Ossur hf.

Consolidated Financial Statements

March 31st 2008

Ossur hf.
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Id-no. 560271-0189

Ossur hf.

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Statement by the Board of Directors and President and CEO

It is the opinion of the Board of Directors and the President and CEO of Ossur hf., that these Consolidated Financial Statements present the necessary information to evaluate the financial position of the Company at 31 March 2008, the operating results for the period 1 January to 31 March 2008, and financial developments during that period. Ossur Financial Statements are prepared in accordance with IFRS.

The Board of Directors and President and CEO of Ossur hf. hereby confirm the Consolidated Financial Statements of Ossur hf. for the period from 1 January to 31 March 2008 with their signatures.

Reykjavik, 28 April 2008

Board of Directors

Niels Jacobsen
Chairman of the Board

Ossur Kristinsson

Kristjan T. Ragnarsson

Thordur Magnusson

Svafa Gronfeldt

President and CEO

Jon Sigurdsson

Financial Ratios

Consolidated statement

		YTD 2008	YTD 2007	2007	2006	2005	2004
Growth							
Net sales	USD '000	89,754	80,380	335,609	252,133	160,729	124,399
EBITDA	USD '000	22,950	10,240	64,392	39,493	25,832	25,045
Profit from operations	USD '000	17,041	4,058	39,716	19,743	16,525	20,374
Net income	USD '000	6,684	(2,706)	7,580	4,360	11,688	15,227
Total assets	USD '000	651,358	630,091	635,821	612,752	407,986	108,915
Operational performance							
Cash provided by operating activities	USD '000	14,278	2,111	45,701	15,988	15,481	16,600
- as ratio to total debt	%	14	4	11	5	10	30
- as ratio to net result	%	2	(0.8)	6.0	3.7	1.3	1.1
Working capital from operating activities	USD '000	19,505	5,504	43,991	24,663	18,954	23,095
- as ratio to long-term debt and stockh. Equity	%	17	8	11	6	8	27
Liquidity and solvency							
Quick ratio		0.6	0.4	0.5	0.4	1.4	1.4
Current ratio		1.0	0.6	0.9	0.6	2.1	2.2
Equity ratio	%	40	25	39	26	37	50
Asset utilization and efficiency							
Total asset turnover		0.5	0.5	0.5	0.5	0.6	1.2
Grace period granted	Days	52	46	55	46	44	44
Profitability							
Return on capital	%	7	4	5	5	10	20
Return on common equity	%	8	1	4	3	15	31
Operating profit as ratio to net sales	%	19	5	12	8	10	16
Net income before taxes as ratio to net sales	%	9	(5)	2	0	8	15
Net income for the period as ratio to net sales	%	7	(3)	2	2	7	12
Market							
Market value of equity	USD '000	511,405	730,715	672,024	605,572	695,125	395,514
Price/earnings ratio, (P/E)		30.1	675.3	88.7	138.9	59.5	26.0
Price/book ratio		2.0	4.6	2.7	3.7	4.5	7.2
Number of shares	Millions	423	385	423	385	385	318
Earnings per Share, (EPS)	US Cent	4.23	0.28	1.94	1.13	3.53	4.80
Diluted Earnings per Share, (Diluted EPS)	US Cent	4.23	0.28	1.94	1.13	3.52	4.80
Cash EPS	US Cent	10.32	5.78	8.24	6.27	6.34	6.28
Diluted Cash EPS	US Cent	10.31	5.78	8.24	6.27	6.33	6.27

Notes

1. Financial ratios for YTD 2008 and YTD 2007 are based on operations for the preceding 12 months.

Report on Limited Review of Financial Information

To the Board of Directors and shareholders of Ossur hf.

We have performed a limited review of the Interim Consolidated Balance Sheet of Ossur hf. and its subsidiaries as of 31 March 2008 and the related Consolidated Income Statement and Consolidated Statement of Cash Flow for the period then ended. All information included in these Interim Consolidated Financial Statements is the representation of the management of Ossur hf.

A limited review is limited to presenting in the form of Financial Statements information that is the representation of management. We have neither audited nor reviewed the accompanying Interim Consolidated Financial Statements and, accordingly, do not express an opinion or any other form of assurance on them.

Reykjavik, 28 April 2008

Deloitte hf.

Sigurdur Pall Hauksson
State authorized public accountant

Thorvardur Gunnarsson
State authorized public accountant

Consolidated Income Statements
for the period 1.1. - 31.3.2008 and 1.1. - 31.3.2007

	Notes	YTD 2008	YTD 2007
Net sales	4	89,754	80,380
Cost of goods sold		(36,577)	(36,004)
Gross profit		53,177	44,376
Other income	7	5,739	320
Sales and marketing expenses		(23,499)	(22,233)
Research and development expenses		(5,424)	(5,052)
General and administrative expenses		(12,952)	(13,353)
Profit from operations		17,041	4,058
Financial income	8	93	371
Financial expenses	8	(9,136)	(8,223)
Profit (loss) before tax		7,998	(3,794)
Income tax	9	(1,314)	1,088
Net profit (loss)		6,684	(2,706)
Earnings per Share	10		
Basic Earnings per Share		1.58	(0.70)
Diluted Earnings per Share		1.58	(0.70)

All amounts in thousands of USD

Consolidated Balance Sheets

Assets

	Notes	31.03.2008	31.12.2007
Non-current assets			
Property, plant and equipment	12	35,396	35,970
Goodwill	13	347,194	342,359
Other intangible assets	14	60,301	61,797
Financial assets	16	1,294	1,835
Deferred tax asset	24	64,642	61,603
		508,827	503,564
Current assets			
Inventories	17	58,338	54,277
Accounts receivables	18	55,189	47,405
Other receivables	18	10,630	10,706
Financial assets	16	744	713
Deferred tax asset	24	2,842	3,267
Bank balances and cash		14,788	15,889
		142,531	132,257
Total assets		651,358	635,821

All amounts in thousands of USD

31 March 2008 and 31 December 2007

Equity and liabilities

	Notes	31.03.2008	31.12.2007
Equity			
Issued capital	19	172,902	173,298
Reserves	20	27,073	24,307
Retained earnings	21	59,361	52,677
		259,336	250,282
Non-current liabilities			
Borrowings	23	213,116	207,417
Deferred tax liabilities	24	29,256	28,826
Provisions	25	3,941	3,118
Financial liabilities	16	5,200	0
		251,513	239,361
Current liabilities			
Borrowings	23	82,973	91,578
Accounts payable		16,883	15,249
Defferred tax liabilities	24	960	1,778
Tax liabilities		2,570	3,566
Provisions	25	6,241	6,923
Other liabilities	26	30,882	27,084
		140,509	146,178
Total equity and liabilities		651,358	635,821

All amounts in thousands of USD

Consolidated Statements of Cash Flows
for the period 1.1. - 31.3.2008 and 1.1. - 31.3.2007

	Notes	YTD 2008	YTD 2007
Cash flows from operating activities			
Profit from operations		17,041	4,058
Depreciation and amortization	12, 14	5,909	6,182
Gain (loss) on disposal of assets		12	(5)
Changes in operating assets and liabilities		(4,175)	(3,811)
Cash generated by operations		18,788	6,424
Interest received		1,263	74
Interest paid		(4,682)	(4,809)
Taxes paid		(1,091)	422
Net cash provided by operating activities		14,278	2,111
Cash flows from investing activities			
Purchase of fixed assets	12, 14	(1,666)	(1,916)
Proceeds from sale of fixed assets		881	149
Acquisition of subsidiaries		0	(10,763)
Changes in financial assets		31	7
		(754)	(12,523)
Cash flows from financing activities			
Proceeds from short-term borrowings		0	5,850
Repayments of short-term borrowings		(10,670)	0
Proceeds from long-term borrowings		0	10,401
Repayments of long-term borrowings		(4,142)	(4,208)
Cost due to increasing capital	19	(396)	0
		(15,208)	12,043
Net change in cash		(1,684)	1,631
Effects of foreign exchange adjustments		583	89
Cash at beginning of period		15,889	12,170
Cash at end of period		14,788	13,890
Additional information regarding cash flow	11		

All amounts in thousands of USD

Consolidated Statement of changes in Equity for the period ended 31 March 2008

	Share capital	Share premium	Statutory reserve	Stock option reserve	Hedging reserve	Translation reserve	Accumulated profits	Total equity
Balance at 1 January 2007	4,170	103,383	1,043	0	0	7,947	45,096	161,640
Loss on hedge of a net investment in foreign operations						(10,599)		(10,599)
Gain on cash flow hedges					552			552
Translation difference of shares in foreign companies						25,031		25,031
Net gains not recognised in the income statement	0	0	0	0	552	14,432	0	14,984
Issue of ordinary shares	651	65,093						65,744
Charge for the year				332				332
Net profit							7,580	7,580
Balance at 31 December 2007	4,821	168,477	1,043	332	552	22,379	52,677	250,282
Gain on hedge of a net investment in foreign operations						5,649		5,649
Loss on cash flow hedges					(5,752)			(5,752)
Translation difference of shares in foreign operations						2,859		2,859
Net gains not recognised in the income statement	0	0	0	0	(5,752)	8,508	0	2,757
Cost due to increasing capital		(396)						(396)
Charge for the period				10				10
Net profit							6,684	6,684
Balance at 31 March 2008	4,821	168,081	1,043	342	(5,200)	30,887	59,361	259,336

All amounts in thousands of USD

Notes to the Financial Statements

1. General information

Ossur hf. is a global orthopaedics company, specializing in the development, manufacturing and sales of prosthetics, braces 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 Michigan and California USA. Part of the production is outsourced to Asia.

According to the Company's organizational structure, the consolidation is divided into six divisions, i.e. Corporate Finance, responsible for overall financial management and global marketing; Manufacturing & Operations, responsible for all production, inventory management and distribution; Research & Development, responsible for product development, product management and quality control; Ossur Americas, responsible for sales, marketing and distribution in America, Ossur Europe, responsible for sales, marketing and distribution in Europe, Middle East and Africa and Ossur Asia responsible for sales, marketing and distribution in Asia.

2. Significant accounting policies

The condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standard (IFRS) 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 year ended 31 December 2007. The condensed Consolidated Financial Statements have been prepared under the historical cost basis.

The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the year ended 31 December 2007.

Notes to the Financial Statements

3. Quarterly statements

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net sales	89,754	84,870	82,322	88,037	80,380
Cost of goods sold	(36,577)	(38,643)	(34,967)	(37,141)	(36,004)
Gross profit	53,177	46,227	47,355	50,896	44,376
Other income	5,739	11,205	311	197	320
Sales and marketing expenses	(23,499)	(21,150)	(20,716)	(21,053)	(22,233)
Research and development expenses	(5,424)	(5,180)	(5,114)	(4,541)	(5,052)
General and administrative expenses	(12,952)	(14,945)	(13,711)	(14,124)	(13,353)
Profit from operations	17,041	16,157	8,125	11,376	4,058
Financial income	93	5,014	4,995	210	371
Financial expenses	(9,136)	(13,459)	(10,835)	(9,736)	(8,223)
Profit (loss) before tax	7,998	7,712	2,285	1,850	(3,794)
Income tax	(1,314)	(1,064)	(130)	(367)	1,088
Net (loss) profit	6,684	6,648	2,155	1,483	(2,706)

Ossur's subsidiary Gibaud implemented the Company's accounting policies at the start of the current year, adjustments have been made to Gibaud´s 2007 Income Statement accordingly. The effects on the Consolidation in 2007 are reclassifications between expenses in the Income Statement amounting to USD 6.8 million in cost of goods sold and the same amount decreases operating expenses. This reclassification has no effect on the Company's operational profit or net result in 2007.

2007 Reclassification

	Total	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net sales	0	0	0	0	0
Cost of goods sold	(6,843)	(1,602)	(1,406)	(2,225)	(1,611)
Gross profit	(6,843)	(1,602)	(1,406)	(2,225)	(1,611)
Other income	0	0	0	0	0
Sales and marketing expenses	401	442	6	208	(255)
Research and development expenses	289	79	210	58	(58)
General and administrative expenses	6,154	1,081	1,190	1,958	1,924
Profit from operations	0	0	0	0	0

4. Net sales

	YTD 2008	YTD 2007
Americas	40,104	38,587
EMEA	46,958	39,675
Asia	2,692	2,118
	89,754	80,380

All amounts in thousands of USD

5. Geographical segments

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

2008	Americas YTD 2008	EMEA YTD 2008	Asia YTD 2008	Eliminations YTD 2008	Consolidated YTD 2008
Revenue					
External sales	40,104	46,958	2,692	0	89,754
Inter-segment sales	6,338	20,728	0	(27,066)	0
Total revenue	46,442	67,686	2,692	(27,066)	89,754

Inter-segment sales are calculated from production cost.

Result					
Segment result	6,363	10,184	494	0	17,041
Financial income/(expenses)					(9,043)
Profit before tax					7,998
Income tax					(1,314)
Net profit					6,684
Other information					
Capital additions	587	1,045	34	0	1,666
Depreciation and amortization	3,797	2,089	23	0	5,909

Balance sheet	31.03.2008	31.03.2008	31.03.2008	31.03.2008	31.03.2008
Assets					
Segment assets	403,034	986,562	4,031	(742,269)	651,358
Liabilities					
Segment liabilities	293,975	603,776	4,241	(509,970)	392,022

2007	Americas YTD 2007	EMEA YTD 2007	Asia YTD 2007	Eliminations YTD 2007	Consolidated YTD 2007
Revenue					
External sales	38,587	39,675	2,118	0	80,380
Inter-segment sales	3,400	13,967	1	(17,368)	0
Total revenue	41,987	53,642	2,119	(17,368)	80,380
Result					
Segment result	1,159	1,281	46	1,572	4,058
Financial income/(expenses)					(7,852)
Loss before tax					(3,794)
Income tax					1,088
Net profit					(2,706)

All amounts in thousands of USD

	Americas	EMEA	Asia	Eliminations	Consolidated
Other information					
Capital additions	944	953	19	0	1,916
Depreciation and amortization	4,100	2,077	5	0	6,182

Balance sheet	31.12.2007	31.12.2007	31.12.2007	31.12.2007	31.12.2007
Assets					
Segment assets	406,366	964,964	3,302	(738,811)	635,821
Liabilities					
Segment liabilities	297,307	602,016	3,555	(517,339)	385,539

6. Business segments

Current business segments for the Company are Prosthetics, Bracing and Support, Compression Therapy and other products. It is not possible to disclose assets according to business segments due to shared usage of assets.

Net sales are specified as follows according to product lines:

	YTD 2008	YTD 2007
Prosthetics	34,527	30,166
Bracing and support	47,692	43,777
Compression Therapy (Phlebology)	5,881	5,833
Other products	1,654	604
	89,754	80,380

All amounts in thousands of USD

7. Other income

Included in other income is a gain amounting to 5.5 million USD related to sale of the Advanced Wound Care product line to BSN medical GmbH, a leading global provider of wound care products. The transaction, which was closed March 31st 2008, is valued at USD 11 million. Subject to certain conditions, the transaction value could further increase by USD 6 million.

As disclosed in note 28, the Company is involved in intellectual property litigation related to the Advanced Wound Care product line. The Company will retain responsibility for these. Part of the transaction value is reserved for covering future litigation expense exposure.

8. Financial income / (expenses)

Interest income and (expenses) are specified as follows:

	YTD 2008	YTD 2007
Financial income:		
Bank deposit	77	63
Income from financial assets	12	305
Other interest income	4	3
	93	371
Finance costs:		
Interest on bank overdrafts and loans	(4,773)	(5,957)
Other interest expenses	(136)	(52)
	(4,909)	(6,009)
Exchange rate differences	(4,227)	(2,214)
	(9,136)	(8,223)

The Company uses derivative financial instruments to hedge part of its foreign currency and interest rate risk exposures when applicable. The principal derivative instruments used are interest rate swaps and foreign currency swaps.

9. Income tax

Income tax is specified as follows:

	YTD 2008	YTD 2007
Current tax expenses	(1,428)	(554)
Deferred tax revenue	114	1,599
Exchange rate difference	0	43
	(1,314)	1,088

All amounts in thousands of USD 14

	YTD 2008		YTD 2007	
	Amount	%	Amount	%
Profit (loss) before taxes	7,998		(3,794)	
Income tax revenue calculated at 18%	(1,439)	18%	683	18%
Effect of different tax rates of other jurisdictions	1,126	(14%)	743	20%
Deductable expenses accounted in equity	1,035	(13%)	0	0%
Effect of nondeductable expenses/revenues	(1,352)	17%	(159)	(4%)
Effect of change in tax rate	(755)	9%	(269)	(7%)
Other changes	71	(1%)	91	2%
	(1,314)	16%	1,088	29%

10. Earnings per share

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

	YTD 2008	YTD 2007
Net profit (loss)	6,684	(2,706)
Total average number of shares outstanding during the period (in thousands)	422,982	384,940
Total average number of shares including potential shares (in thousands)	423,019	384,941
Basic Earnings per Share (US cent)	1.58	(0.70)
Diluted Earnings per Share (US cent)	1.58	(0.70)
Cash Earnings per Share	2.98	0.90
Diluted Cash Earnings per Share	2.98	0.90

11. Additional information regarding cash flow

	YTD 2008	YTD 2007
Net profit (loss)	6,684	(2,706)
Items not affecting cash	12,821	8,210
Working capital provided by operating activities	19,505	5,504
Increase in inventories	(1,988)	(3,084)
Decrease / (increase) in receivable	(8,405)	(8,493)
Increase in payables	5,166	8,184
Net cash provided by operating activities	14,278	2,111

Notes to the Financial Statements

12. Property, plant and equipment

Operating fixed assets are specified as follows:

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2007	17,274	34,286	28,182	79,742
Reclassification	0	14	(14)	0
Additions	0	886	781	1,666
Exchange differences	1,065	746	337	2,148
Eliminated on disposal	0	(1,267)	(547)	(1,814)
Fully depreciated assets	0	(20)	(26)	(47)
At 31 March 2008	18,339	34,645	28,714	81,697
Accumulated depreciation				
At 1 January 2007	8,351	20,731	14,690	43,773
Charge for the period	130	854	1,366	2,351
Exchange differences	580	426	139	1,145
Eliminated on disposal	0	(556)	(365)	(921)
Fully depreciated assets	0	(20)	(26)	(47)
At 31 March 2008	9,061	21,435	15,804	46,301
Carrying Amount				
At 31 March 2008	9,277	13,209	12,909	35,396
At 31 December 2007	8,923	13,554	13,492	35,970

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

	YTD 2008	YTD 2007
Cost of goods sold	1,014	921
Sales and marketing expenses	174	58
Research and development expenses	30	49
General and administrative expenses	1,133	1,324
	2,351	2,352

The following rates are used for the depreciation:
Buildings & sites 2 to 5%
Machinery & equipment 10 to 20%
Fixtures & office equipment 10 to 34%

All amounts in thousands of USD

Notes to the Financial Statements

13. Goodwill

	YTD 2008
Cost	
At 1 January 2008	342,359
Addition due to previous acquisitions	23
Exchange differences	4,812
At 31 March 2008	347,194
Carrying amount	
At 31 March 2008	347,194
At 31 December 2007	342,359

14. Other intangible assets

	Cust./distrib. relationship	Patent	Trademark	Other	Total
Cost					
At 1 January 2008	29,731	16,614	36,307	16,784	99,437
Exchange differences	1,175	(17)	1,248	0	2,406
At 31 March 2008	30,906	16,597	37,555	16,784	101,843
Amortization					
At 1 January 2008	14,097	8,451	5,568	9,524	37,640
Charge for the period	2,051	548	296	663	3,558
Exchange differences	276	44	24	0	344
At 31 March 2008	16,424	9,043	5,888	10,187	41,542
Carrying Amount					
At 31 March 2008	14,482	7,554	31,667	6,597	60,301
At 31 December 2007	15,634	8,163	30,739	7,260	61,797

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

	YTD 2008	YTD 2007
Cost of goods sold	15	199
Sales and marketing expenses	1,620	2,155
Research and development expenses	1,027	1,119
General and administrative expenses	896	357
	3,558	3,830

The intangible assets included above have finite useful lives, over which the assets are amortized.
These intangeble assets will be amortized on a straight line basis over their useful lives. The amortization charge for each period is recognised as expense on the following bases:

Customer and distribution relationship 20 to 30%
Patent 2 to 20%
Trademark 5 to 35%
Other 10 to 35%

All amounts in thousands of USD

Notes to the Financial Statements

15. 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%	Healthcare consulting
Ossur Americas Holdings, Inc.............	USA	100%	Holding
Ossur Americas, Inc............................	USA	100%	Manufacturer, sales, distribution and services
Rigid Med. Techn., Inc...................	USA	100%	Services
Empower Business Sol, Inc...........	USA	100%	Healthcare consulting
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 Holding France (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%	No operation
Tournier Bottu (SAS).........	France	100%	Manufacturing
Gibaud Espania (SA)...........	Spain	100%	Sales, distribution and services
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%	Manufacturer and sales

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

16. Financial assets (liabilities)

	Current		Non-current	
	31.03.2008	31.12.2007	31.03.2008	31.12.2007
Derivatives designated and effective as hedging instruments carried at fair value				
Interest rate swaps...	0	0	(5,200)	552
Financial assets carried at fair value through profit or loss (FVTPL)				
Non-derivative financial assets..	0	0	1,294	1,283
Held for trading non-derivative financial assets.............	744	713	0	0
	744	713	1,294	1,283
	744	713	(3,906)	1,835

All amounts in thousands of USD

17. Inventories

	31.03.2008	31.12.2007
Raw material	18,617	18,151
Work in progress	5,502	4,497
Finished goods	34,219	31,629
	58,338	54,277

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to USD 11,745 thousand were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of USD 3,523 thousand is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

The Company has pledged all inventories to secure general banking facilities granted to the Company.

18. Accounts and other receivables

	31.03.2008	31.12.2007
Nominal value	59,667	51,915
Allowances for doubtful accounts	(3,762)	(3,794)
Allowances for sales return	(716)	(716)
	55,189	47,405

The average credit period on sales of goods is 52 days. Allowance has been made for doubtful accounts and sales returns, this allowance has been determined by management in reference to past default experience. The directors consider that the carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts

	YTD 2008	YTD 2007
At 1 January	(3,794)	(1,157)
Impairment losses recognised on receivables	(172)	(2,157)
Amounts written off as uncollectible	247	(421)
Exchange rate difference	(43)	(59)
At 31 March	(3,762)	(3,794)

In determining the recoverability of a accounts receivable, the Company considers any change in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Other receivables

	31.03.2008	31.12.2007
VAT refundable	1,139	1,228
Prepaid expenses	5,742	5,257
Other	3,749	4,221
	10,630	10,706

All amounts in thousands of USD

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 totalled 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 as of 1 January 2007	4,170	103,383	107,553
Issue of ordinary shares	651	65,093	65,744
Share capital as of 1 January 2008	4,821	168,477	173,298
Cost due to increasing capital		(396)	(396)
Balance at 31 March 2008	4,821	168,081	172,902

20. Reserves

	Statutory reserve	Hedging reserve	Share option reserve	Translation reserve	Total reserves
Balance at 1 January 2007	1,043	0	0	7,947	8,990
Gain on cash flow hedges	0	552	0	0	552
Charge for the period	0	0	332	0	332
Loss on hedge of a net investment	0	0	0	(10,599)	(10,599)
Transl. diff. of foreign operations	0	0	0	25,031	25,031
Balance at 1 January 2008	1,043	552	332	22,379	24,307
Loss on cash flow hedges	0	(5,752)	0	0	(5,752)
Charge for the period	0	0	10	0	10
Gain on hedge of a net investment	0	0	0	5,649	5,649
Transl. diff. of foreign operations	0	0	0	2,859	2,859
Balance at 31 March 2008	1,043	(5,200)	342	30,887	27,073

Exchange differences relating to the translation from the functional currencies of the Company's foreign subsidiaries into currency units are brought to account by entries made directly to the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges on net investments in foreign operations are included in the translation reserve.

21. Retained earnings

	Retained earnings
At 1 January 2007	45,096
Net profit	7,580
At 1 January 2008	52,677
Net profit	6,684
At 31 March 2008	59,361

22. Stock option contracts and obligations to increase share capital

At the annual meeting at 22 February 2008 it was agreed to grant managers of the Company, at the Board´s discretion, share options agreements. The maximum number of shares to be allocated is 5,000,000 or 1.18% of the Company´s current outstanding stock capital. At Balance sheet date option agreements for 1,950,000 share have been granted to managers. These options will vest during the month of February 2012. The contract rate is ISK 91.2 per share, Estimated costs due to the stock option contracts are USD 0.5 million which will be expensed over the next four years.

At the annual meeting it was also agreed to change the strike price of previously issued stock option ageements granted to CEO and the six members of the Executive Committee from 113.4 to 92.3. The total number of shares to be provided is 3,098,000 or 0.74% of the Company´s current outstanding stock capital. These options will vest during the month of December 2011. Estimated costs due to the stock option contracts are USD 1.7 million which will be expensed over the next four years.

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued 5 February 2007	1,848,000	2/5/2007	12/1/2011	92.3	109.5
Issued 8 February 2007	1,250,000	2/5/2007	12/1/2011	92.3	109.0
Issued 23 February 2008	1,950,000	2/23/2008	2/23/2012	91.2	93.1

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

	1.1-31.03 2008		1.1-31.03 2007	
	Number of shares (in Thousands)	Weighted average contract rate (in ISK)	Number of shares (in Thousands)	Weighted average contract rate (in ISK)
Outstanding at beginning of year	3,098	92.30	0	0
Granted during the period	1,950	91.20	0	0
Outstanding at the end of the period................................	5,048	91.88	0	0

23. Borrowings

	Current		Non - current	
Secured - at amortised cost	31.03.2008	31.12.2007	31.03.2008	31.12.2007
Bank overdrafts..	80	1,444	0	0
Loans in USD..	11,747	9,889	129,435	130,218
Loans in EUR..	558	5,878	83,608	77,099
Other borrowings..	140	307	0	100
Bridge loan..	70,447	74,060	73	0
At end of period..	82,973	91,578	213,116	207,417

Ossur uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of USD 140 million and of EUR 48,6 million have been made to swap floating interest rates to weighted average fixed interest rates of 5.99 including margin for periods up until 2012.

24. Deferred tax asset / (liability)

	31.03.2008	31.12.2007
At 1 January	34,266	30,281
Arising on acquisition of a subsidiary	0	(879)
Calculated tax for the period	(1,314)	(473)
Income tax payable for the period	1,428	5,548
Exchange differences	2,888	(211)
At 31 March /31 December	37,268	34,266

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

	Assets	Liabilities	Net
Goodwill	48,650	0	48,650
Intangible assets	0	(31,403)	(31,403)
Operating fixed assets	1,384	(876)	508
Tax loss carry forward	6,679	0	6,679
Inventories	4,135	0	4,135
Current liabilities	5,302	0	5,302
Other	3,775	(378)	3,397
Total tax assets/liabilities	69,925	(32,657)	37,268
Tax asset and liabilities offseting	(2,441)	2,441	0
Total	67,484	(30,216)	37,268

Deferred tax assets / liabilities as shown in the balance sheet as:

Non Current deferred tax asset / liabilities	64,642	(29,256)
Current deferred tax asset / liabilities	2,842	(960)
	67,484	(30,216)

25. Provisions

	Current		Non-current	
	31.03.2008	31.12.2007	31.03.2008	31.12.2007
Warranty (i)	1,208	1,847	3,183	2,347
Restructuring (ii)	3,830	3,788	0	0
Other	1,203	1,288	758	771
	6,241	6,923	3,941	3,118

(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.

All amounts in thousands of USD 22

	Warranty provisions	Restructuring provisions	Other provisions	Total
At 1 January 2008	4,194	3,788	2,059	10,041
Additional provision recognised	463	193	33	689
Utilization of provision	(266)	(267)	(213)	(746)
Exchange differences	0	116	82	198
At 31 March 2008	4,391	3,830	1,961	10,182

26. Other liabilities

	31.03.2008	31.12.2007
Accrued expenses	9,201	6,019
Accrued salaries and related expenses	13,727	14,239
Royalties	1,355	1,296
V.a.t.	1,659	2,399
Other	4,939	3,131
	30,882	27,084

28. 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.

Following a patent infringement challenge by Mölnlycke Health Care when Ossur began its marketing efforts of Gentleheal® wound care product, Ossur filed a Declaration of Non-Infringement legal action in May, 2004 against Mölnlycke in Stockholm, requesting the Court to determine that the Gentleheal product did not infringe Mölnlycke's European patent. Mölnlycke has denied Ossur's claim. The case is litigated in Swedish court, but the scope includes all seven jurisdictions where the patent is valid i.e. Sweden, Germany, Italy, Spain, France, Belgium and United Kingdom. After the introduction of Gentleheal at the tradeshow in Atlanta, GA in April 2006, Mölnlycke filed a complaint against Ossur's distributor Medline and Ossur North America, alleging infringement of their US patent, belonging to the same patent family as the European patent that is the object of the Swedish litigation. On 21 June, 2007, the Court issued a Claim Construction Order. At the date of this report, fact discovery is largely concluded. The parties are currently in the expert discovery stages of the litigation. On 31 March 2008, Ossur divested its Advanced Wound Care product line to BSN medical GmbH in transaction valued at USD 11 million. Subject to certain conditions, the transaction value could further increase by up to USD 6 million. Ossur will retain responsibility for the existing intellectual property litigation related to the product line. Part of the transaction value is reserved for covering future litigation expense exposure.

Both cases are in progress.

All amounts in thousands of USD

29. Approval of the Financial Statements

The Financial Statements were approved by the board of directors and authorised for issue on 28 April 2008.