

Ossur hf.

Condensed Consolidated

Financial Statements

September 30th 2009

Ossur hf.
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110 Reykjavik
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 Ossur hf. for the period from 1 January to 30 September 2009 consist of the Condensed Interim Consolidated Financial Statements of Ossur hf. and its subsidiaries. The Condensed Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU.

The total sales of the Ossur Consolidation amounted to USD 242.7 million. The net profit amounted to USD 17.1 million and according to the Balance Sheets the total assets of the Ossur Consolidation amounted to USD 616.8 million at the end of period, liabilities were 338.0 million, and equity was 278.9 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 assets and liabilities, financial position at 30 September 2009 and operating performance of the period ended 30 September 2009.

In our opinion the Condensed Interim Consolidated Financial Statements and Statement by the Board of Directors and President and CEO give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the President and CEO of Ossur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 September 2009 and confirmed with their signatures.

Reykjavik, 26 October 2009

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristjan T. Ragnarsson

Thordur Magnusson

Svafa Gronfeldt

President and CEO

Jon Sigurdsson

Financial Ratios

Consolidated statement

		YTD 2009	YTD 2008	2008	2007	2006	2005
Growth							
Net sales ²	USD '000	242,709	267,395	346,835	331,966	248,653	159,827
EBITDA	USD '000	49,176	63,116	79,440	64,392	39,493	25,832
Profit from operations	USD '000	34,518	45,143	55,958	39,716	19,743	16,525
Net income	USD '000	17,075	24,317	28,488	7,580	4,360	11,688
Total assets	USD '000	616,826	614,944	603,778	635,821	612,752	407,986
Operational performance							
Cash provided by operating activities	USD '000	46,320	33,463	52,835	45,701	15,988	15,481
- as ratio to total debt ¹	%	19	16	14	11	5	10
- as ratio to net result		2.7	1.4	1.9	6.0	3.7	1.3
Working capital from operating activities	USD '000	34,208	50,193	58,070	43,991	24,663	18,954
- as ratio to long-term debt and Equity ¹	%	8	18	15	11	6	8
Liquidity and solvency							
Quick ratio		1.3	0.6	0.7	0.5	0.4	1.4
Current ratio		1.9	1.1	1.1	0.9	0.6	2.1
Equity ratio	%	45	43	41	39	26	37
Asset utilization and efficiency							
Total asset turnover ¹		0.5	0.6	0.6	0.5	0.5	0.6
Grace period granted ¹	Days	50	50	49	55	46	44
Profitability							
Return on capital ¹	%	7	9	9	5	5	10
Return on common equity ¹	%	8	12	11	4	3	15
Operating profit as ratio to net sales	%	14	17	16	12	8	10
Net income before taxes as ratio to net sales	%	9	12	11	2	0	8
Net income for the period as ratio to net sales	%	7	9	8	2	2	7
Market							
Market value of equity ³	USD '000	419,303	391,142	349,263	672,024	605,572	695,125
Price/earnings ratio, (P/E) ¹		19.7	12.6	12.3	88.7	138.9	59.5
Price/book ratio		1.5	1.5	1.4	2.7	3.7	4.5
Number of shares	Millions	423	423	423	423	385	385
Earnings per Share, (EPS) ¹	US Cent	5.02	7.39	6.74	1.94	1.13	3.53
Diluted Earnings per Share, (Diluted EPS) ¹	US Cent	5.02	7.38	6.73	1.94	1.13	3.52
Cash EPS ¹	US Cent	9.79	13.24	12.29	8.24	6.27	6.34
Diluted Cash EPS ¹	US Cent	9.78	13.24	12.29	8.24	6.27	6.33

Notes

1. Financial ratios for YTD 2009 and YTD 2008 are based on operations for the preceding 12 months.
2. Freight revenues from customers have been reclassified to operating expenses in all years.
3. Market value based on last trade at 30.9.2009 on Nasdaq OMX, Iceland.

Consolidated Statement of Comprehensive Income for the period 1.1 - 30.9.2009 and 1.1. - 30.9.2008

	Notes	2009 YTD	2008 YTD	2009 Q3	2008 Q3
Net sales	4	242,709	267,395	84,184	86,470
Cost of goods sold		<u>(93,902)</u>	<u>(102,203)</u>	<u>(32,463)</u>	<u>(32,761)</u>
Gross profit		148,807	165,192	51,721	53,709
Other income	6	365	9,482	18	2,479
Sales and marketing expenses		(69,116)	(74,949)	(21,948)	(24,003)
Research and development expenses		(13,948)	(15,903)	(4,170)	(5,100)
General and administrative expenses		<u>(31,590)</u>	<u>(38,679)</u>	<u>(10,725)</u>	<u>(11,727)</u>
Profit from operations		34,518	45,143	14,897	15,358
Financial income		185	225	45	27
Financial expenses		(9,127)	(14,316)	(2,805)	(4,679)
Net exchange rate difference		<u>(3,463)</u>	<u>2,335</u>	<u>(4,196)</u>	<u>7,034</u>
Total financial income / (expenses)	7	<u>(12,405)</u>	<u>(11,756)</u>	<u>(6,956)</u>	<u>2,382</u>
Profit before tax		22,113	33,387	7,941	17,740
Income tax	8	<u>(5,038)</u>	<u>(9,070)</u>	<u>(1,938)</u>	<u>(4,051)</u>
Net profit		<u>17,075</u>	<u>24,317</u>	<u>6,003</u>	<u>13,689</u>
Other comprehensive income					
Gain / (loss) on hedge of a net investment in foreign operations		(2,118)	(5,697)	(2,353)	(12,481)
Cash flow hedges		(422)	(2,115)	(385)	(1,733)
Transl. difference of shares in foreign operations.....		14,061	(3,553)	10,257	(6,097)
Income tax relating to components of other comprehensive income		<u>331</u>	<u>1,019</u>	<u>70</u>	<u>1,854</u>
Other comprehensive income (net of tax).....		<u>11,852</u>	<u>(10,346)</u>	<u>7,589</u>	<u>(18,457)</u>
Total comprehensive income		<u>28,927</u>	<u>13,971</u>	<u>13,592</u>	<u>(4,768)</u>
Earnings per Share					
	9				
Basic Earnings per Share		<u>4.04</u>	<u>5.75</u>	<u>1.42</u>	<u>3.24</u>
Diluted Earnings per Share		<u>4.03</u>	<u>5.75</u>	<u>1.42</u>	<u>3.24</u>

Consolidated Statement of Financial Position

Assets

	Notes	30.09.2009	31.12.2008
Non-current assets			
Property, plant and equipment	11	33,360	32,927
Goodwill	12	329,584	322,381
Other intangible assets	13	37,543	45,175
Financial assets	15	2,105	1,156
Deferred tax asset	24	60,402	56,407
		<u>462,994</u>	<u>458,046</u>
Current assets			
Inventories	17	46,581	55,818
Accounts receivables	18	47,737	43,821
Other receivables	18	10,207	9,828
Financial assets	15	269	203
Tax asset	24	0	5,156
Bank balances and cash	16	49,038	30,906
		<u>153,832</u>	<u>145,732</u>
Total assets		<u><u>616,826</u></u>	<u><u>603,778</u></u>

30 September 2009 and 31 December 2008

Equity and liabilities

	Notes	30.09.2009	31.12.2008
Equity			
Issued capital	19	172,902	172,902
Reserves	20	7,877	(4,257)
Retained earnings	21	98,078	81,003
		<u>278,857</u>	<u>249,648</u>
Non-current liabilities			
Borrowings	23	215,787	183,117
Deferred tax liabilities	24	27,169	27,076
Provisions	25	4,906	3,575
Financial liabilities	15	9,906	9,474
		<u>257,768</u>	<u>223,242</u>
Current liabilities			
Borrowings	23	30,481	82,070
Accounts payable		12,630	13,593
Tax liabilities		4,315	1,434
Provisions	25	4,609	7,659
Other liabilities	26	28,166	26,132
		<u>80,201</u>	<u>130,888</u>
Total equity and liabilities		<u><u>616,826</u></u>	<u><u>603,778</u></u>

Consolidated Statement of Cash Flows

for the period 1.1. - 30.9.2009 - and 1.1. - 30.9.2008

	Notes	YTD 2009	YTD 2008
Cash flows from operating activities			
Profit from operations		34,518	45,143
Depreciation and amortization	11, 13	14,659	17,973
Gain on disposal of assets		530	44
Changes in operating assets and liabilities		6,758	(13,712)
Cash generated by operations		<u>56,465</u>	<u>49,448</u>
Interest received		189	197
Interest paid		(7,303)	(13,790)
Taxes paid		<u>(3,031)</u>	<u>(2,392)</u>
Net cash provided by operating activities		<u>46,320</u>	<u>33,463</u>
Cash flows from investing activities			
Purchase of fixed assets	11, 13	(5,947)	(5,870)
Proceeds from sale of fixed assets		706	937
Acquisition of subsidiaries		0	(75)
Changes in financial assets		<u>(89)</u>	<u>549</u>
		<u>(5,330)</u>	<u>(4,459)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		2,328	0
Repayments of short-term borrowings		0	(21,440)
Repayments of long-term borrowings		(25,946)	(12,126)
Cost due to increasing capital	19	<u>0</u>	<u>(396)</u>
		<u>(23,618)</u>	<u>(33,962)</u>
Net change in cash		17,372	(4,958)
Effects of foreign exchange adjustments		760	(304)
Cash at beginning of period		<u>30,906</u>	<u>15,889</u>
Cash at end of period		<u><u>49,038</u></u>	<u><u>10,627</u></u>
Additional information regarding cash flow	10		

Consolidated Statement of Changes in Equity for the period ended 30 September 2009

	Share capital	Share premium	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Accumulated profits	Total equity
Balance at 1 January 2008.....	4,821	168,477	1,043	332	552	22,379	52,677	250,281
Net profit.....							24,317	24,317
Loss on hedge of a net investment in foreign operations net of tax.....						(4,954)		(4,954)
Loss on cash flow hedges net of tax.....					(1,839)			(1,839)
Translation difference of shares in foreign companies.....						(3,553)		(3,553)
Total comprehensive income for the period.....	0	0	0	0	(1,839)	(8,507)	24,317	13,971
Cost due to increasing capital.....		(396)						(396)
Share option charge for the period.....				527				527
Balance at 30 September 2008.....	4,821	168,081	1,043	859	(1,287)	13,872	76,994	264,383
Balance at 1 January 2009.....	4,821	168,081	1,205	989	(8,053)	1,602	81,003	249,648
Net profit.....							17,075	17,075
Loss on hedge of a net investment in foreign operations net of tax.....						(1,842)		(1,842)
Loss on cash flow hedges net of tax.....					(367)			(367)
Translation difference of shares in foreign operations.....						14,061		14,061
Total comprehensive income for the period.....	0	0	0	0	(367)	12,219	0	28,927
Share option charge for the period.....				282				282
Balance at 30 September 2009.....	4,821	168,081	1,205	1,271	(8,420)	13,821	98,078	278,857

Notes to the Condensed Consolidated Financial Statements

1. General information

Ossur hf. is a global orthopaedics company, specializing in the development, manufacturing and sales of prosthetics, bracing and support and compression therapy products. The principal market areas of the Company are Americas, Europe, Middle East and Africa (EMEA) and Asia, which are served by subsidiaries in the United States, Canada, Sweden, the Netherlands, UK, France, Australia and China in addition to the Iceland-based parent company.

The main production of the Company is conducted at Ossur hf. in Iceland, Gibaud Group (La Tour Finance) in St. Etienne, Trevoux in France and at Ossur Americas in California USA. Part of the production is outsourced to Asia.

According to the Company's organizational structure, the consolidation is divided into four main functions; Corporate Finance, responsible for overall financial management; Manufacturing & Operations, responsible for all production, inventory management and distribution; Research & Development, responsible for product development, product management and quality control; Sales & Marketing responsible for sales and marketing through the subsidiaries.

2. Summary of Significant Accounting Policies

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. They do not include all of the information required for full annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Company for the period ended 31 December 2008. 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 2008.

3. Quarterly statements

	Q3	Q2	Q1	Q4	Q3
	2009	2009	2009	2008	2008
Net sales	84,184	81,345	77,180	79,440	86,470
Cost of goods sold	(32,463)	(31,284)	(30,155)	(30,429)	(32,761)
Gross profit	51,721	50,061	47,025	49,011	53,709
Other income	18	120	227	(49)	2,479
Sales and marketing expenses	(21,948)	(23,105)	(24,063)	(22,863)	(24,003)
Research and development expenses	(4,170)	(4,813)	(4,965)	(5,027)	(5,100)
General and administrative expenses	(10,725)	(10,490)	(10,375)	(10,257)	(11,727)
Profit from operations	14,897	11,773	7,849	10,815	15,358
Financial income	45	70	70	639	27
Financial expenses	(2,805)	(2,935)	(3,387)	(3,987)	(4,679)
Net exchange rate difference	(4,196)	(4,481)	5,214	(2,621)	7,034
Total financial income/(expenses)	(6,956)	(7,346)	1,897	(5,969)	2,382
Profit before tax	7,941	4,427	9,746	4,846	17,740
Income tax	(1,938)	(927)	(2,173)	(675)	(4,051)
Net profit	6,003	3,500	7,573	4,171	13,689
EBITDA	19,355	16,958	12,863	16,324	21,128

Notes to the Condensed Consolidated Financial Statements

Reclassification of comparative figures

In 2009 all income and expenses related to freight to customers are classified as sales and marketing expenses. This will affect the 2008 comparative. The total reclassification from net sales and cost of goods sold can be seen in the table below. This reclassification has no effect on the Company's operational profit or net result.

2008 reclassification of freight

	Total	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net sales	(3,182)	(678)	(794)	(826)	(884)
Cost of goods sold	11,031	2,524	2,738	2,978	2,791
Gross profit	7,849	1,846	1,944	2,152	1,907
Other income	0	0	0	0	0
Sales and marketing expenses	(7,849)	(1,846)	(1,944)	(2,152)	(1,907)
Research and development expenses	0	0	0	0	0
General and administrative expenses	0	0	0	0	0
Profit from operations	0	0	0	0	0

4. Net sales

Specified according to geographical segments:

	YTD 2009	YTD 2008
Americas.....	118,969	121,433
EMEA.....	113,208	136,474
Asia.....	10,532	9,488
	<u>242,709</u>	<u>267,395</u>

Specified according to product lines:

Prosthetics.....	109,537	110,874
Bracing and support.....	119,016	139,689
Compression Therapy (Phlebology).....	12,345	14,935
Other products.....	1,811	1,897
	<u>242,709</u>	<u>267,395</u>

Specified according to currency:

US Dollar, USD.....	119,894	126,495
Euro, EUR.....	82,502	89,333
British Pound, GBP.....	14,067	20,330
Canadian dollar, CAD.....	10,521	12,039
Swedish Krona, SEK.....	7,544	9,462
Norwegian Krona, NOK.....	4,278	5,198
Australian Dollar, AUD.....	1,868	1,897
Icelandic Krona, ISK.....	725	1,691
Other.....	1,310	948
	<u>242,709</u>	<u>267,395</u>

Notes to the Condensed Consolidated Financial Statements

5. Geographical segments

The Company uses geographical markets as its primary segments. Segment information is presented below, according to location of customers:

2009	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2009	YTD 2009	YTD 2009	YTD 2009	YTD 2009
Revenue					
External sales.....	118,969	113,208	10,532	0	242,709
Inter-segment sales.....	14,335	41,692	0	(56,027)	0
Total revenue.....	<u>133,303</u>	<u>154,900</u>	<u>10,532</u>	<u>(56,027)</u>	<u>242,709</u>

Inter-segment sales are calculated from production cost.

Result

Segment result.....	<u>16,823</u>	<u>13,739</u>	<u>3,956</u>	<u>0</u>	34,518
Financial income/(expenses).....					<u>(12,405)</u>
Profit before tax.....					22,113
Income tax.....					<u>(5,038)</u>
Net profit.....					<u>17,075</u>

Other information

Capital additions.....	1,316	4,497	134	0	5,947
Depreciation and amortization.....	8,007	6,509	143	0	14,659

Balance sheet

	30.09.2009	30.09.2009	30.09.2009	30.09.2009	30.09.2009
Assets					
Segment assets.....	414,689	1,014,836	6,862	(819,561)	<u>616,826</u>
Liabilities					
Segment liabilities.....	299,146	603,164	7,774	(572,115)	<u>337,969</u>

Notes to the Condensed Consolidated Financial Statements

2008	Americas	EMEA	Asia	Eliminations	Consolidated
	YTD 2008	YTD 2008	YTD 2008	YTD 2008	YTD 2008
Revenue					
External sales.....	121,433	136,474	9,488	0	267,395
Inter-segment sales.....	13,813	40,898	0	(54,711)	0
Total revenue.....	<u>135,246</u>	<u>177,372</u>	<u>9,488</u>	<u>(54,711)</u>	<u>267,395</u>
Result					
Segment result.....	<u>20,821</u>	<u>21,823</u>	<u>2,499</u>	<u>0</u>	45,143
Financial income/(expenses).....					<u>(11,756)</u>
Profit before tax.....					33,387
Income tax.....					<u>(9,070)</u>
Net profit.....					<u>24,317</u>
Other information					
Capital additions.....	1,775	3,786	309	0	5,870
Depreciation and amortization.....	11,672	6,244	57	0	17,973
Balance sheet					
	31.12.2008	31.12.2008	31.12.2008	31.12.2008	31.12.2008
Assets					
Segment assets.....	406,532	926,189	4,245	(733,188)	<u>603,778</u>
Liabilities					
Segment liabilities.....	295,042	553,895	6,353	(501,160)	<u>354,130</u>

Notes to the Condensed Consolidated Financial Statements

6. Other income

Included in other income in 2008 is a gain amounting to 8.8 million USD related to sale of the Advanced Wound Care product line to BSN medical GmbH, a leading global provider of wound care products.

7. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2009	YTD 2008
Financial income		
Bank deposit.....	138	152
Income from financial assets.....	11	59
Other financial income.....	36	14
	<u>185</u>	<u>225</u>
Finance expenses		
Interest on bank overdrafts and loans.....	(9,062)	(13,711)
Other financial expenses.....	(65)	(605)
	<u>(9,127)</u>	<u>(14,316)</u>
Exchange rate differences.....	(3,463)	2,335
Total financial income / (expenses).....	<u>(12,405)</u>	<u>(11,756)</u>

8. Income tax

Income tax is specified as follows:

	YTD 2009	YTD 2008
Current tax expenses.....	(4,758)	(2,735)
Deferred tax expenses.....	(280)	(6,335)
	<u>(5,038)</u>	<u>(9,070)</u>

	YTD 2009		YTD 2008	
	Amount	%	Amount	%
Profit before taxes.....	<u>22,113</u>		<u>33,387</u>	
Income tax calculated at 15%.....	(3,318)	15%	(5,008)	15%
Effect of different tax rates of other jurisdictions.....	(1,052)	5%	(697)	2%
Effect of nondeductible expenses.....	(370)	2%	(942)	3%
Effect of change in tax rate.....	(32)	0%	(233)	1%
Other changes.....	(266)	1%	(2,190)	7%
	<u>(5,038)</u>	23%	<u>(9,070)</u>	27%

Notes to the Condensed Consolidated Financial Statements

9. Earnings per share

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

	Q3 2009	Q3 2008
Net profit.....	6,003	13,689
Total average number of shares outstanding during Q3 (in thousands).....	422,982	422,982
Total average number of shares including potential shares (in thousands).....	421,688	422,982
Basic Earnings per Share (US cent)	1.42	3.24
Diluted Earnings per Share (US cent)	1.42	3.24

10. Additional information regarding cash flow

	YTD 2009	YTD 2008
Net profit	17,075	24,317
Items not affecting cash	17,133	25,876
Working capital provided by operating activities	34,208	50,193
Decrease / (increase) in inventories	10,439	(3,733)
Increase in receivables	(1,148)	(11,443)
(Decrease) / increase in payables	2,821	(1,554)
Net cash provided by operating activities	46,320	33,463

Notes to the Condensed Consolidated Financial Statements

11. Property, plant and equipment

Operating fixed assets are specified as follows:

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2008.....	17,274	34,286	28,182	79,742
Additions.....	419	3,870	3,465	7,754
Exchange differences.....	(620)	(1,880)	(1,025)	(3,525)
Disposed of on disposal of a subsidiary.....	0	(1,776)	(794)	(2,570)
Fully depreciated assets.....	0	(471)	0	(471)
At 31 December 2008.....	17,073	34,029	29,828	80,930
Reclassification.....	0	302	0	302
Additions.....	453	2,857	2,637	5,947
Exchange differences.....	622	1,165	584	2,371
Eliminated on disposal.....	0	(1,095)	(532)	(1,627)
Fully depreciated assets.....	0	(75)	(32)	(107)
At 30 September 2009.....	18,148	37,183	32,485	87,816
Accumulated depreciation				
At 1 January 2008.....	8,351	20,731	14,690	43,772
Charge for the period.....	525	3,339	4,863	8,727
Exchange differences.....	(355)	(1,515)	(585)	(2,455)
Eliminated on disposal.....	0	(954)	(616)	(1,570)
Fully depreciated assets.....	0	(471)	0	(471)
At 31 December 2008.....	8,521	21,130	18,352	48,003
Reclassification.....	0	274	0	274
Charge for the period.....	311	2,314	3,199	5,824
Exchange differences.....	351	901	342	1,594
Eliminated on disposal.....	0	(893)	(239)	(1,132)
Fully depreciated assets.....	0	(75)	(32)	(107)
At 30 September 2009.....	9,183	23,651	21,622	54,456
Carrying Amount				
At 30 September 2009.....	8,965	13,532	10,863	33,360
At 31 December 2008.....	8,552	12,899	11,476	32,927

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

	YTD 2009	YTD 2008
Cost of goods sold	2,453	2,893
Sales and marketing expenses	427	480
Research and development expenses.....	225	196
General and administrative expenses	2,719	3,082
	5,824	6,651

Notes to the Condensed Consolidated Financial Statements

12. Goodwill

Cost

At 1 January 2008.....	342,359
Reclassification of Goodwill to deferred tax.....	(3,047)
Addition due to previous acquisitions.....	2,399
Exchange differences.....	(19,330)
At 31 December 2008.....	322,381
Exchange differences.....	7,203
At 30 September 2009.....	329,584

Carrying amount

At 30 September 2009.....	329,584
At 31 December 2008.....	322,381

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

	30.09.2009	31.12.2008
Americas.....	198,133	196,280
EMEA.....	128,558	123,524
Asia.....	2,893	2,577
	329,584	322,381

Notes to the Condensed Consolidated Financial Statements

13. Other intangible assets

	Cust./distrib. relationship	Patent	Trademark	Other	Total
Cost					
At 1 January 2008.....	29,731	16,615	36,307	16,784	99,437
Exchange differences.....	(1,496)	(758)	(1,564)	0	(3,818)
At 31 December 2008.....	28,235	15,857	34,743	16,784	95,619
Reclassification.....	0	(302)	0	0	(302)
Eliminated on disposal.....	(7)	0	0	(167)	(174)
Fully depreciated assets.....	0	(373)	0	(1,184)	(1,557)
Exchange differences.....	1,036	443	926	0	2,405
At 30 September 2009.....	29,264	15,625	35,669	15,433	95,991
Amortization					
At 1 January 2008.....	14,097	8,451	5,568	9,524	37,640
Charge for the period.....	8,828	2,362	1,125	2,440	14,755
Exchange differences.....	(916)	(565)	(470)	0	(1,951)
At 31 December 2008.....	22,009	10,248	6,223	11,964	50,444
Charge for the period.....	5,155	1,687	361	1,632	8,835
Reclassification.....	0	(274)	0	0	(274)
Eliminated on disposal.....	0	0	0	(108)	(108)
Fully depreciated assets.....	0	(373)	0	(1,184)	(1,557)
Exchange differences.....	587	342	179	0	1,108
At 30 September 2009.....	27,751	11,630	6,763	12,304	58,448
Carrying Amount					
At 30 September 2009.....	1,513	3,995	28,906	3,129	37,543
At 31 December 2008.....	6,226	5,609	28,520	4,820	45,175

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

	YTD 2009	YTD 2008
Cost of goods sold.....	8	59
Sales and marketing expenses.....	5,937	5,883
Research and development expenses.....	2,586	3,123
General and administrative expenses.....	304	2,257
	8,835	11,322

Notes to the Condensed Consolidated Financial Statements

14. The Consolidation

Name of subsidiary	Place of registration and operation	Ownership %	Principal activity
Ossur Holding, AB.....	Sweden	100%	Holding
Ossur Nordic, AB.....	Sweden	100%	Sales, distribution and services
Ossur Nordic, AS.....	Norway	100%	Sales, distribution and services
Empower H. C. Solution, AB.....	Sweden	100%	No operation
Ossur Americas Holdings, Inc.....	USA	100%	Holding
Ossur Americas, Inc.....	USA	100%	Manufacturer, sales, distribution and services
Empower Business Sol., Inc.....	USA	100%	No operation
Empower Business Solutions, Inc.....	USA	100%	Services
Ossur Funding LLC.....	USA	100%	Holding
Ossur Canada, Inc.....	Canada	100%	Manufacturer, sales, distribution and services
Ossur Europe, BV.....	Netherlands	100%	Sales, distribution and services
Ossur UK, Holdings, Ltd.....	UK	100%	Holding
IMP Holdings, Ltd.....	UK	100%	Holding
Ossur UK, Ltd.....	UK	100%	Sales, distribution and services
TIM Holdings, Ltd.....	UK	100%	Holding
TIM, Ltd.....	UK	100%	Distribution and services
IMP, Ltd.....	UK	100%	R&D and manufacturer
Ortex, Ltd.....	UK	100%	Manufacturer
Ossur Iberia (SA).....	Spain	100%	Sales, distribution and services
Ossur Holding France (SAS).....	France	100%	Holding
La tour Finance (SAS).....	France	100%	Holding
Gibaud Pharma (EURL).....	France	100%	Immaterial Operations
Gibaud (SAS).....	France	100%	Manufacturer, sales, distribution and services
Derby Finances (SAS).....	France	50%	Manufacturer
Tournier Bottu (SAS).....	France	100%	Manufacturer
Gibaud Suisse (SA).....	Swiss	100%	Sales, distribution and services
Ossur Asia Pacific PTY, Ltd.....	Australia	100%	Sales, distribution and services
Ossur Prosth. & Rehabilit. Co, Ltd.....	China	100%	Manufacturer, sales, distribution and services
Gentleheal ehf.....	Iceland	100%	No operation

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

Notes to the Condensed Consolidated Financial Statements

15. Financial assets (liabilities)

	Current		Non-current	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Derivatives designated and effective as hedging instruments carried at fair value				
Interest rate swaps.....	0	0	(9,906)	(9,474)
Financial assets carried at fair value through profit or loss (FVTPL)				
Non-derivative financial assets.....	0	0	2,105	1,156
Held for trading non-derivative financial assets.....	269	203	0	0
	<u>269</u>	<u>203</u>	<u>2,105</u>	<u>1,156</u>
	<u>269</u>	<u>203</u>	<u>(7,801)</u>	<u>(8,318)</u>

Following the collapse of Kaupthing Bank in October 2008, the treatment of Ossur's interest rate swap agreements has been subject to uncertainty. Ossur has formally declared the agreements void and invalid, based on the counterparty's inability to fulfill its obligations according to the agreements. Kaupthing Bank has argued that the agreements remain in full force. As a precaution, the agreements will continue to be accounted for according to International Financial Reporting Standards in the Company's Consolidated Financial Statements. At the end of September their market value amounted to minus 9.9 million (2008: 9.5 million). Changes in market value net of tax are realized through equity.

16. Bank balances and cash

	30.09.2009	31.12.2008
Bank accounts.....	47,494	27,836
Bankers draft received.....	1,459	2,840
Cash and other cash equivalents.....	85	230
	<u>49,038</u>	<u>30,906</u>

17. Inventories

	30.09.2009	31.12.2008
Raw material.....	14,777	16,756
Work in progress.....	5,220	5,191
Finished goods	26,584	33,871
	<u>46,581</u>	<u>55,818</u>

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to 6.7 million (2008: 10.2 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of 1.8 million (2008: 2.6 million) is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

Notes to the Condensed Consolidated Financial Statements

18. Accounts and other receivables

	30.09.2009	31.12.2008
Nominal value.....	51,242	47,552
Allowances for doubtful accounts.....	(2,779)	(3,016)
Allowances for sales return.....	(726)	(715)
	<u>47,737</u>	<u>43,821</u>

Other receivables

	30.09.2009	31.12.2008
VAT refundable.....	2,344	865
Prepaid expenses.....	3,564	5,497
Other.....	4,299	3,466
	<u>10,207</u>	<u>9,828</u>

19. Issued capital

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

	Shares	Nominal value
Total share capital at period-end.....	423	4,821

Shares issued and outstanding at period-end totaled of 423,000,000. The nominal value of each share is one Icelandic krona.

Changes in share capital are as follows:

	Share capital	Share premium	Issued capital
Balance at 1 January 2008.....	4,821	168,477	173,298
Cost due to increasing capital.....	0	(396)	(396)
Balance at 1 January 2009.....	<u>4,821</u>	<u>168,081</u>	<u>172,902</u>
Balance At 30 September 2009.....	<u>4,821</u>	<u>168,081</u>	<u>172,902</u>

20. Reserves

	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Total reserves
Balance at 1 January 2008.....	1,043	332	552	22,379	24,306
Loss on cash flow hedges.....			(8,605)		(8,605)
Share option charge for the year.....		657			657
Transferred to statutory reserves.....	162				162
Gain on hedge of a net investment.....				1,252	1,252
Transl. diff. of foreign operations.....				(22,030)	(22,030)
Balance at 1 January 2009.....	<u>1,205</u>	<u>989</u>	<u>(8,053)</u>	<u>1,602</u>	<u>(4,257)</u>
Loss on cash flow hedges.....			(367)		(367)
Share option charge for the period.....		282			282
Gain on hedge of a net investment.....				(1,842)	(1,842)
Transl. diff. of foreign operations.....				14,061	14,061
Balance at 30 September 2009.....	<u>1,205</u>	<u>1,271</u>	<u>(8,420)</u>	<u>13,821</u>	<u>7,877</u>

Notes to the Condensed Consolidated Financial Statements

21. Retained earnings

	Retained earnings
At 1 January 2008.....	52,677
Transferred to statutory reserves.....	(162)
Net profit.....	28,488
At 1 January 2009.....	81,003
Net profit.....	17,075
At 30 September 2009.....	98,078

22. Stock option contracts and obligations to increase share capital

No changes have occurred during the period. The following option contracts have been issued:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued 5 February 2007	1,540,000	5.2.2007	1.12.2011	92.3	109.5
Issued 8 February 2007	1,250,000	5.2.2007	1.12.2011	92.3	109.0
Issued 23 February 2008	2,450,000	23.2.2008	23.2.2012	91.2	93.1
Issued 15 July 2008	500,000	15.7.2008	15.7.2012	90.9	95.8
Total issued option contracts.....	5,740,000				

Estimated cost due to the stock option contracts are USD 2.0 million which will be expensed over the next four years. An expense of USD 0.3 million is recognised in the Income Statement for the period.

23. Borrowings

Secured - at amortized cost	Current		Non - current	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Loans in USD.....	10,403	13,630	105,863	116,339
Loans in EUR.....	10,213	7,172	109,886	66,736
Other borrowings.....	19	32	38	42
Bank overdrafts.....	9,846	7,583	0	0
Bridge loan in EUR.....	0	53,653	0	0
Total at end of period.....	30,481	82,070	215,787	183,117

Aggregated annual maturities of long term loans are as follows:

In 1.10.2009 - 30.9.2010 / 2009.....	20,635	20,834
In 1.10.2010 - 30.9.2011 / 2010.....	6,672	20,886
In 1.10.2011 - 30.9.2012 / 2011.....	104,534	75,604
In 1.10.2012 - 30.9. 2013 / 2012.....	104,543	86,627
	236,384	203,951

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

Notes to the Condensed Consolidated Financial Statements

24. Deferred tax asset / (liability)

	30.09.2009	31.12.2008
At beginning of period.....	34,487	34,266
Calculated tax for the period.....	(5,038)	(9,745)
Reclassification of goodwill to tax asset.....	0	3,047
Recognised directly through equity.....	331	1,191
Income tax payable for the period.....	4,806	376
Exchange differences.....	(1,353)	5,352
	<u>33,233</u>	<u>34,487</u>

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

	Assets	Liabilities	Net
Goodwill.....	46,477	0	46,477
Intangible assets.....	0	(26,875)	(26,875)
Operating fixed assets.....	1,368	(252)	1,116
Tax loss carry forward.....	6,002	0	6,002
Inventories.....	2,433	0	2,433
Provisions.....	1,595	0	1,595
Current liabilities.....	1,864	(360)	1,504
Other.....	1,246	(265)	981
Total tax assets / (liabilities).....	<u>60,985</u>	<u>(27,752)</u>	<u>33,233</u>
Tax asset and liabilities offsetting.....	(583)	583	0
Total.....	<u>60,402</u>	<u>(27,169)</u>	<u>33,233</u>

Notes to the Condensed Consolidated Financial Statements

25. Provisions

	Current		Non-current	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Warranty (i).....	2,241	3,835	4,036	2,704
Restructuring (ii).....	1,477	3,017	0	0
Other.....	891	807	870	871
	<u>4,609</u>	<u>7,659</u>	<u>4,906</u>	<u>3,575</u>

(i) The warranty provision represents management's best estimate of the Company's liability under warranties granted on prosthetics products, based on past experience and industry averages for defective products.

(ii) The restructuring provision is related to the acquisition of Gibaud in December 2006.

	Warranty provisions	Restructuring provisions	Other provisions	Total
At 1 January 2008.....	4,194	3,788	2,059	10,041
Additional provision recognised.....	4,225	0	(238)	3,987
Utilization of provision.....	(1,880)	(604)	0	(2,484)
Exchange differences.....	0	(167)	(143)	(310)
At 31 December 2008.....	<u>6,539</u>	<u>3,017</u>	<u>1,678</u>	<u>11,234</u>
Additional provision recognised.....	2,505	0	27	2,532
Utilization of provision.....	(2,767)	(1,381)	0	(4,148)
Exchange differences.....	0	(157)	54	(103)
At 30 September 2009.....	<u>6,277</u>	<u>1,479</u>	<u>1,759</u>	<u>9,515</u>
Non-current.....	4,036	0	870	4,906
Current.....	<u>2,241</u>	<u>1,479</u>	<u>891</u>	<u>4,611</u>
At 30 September 2009.....	<u>6,277</u>	<u>1,479</u>	<u>1,761</u>	<u>9,517</u>

26. Other liabilities

	30.09.2009	31.12.2008
Accrued expenses.....	7,742	7,279
Accrued salaries and related expenses.....	14,317	12,928
Royalties.....	974	1,334
Sales tax and VAT.....	556	429
Payable due to previous acquisition.....	2,324	2,324
Other.....	2,254	1,839
	<u>28,166</u>	<u>26,132</u>

Notes to the Condensed Consolidated Financial Statements

27. Litigation

On 5 December 2006, Ossur hf., parent company of Ossur North America Inc. and Royce Medical Inc., Ossur America's predecessor companies, disclosed to the Office of Inspector General of the U.S. Department of Defense that Ossur 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 Defense in the last quarter of 2007. The likely outcome of this matter remains uncertain.

28. Approval of the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements were approved by the board of directors and authorised for issue on October 26th 2009.