(277)		(277)
Translation difference of shares in foreign operations....						(3,913)		(3,913)		(3,913)
Total comprehensive income for the period.....	0	0	0	0	(277)	(3,913)	14,227	10,037	(84)	9,953
Payment of dividends.....							(7,861)	(7,861)	(234)	(8,095)
Share option charge for the period.....				465				465		465
Share options forfeited.....				(298)				(298)		(298)
Share option vested during the period.....				(186)				(186)		(186)
Share capital increase.....								0	236	236
Balance at 30 June 2013.....	5,024	188,767	1,267	939	(1,864)	(3,460)	218,337	409,010	799	409,809

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. 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 (Unreviewed)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net sales	105,963	97,101	98,395	98,517	102,708
Cost of goods sold	(41,348)	(37,056)	(38,068)	(36,830)	(38,804)
Gross profit	64,615	60,045	60,327	61,687	63,904
Gross profit margin	61%	62%	61%	63%	62%
Other income	58	185	275	42	(106)
Sales and marketing expenses	(33,802)	(31,810)	(31,254)	(29,353)	(30,186)
Research and development expenses	(5,296)	(5,935)	(5,897)	(5,531)	(5,427)
General and administrative expenses	(13,657)	(12,431)	(12,683)	(11,818)	(11,855)
Profit from operations	11,918	10,054	10,768	15,027	16,330
Net financial income /(expenses)	(997)	(1,111)	(1,232)	(1,719)	(1,761)
Net exchange rate difference	347	(1,116)	747	206	(1,228)
Total financial income/(expenses)	(650)	(2,227)	(485)	(1,513)	(2,989)
Share in profit of associated companies	(14)	72	274	131	(18)
Profit before tax	11,254	7,899	10,557	13,645	13,323
Income tax	(2,889)	(2,121)	(2,486)	(3,758)	(3,320)
Net profit	8,365	5,778	8,071	9,887	10,003
EBITDA	15,301	13,523	14,384	18,242	19,493
EBITDA ratio	14%	14%	15%	19%	19%
EBITDA adjusted	20,265	13,523	14,384	18,242	19,493
EBITDA adjusted ratio	19%	14%	15%	19%	19%

3. Net sales

Specified according to geographical segments:

	YTD 2013	YTD 2012	Unreviewed	
			Q2 2013	Q2 2012
Americas.....	99,384	104,964	51,967	53,700
EMEA.....	91,856	87,456	47,903	43,238
Asia.....	11,824	10,105	6,093	5,770
	203,064	202,525	105,963	102,708

Specified according to product lines:

Bracing and Supports.....	105,591	106,630	54,364	54,342
Prosthetics.....	87,474	85,869	46,584	43,611
Compression Therapy (Phlebology).....	9,581	9,640	4,839	4,569
Other products.....	418	386	176	186
	203,064	202,525	105,963	102,708

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.....	99,384	91,856	11,824	0	203,064
Inter-segment sales.....	23,530	59,041	0	(82,571)	0
Total sales.....	<u>122,914</u>	<u>150,899</u>	<u>11,824</u>	<u>(82,571)</u>	<u>203,064</u>
Result					
Segment results.....	<u>3,434</u>	<u>16,023</u>	<u>2,515</u>	<u>0</u>	21,972
Financial income/(expenses).....					(2,877)
Share in net profit of associated companies.....					58
Profit before tax.....					19,153
Income tax.....					(5,010)
Net profit.....					<u>14,143</u>
Balance sheet 30.6.2013					
Assets					
Segment assets.....	501,265	399,267	16,183	(322,453)	<u>594,262</u>
Liabilities					
Segment liabilities.....	194,413	237,084	6,287	(253,331)	<u>184,453</u>
Other information YTD 2013					
Capital additions.....	5,125	3,763	39	0	8,927
Depreciation and amortization.....	2,478	4,195	179	0	6,852

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.....	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>138,523</u>	<u>10,105</u>	<u>(70,490)</u>	<u>202,525</u>
Result					
Segment results.....	<u>13,099</u>	<u>15,677</u>	<u>2,205</u>	<u>0</u>	30,981
Financial income/(expenses).....					(4,356)
Share in net profit of associated companies.....					51
Profit before tax.....					26,676
Income tax.....					(6,871)
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>
Liabilities					
Segment liabilities.....	188,661	223,324	6,210	(208,444)	<u>209,751</u>
Other information YTD 2012					
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

5. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2013	YTD 2012	Unreviewed	
			Q2 2013	Q2 2012
Financial income				
Interests on bank deposits.....	25	42	11	9
Other financial income.....	126	37	105	19
	<u>151</u>	<u>79</u>	<u>116</u>	<u>28</u>
Financial expenses				
Interests on loans.....	(1,996)	(3,469)	(1,000)	(1,689)
Other financial expenses.....	(263)	(294)	(113)	(100)
	<u>(2,259)</u>	<u>(3,763)</u>	<u>(1,113)</u>	<u>(1,789)</u>
Net exchange rate differences.....	(769)	(672)	347	(1,228)
Net financial income / (expenses).....	<u>(2,877)</u>	<u>(4,356)</u>	<u>(650)</u>	<u>(2,989)</u>

6. Income tax

	YTD 2013	YTD 2012	Unreviewed	
			Q2 2013	Q2 2012
Current tax expenses.....	(3,128)	(4,832)	(1,667)	(2,522)
Deferred tax expenses.....	(1,882)	(2,039)	(1,222)	(798)
	<u>(5,010)</u>	<u>(6,871)</u>	<u>(2,889)</u>	<u>(3,320)</u>
	<u>YTD 2013</u>		<u>YTD 2012</u>	
	Amount	%	Amount	%
Profit before taxes.....	<u>19,153</u>		<u>26,676</u>	
Income tax calculated at 20%.....	(3,831)	20%	(5,335)	20%
Effect of different tax rates of other jurisdictions.....	(721)	4%	(1,182)	4%
Effect of non-deductible expenses / income.....	(219)	1%	(209)	1%
Other changes.....	(239)	1%	(145)	1%
	<u>(5,010)</u>	26%	<u>(6,871)</u>	26%

Notes to the Condensed Consolidated Financial Statements

7. Earnings per share

	YTD 2013	YTD 2012	Unreviewed	
			Q2 2013	Q2 2012
Net profit.....	14,143	19,805	8,365	10,003
Total weighted average number of ordinary shares (in thousands).....	448,732	448,880	448,732	448,880
Total average number of shares including potential shares from options (in thousands).....	448,832	449,342	448,831	449,342
Basic earnings per share (US cent).....	3.2	4.4	1.9	2.2
Diluted earnings per share (US cent).....	3.2	4.4	1.9	2.2
Cash earnings per share.....	4.7	5.8	2.6	2.9
Diluted cash earnings per share.....	4.7	5.8	2.6	2.9

8. Additional information regarding cash flow

	YTD 2013	YTD 2012	Unreviewed	
			Q2 2013	Q2 2012
Net profit.....	14,143	19,805	8,365	10,003
Items not affecting cash	9,785	10,366	6,240	6,079
Working capital provided by operating activities.....	23,928	30,171	14,605	16,082
(Increase) / decrease in inventories.....	1,973	(1,194)	2,113	494
(Increase) / decrease in receivables.....	(12,500)	(3,748)	(3,728)	(414)
Increase / (decrease) in payables.....	1,638	(1,518)	(2,155)	417
Net cash provided by operating activities.....	15,039	23,711	10,835	16,579

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.....	521	2,651	3,347	6,519
Purchase price allocation.....	0	0	(73)	(73)
Exchange rate differences.....	(132)	(265)	(186)	(583)
Eliminated on disposal.....	(578)	(174)	(1,930)	(2,682)
Fully depreciated assets.....	0	(1,089)	(332)	(1,421)
At 30 June 2013.....	<u>13,966</u>	<u>43,587</u>	<u>27,785</u>	<u>85,338</u>
Depreciation				
At 1 January 2013.....	8,734	25,047	14,308	48,089
Charge for the period.....	196	2,719	1,595	4,510
Exchange rate differences.....	(198)	(168)	(209)	(575)
Eliminated on disposal.....	(241)	(116)	(1,928)	(2,285)
Fully depreciated assets.....	0	(1,089)	(332)	(1,421)
At 30 June 2013.....	<u>8,491</u>	<u>26,393</u>	<u>13,434</u>	<u>48,318</u>
Carrying Amount:				
At 30 June 2013.....	<u>5,475</u>	<u>17,194</u>	<u>14,351</u>	<u>37,020</u>
At 31 December 2012.....	<u>5,421</u>	<u>17,417</u>	<u>12,651</u>	<u>35,489</u>

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

	YTD 2013	YTD 2012
Cost of goods sold	2,314	2,496
Sales and marketing expenses	423	319
Research and development expenses.....	227	344
General and administrative expenses	1,546	1,413
	<u>4,510</u>	<u>4,572</u>

10. Goodwill

Cost	30.6.2013	31.12.2012
At 1 January.....	348,935	333,484
Arising on acquisition of subsidiaries.....	0	12,295
Purchase price allocation.....	(2,260)	0
Exchange rate differences.....	(2,932)	3,156
At end of period.....	<u>343,743</u>	<u>348,935</u>

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

	30.6.2013	31.12.2012
Americas.....	206,765	209,874
Americas distribution companies.....	15,750	15,750
EMEA.....	118,267	120,162
Asia.....	2,961	3,149
	<u>343,743</u>	<u>348,935</u>

Notes to the Condensed Consolidated Financial Statements

11. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
2013					
Cost					
At 1 January 2013.....	24,065	4,806	15,826	17,951	62,648
Additions.....	0	13	56	1,091	1,160
Additions - internally generated.....	0	0	0	1,248	1,248
Purchase price allocation.....	237	1,372	0	699	2,308
Fully depreciated assets.....	0	(2,133)	(21)	(354)	(2,508)
Exchange rate differences.....	(245)	2	(276)	(16)	(535)
At 30 June 2013.....	24,057	4,060	15,585	20,619	64,321
Amortization					
At 1 January 2013.....	15,011	4,140	708	9,653	29,512
Charge for the period.....	1,215	92	0	1,035	2,342
Fully depreciated assets.....	0	(2,133)	(21)	(354)	(2,508)
Exchange rate differences.....	(141)	(35)	(138)	(5)	(319)
At 30 June 2013.....	16,085	2,064	549	10,329	29,027
Carrying amount:					
At 30 June 2013.....	7,972	1,996	15,036	10,290	35,294
At 31 December 2012.....	9,054	666	15,118	8,298	33,136

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

	YTD 2013	YTD 2012
Cost of goods sold.....	238	23
Sales and marketing expenses.....	1,463	1,238
Research and development expenses.....	133	225
General and administrative expenses.....	508	291
	2,342	1,777

Notes to the Condensed Consolidated Financial Statements

12. Other financial assets

	30.6.2013	31.12.2012
Investment in associates.....	4,203	4,144
Restricted cash.....	1,175	1,180
Loans and receivables.....	1,399	1,500
	<u>6,777</u>	<u>6,824</u>

Investments in associates

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

	30.6.2013	31.12.2012
At 1 January.....	4,144	2,986
Additions due to acquisitions.....	0	1,050
Share in net profit (net of dividend received).....	59	108
At end of period.....	<u>4,203</u>	<u>4,144</u>

13. Inventories

	30.6.2013	31.12.2012
Raw material.....	14,043	14,275
Work in progress.....	2,767	2,632
Finished goods	37,441	39,850
	<u>54,251</u>	<u>56,757</u>

14. Accounts receivables

	30.6.2013	31.12.2012
Nominal value.....	65,694	55,612
Allowances for doubtful accounts.....	(1,248)	(1,886)
Allowances for sales return.....	(1,058)	(1,060)
	<u>63,388</u>	<u>52,666</u>

15. Other assets

	30.6.2013	31.12.2012
VAT refundable.....	3,398	2,398
Prepaid expenses.....	3,954	4,583
Taxes receivable.....	930	319
Other.....	2,084	1,613
	<u>10,366</u>	<u>8,913</u>

16. Bank balances and cash

	30.6.2013	31.12.2012
Bank accounts.....	16,307	19,123
Bankers draft received.....	2,597	2,738
Cash and other cash equivalents.....	13	17
	<u>18,917</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.....	453.750	5.068
Treasury shares.....	(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. All shares are fully paid.

	Share capital	Share premium	Issued capital
Balance at 30 June 2013.....	<u>5.024</u>	<u>188.767</u>	<u>193.791</u>

Issued capital had no movements in 2012 or YTD 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.....	2.850.000	2012	2015	8.6-8.7	8,8
Issued to Executive Management.....	700.000	2013	2016	7.9-8.7	7,9
Issued to Management team.....	2.300.000	2009/2012	2013/2015	5.3-8.7	5.3-9.5
Issued to Management team.....	600.000	2013	2016	7.9-8.7	7,9
Total issued option contracts.....	<u>6.450.000</u>				

Movements in share options:

	30.6.2013		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	6,6
Granted during period	1.400.000	8,2	5.850.000	8,6
Forfeited during period	(1.500.000)	8,3	(100.000)	10,7
Exercised during period.....	(200.000)	4,4	(2.300.000)	6,5
Outstanding at end of period.....	<u>6.450.000</u>	<u>8,4</u>	<u>6.750.000</u>	<u>8,3</u>

Estimated remaining cost due to the share option contracts are 1.4 million (2012: 2.3 million). An expense of 0.5 million (YTD 2012: 0.2 million) is recognized in the Income Statement for the period.

Notes to the Condensed Consolidated Financial Statements

19. Borrowings

	30.6.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Loans in USD.....	12,813	40,470	12,866	44,791
Loans in EUR.....	6,568	16,195	6,527	21,850
Revolver in USD.....	0	14,000	0	11,500
Revolver in EUR.....	0	11,760	0	4,616
Other borrowings.....	871	1,062	961	985
	<u>20,252</u>	<u>83,487</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:

	30.6.2013	31.12.2012
In 1.7.2013 - 30.6.2014 / 2013.....	20,252	20,354
In 1.7.2014 - 30.6.2015 / 2014.....	20,646	20,498
In 1.7.2015 - 30.6.2016 / 2015.....	62,841	19,544
In 1.7.2016 - 30.6.2017 / 2016.....	0	43,700
	<u>103,739</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 1.5 million (2012 2.2 million).

21. Deferred tax asset / (liability)

	30.6.2013	31.12.2012
At beginning of period.....	8,878	15,941
Income tax payable for the period.....	3,128	6,120
Calculated tax for the period.....	(5,010)	(13,115)
Recognized directly through equity.....	205	(44)
Exchange rate differences.....	40	(24)
	<u>7,241</u>	<u>8,878</u>
Deferred tax in the balance sheet:		
Deferred tax asset.....	24,506	26,565
Deferred tax liabilities.....	(17,265)	(17,687)
	<u>7,241</u>	<u>8,878</u>

Notes to the Condensed Consolidated Financial Statements

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

30.6.2013	Assets	Liabilities	Net
Goodwill.....	20,073	(12,450)	7,623
Intangible assets.....	791	(5,245)	(4,454)
Operating fixed assets.....	145	(1,056)	(911)
Tax loss carry forward.....	1,105	0	1,105
Inventories.....	1,696	0	1,696
Provisions.....	550	(598)	(48)
Current liabilities.....	3,175	(1,188)	1,987
Receivables.....	0	(716)	(716)
Other.....	1,076	(117)	959
Total tax assets / (liabilities).....	28,611	(21,370)	7,241
Tax asset and liabilities offsetting.....	(4,105)	4,105	0
	<u>24,506</u>	<u>(17,265)</u>	<u>7,241</u>

22. Provisions

	30.6.2013		31.12.2012	
	Current	Non-current	Current	Non-current
Warranty.....	2,314	4,316	2,589	4,591
Other.....	3,035	245	2,173	247
	<u>5,349</u>	<u>4,561</u>	<u>4,762</u>	<u>4,838</u>

	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.....	1,493	2,128	3,621
Utilization of provision.....	(2,043)	(1,240)	(3,283)
Exchange differences.....	0	(28)	(28)
Balance at 30 June 2013.....	<u>6,630</u>	<u>3,280</u>	<u>9,910</u>

Notes to the Condensed Consolidated Financial Statements

23. Other liabilities

	30.6.2013	31.12.2012
Accrued expenses.....	8,558	7,327
Accrued royalties.....	1,133	1,052
Sales tax and VAT.....	2,778	2,110
Payable due to previous acquisition.....	2,324	2,324
Other.....	1,784	2,301
	<u>16,577</u>	<u>15,114</u>

24. Financial instruments carried at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the Condensed Financial Statements approximate their fair values.

	30.6.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Accounts and other receivables	65,974	65,974	54,807	54,807
Financial liabilities:				
Borrowings	103,739	105,331	104,096	106,163

The fair values of financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

25. Acquisitions

On 21 May 2013, Össur signed an agreement to acquire 100% of the shares of TeamOlmed, a leading Swedish orthotic and prosthetic (O&P) provider, for SEK 310 million (USD 47 million). Additional payments of up to SEK 50 million (USD 7 million) depend on TeamOlmed meeting certain revenue and profitability targets in 2013 and 2014. Total revenues in 2012 amounted to SEK 348 million (USD 52 million) with an adjusted EBITDA of SEK 43 million (USD 6 million), which is expected to be the full year impact to Össur financials once fully consolidated. With the acquisition, Össur gains a significant share of the Swedish O&P market. The purchase price will be paid in cash and financed through existing financing facilities. The acquisition is subject to approval from the Stockholm County Council and is expected to close in Q3 2013.

26. Litigation

In Q4 2011, Össur filed a lawsuit in the US against iWalk, Össur's competitor in the prosthetic segment. Össur claims that certain iWalk products, namely the PowerFoot BiOM, infringe two Össur patents. iWalk has denied the allegations and claims that the patents are invalid. While Össur is confident in its positions on the merits, given the nature of US litigation, the likely outcome of the case remains uncertain.

Otto Bock, Össur's largest competitor in the prosthetics segment, filed a lawsuit in the US against Össur in Q2 2013. Otto Bock claims that certain Össur products, namely the Unity and Iceross Seal-In V liner, infringe one of Otto Bock's patents and that Össur has breached an earlier settlement agreement between the parties. Össur has denied the allegations and claims that Otto Bock's patent is invalid and that Össur's products do not infringe that patent. In addition, Össur claims that the settlement agreement is no longer effective because of Otto Bock's material breach of that agreement. As a consequence of this dispute, Management expects legal costs to be incurred in 2013. However, as the case is still in its early stages, the majority of related expenses are expected to materialize in 2014 and 2015. While Össur is confident in its positions on the merits, given the nature of US litigation, the likely outcome of the case remains uncertain.

27. Approval of the Consolidated Financial Statements

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