

# ARTICLES OF ASSOCIATION

## FOR

### ÖSSUR H/F

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30 November 2009

*TRANSLATED FROM THE ICELANDIC*

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# ARTICLES OF ASSOCIATION

## For the Company Össur hf.

### 1. Company Name, Domicile and Object.

- 1.01 The name of the Company is Össur hf.
- 1.02 The Company is a limited liability Company.
- 1.03 The domicile of the Company is Grjótháls 5, Reykjavík.
- 1.04 The purpose of the Company is research, development, production and sale of medical devices as well as ancillary services,, investment and participation in other companies and other related business.

### 2. Share Capital of the Company

#### Share Capital - Shares

- 2.01 The share capital of the Company amounts to ISK 453,750,000 – four-hundredandfiftythreemillionandsevenhundredandfiftythousand Icelandic krónur - and is divided into the same amount of shares with a nominal value of ISK 1 each.

(Amended at Board Meetings on March 28 2000, June 30 2000, October 27 2000, December 4 2000 and on AGM February 13 2004 when the Company's own share capital was reduced and on October 4 2005. Amended 30 October 2007, 3 November 2009 and 30 November 2009 when the Company's share capital was increased in accordance with the Board's authorisation).

The Board of Directors of the Company is authorised to increase the share capital of the Company in stages over five years by an amount of up to ISK 178,858,310 – onehundredandseventyeightmilliononeighthundredand-fiftyeightthousandthreehundredandten Icelandic krónur – in nominal value, as follows:

- A. By an amount of up to ISK 9,608,310 – ninemillionsixhundredandeight-thousandthreehundredandtenIcelandickrónur – in nominal value, to be sold with shareholders' pre-emptive rights pursuant to the Company's Articles of Association and Chapter V of the Companies Act No. 2/1995. The Board of Directors will decide the offering price of these shares and rules of the sale at each time, deadlines for subscription and deadlines for payment.
- B. By an amount of up to ISK 169,250,000 – onehundredandsixtyninemillion-andtwohundredandfiftythousand Icelandic krónur – in nominal value, through the sale of new shares without the provision on pre-emptive rights of Article 34 of Act No. 2/1995 on Public Limited Liability Companies, being applicable. The Company's Board of Directors determines the offer price of these shares, the terms of sale, the subscription deadline and

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deadline for payment. The Company's Board of Directors may decide that subscribers pay for the new shares partly or wholly in cash.

(So amended at a Shareholders' Meeting on August 19 2005 and amended on October 4 2005 when part of the authorisation was exercised. Paragraph 2 replaces paragraphs 2, 3, 4 and 5. AGM on February 23 2007: Authorisation to increase share capital from ISK 10,600,553 to ISK 209,608,310 and the last sentence of paragraph B added. Amended 3 November 2009 and 30 November 2009 when the Board's authorisation was partly exercised.)

The Board of Directors is authorized to increase the share capital of the Company in stages by up to ISK 434.491 – four hundred thirty four thousand four hundred ninety one Icelandic Kronur – in nominal value. The Board is permitted to sell the increased share capital without application of the pre-emptive rights provision of Article 34 of the Companies Act No. 2/1995. The Board of Directors of the Company shall decide the offering price of such shares and the rules governing the purchase of shares at each time, subscription deadlines and due dates for payment.

(So amended at the AGM on February 24 2006 and amended 30 October 2007 when the Board's authorisation was partly exercised.)

The Company is under obligation to divide its shares into smaller units on the submission of a reasoned request to this effect, e.g. upon the settlement of an estate.

#### **Authorisation to the Company's Board of Directors to determine the share capital in a foreign currency**

- 2.02 The Company's Board of Directors is authorised to determine the issue of the Company's share capital in another currency than the Icelandic krona, cf Paragraph 4 of Art.1 of Act No. 2/1995 on Public Limited Liability Companies. Conversion to another currency shall be in conformity with the provisions of the Act respecting Annual Accounts No. 3/2006, cf Paragraph 5 of Art. 1 of Act No. 2/1995 on Public Limited Liability Companies. The Board of Directors is likewise authorized to make necessary amendments to the Company's Articles of Association as a result of the issue, including amending the amounts in Paragraph 2 in the Company's Articles of Association and pertain to the amendment, applying the same method of conversion.

#### **Increase in Share Capital – Pre-Emptive Rights**

- 2.03 Only Shareholders' Meetings may decide on an increase in the share capital of the Company, whether through subscription to new shares or through the issue of bonus shares.

The increase shall follow the rules set by a Shareholders' Meeting each time. Shareholders have pre-emptive rights to all new share capital in proportion to their registered holdings; deviation from this provision is permitted, however, according to stipulations of the Act on Limited Liability Companies.

The new shares shall be valid as from the day of registration.

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In the event that a shareholder does not exercise his pre-emptive rights, other shareholders shall have priority to purchase shares.

### **Share Certificates – Share Ledger**

- 2.04 The Board of Directors of the Company shall maintain a Share Ledger pursuant to statutory law.
- 2.05 The Share Ledger shall be kept at the Company's office and all shareholders shall have access thereto and may acquaint themselves with the contents thereof.
- 2.06 The Company's share certificates shall be issued in an electronic manner in conformity with the Act on the Electronic Registration of Title to Securities.
- 2.07 The Share Ledger, in conformity with the Act on the Electronic Registration of Title to Securities, shall be regarded as full proof of ownership rights to any shares in the Company.

### **Changes in ownership**

- 2.08 Changes in ownership and their pursuance shall be in conformity with the Act on the Electronic Registration of Title to Securities and regulations pertaining thereto.

### **Ban on Granting Loans**

- 2.09 The Company shall not grant loans against shares in the Company.

The Company shall not grant any loans to shareholders, Board Members or the Chief Executive Officer (CEO) of the Company, nor provide them with guarantees. The provisions of this Article do not, however, apply to normal business loans.

### **Sales of Shares**

- 2.10 There are no restrictions on the disposal of shares in the Company.
- 2.11 Each shareholder is bound, without specific undertaking on their part, to abide by the Articles of the Company in their present form or as lawfully amended at any time. However, shareholders may not be obligated on the basis of the Company Articles or amendments thereto to increase their holdings in the Company or to sell their shares or suffer redemption of their shares. Shareholders shall not be liable for the commitments of the Company beyond their share in the Company unless they assume such commitments under a separate legal instrument. This provision cannot be amended nor deleted by any resolution of a Shareholders' Meeting.

No privileges are attached to any shares in the Company.

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### **3. Organisational Structure**

3.01 The Company is managed by:

1. Shareholders' Meetings.
2. The Board of Directors of the Company.
3. The Chief Executive Officer

### **4. Shareholders' Meetings.**

4.01 The supreme authority in all affairs of the Company, within the limits established by these Articles and statutory law, is in the hands of lawful Shareholders' Meetings.

#### **Proxies**

A shareholder may appoint a proxy to attend a Shareholders' Meeting on his behalf. The proxy must submit a written and dated letter of proxy.

Letters of proxy shall not be valid for longer than 5 years from their date of issue. A letter of proxy cannot be revoked with effect for the Company after it has been submitted on delivery of the documents of the meeting, or after the Shareholders' Meeting has been called to order, whichever occurs first.

#### **Shareholders' Meetings**

A Shareholders' Meeting is valid, regardless of attendance, if the meeting has been legally convened.

#### **The Venue of the Shareholders' Meetings**

The Board of Directors of the Company may determine to hold a Shareholders' Meeting in a location other than the Company's headquarters, including outside of Iceland.

#### **Electronic Meetings etc.**

The Board of Directors may determine to hold a Shareholders' Meeting with the assistance, either partly or fully, of electronic media.

In the event that the Board of Directors determines to hold an electronic Board Meeting, provided that the appropriate equipment available is adequately secure, this shall be mentioned specifically in the call to the meeting. Information on technical outfit and details of how shareholders can give notice of their electronic participation, how voting is performed and where shareholders can obtain information about the implementation of electronic participation at the meeting, password as well as other pertaining information, shall be included in the call to the meeting. A password used in the appropriate electronic equipment shall be equivalent of the signature of

the shareholder in question and is a confirmation of his participation in the Shareholders' Meeting.

Shareholders who intend to attend a meeting by electronic means, given the opportunity, shall notify the Company's office with a minimum of five days notice and shall, at the same time submit written questions, regarding the agenda or submitted documents, that they wish to have answered at the meeting.

In the event that the Board of Directors considers not feasible to grant the Shareholders the option to take part in a Shareholders' meeting by electronic means, the shareholders shall be given the opportunity to cast votes on propositions or participate in elections, in writing. Instructions on how such voting will be implemented shall be included in the call to the meeting. Shareholders can request to have their ballots sent to them provided that they have sent a written request thereof to the Company's office five days before the announced Shareholders' Meeting. Shareholders may also claim their ballots at the Company's office within the aforementioned time limit or cast their vote at the same office.

### **Annual General Meeting**

4.02 The Annual General Meeting shall be held before the end of April each year.

The Annual General Meeting shall be called in the same manner as other Shareholders' Meetings.

### **The Agenda of the Annual General Meeting**

The Agenda of the Annual General Meeting shall include the following:

1. The report of the Board of Directors on the activities of the Company in the preceding year.
2. Decisions on the disposal of the profit or losses of the Company over the accounting year.
3. Confirmation of the annual accounts of the Company for the preceding year.
4. The Board of Directors' propositions on the Company's Remuneration Policy.
5. Decision on remuneration of the Members of the Board of Directors.
6. Elections to the Board of Directors pursuant to Section 5.01.
7. Election of an Auditor pursuant to Section 7.02.
8. Any other business lawfully submitted or approved for discussion by the Meeting.

In the event that shareholders controlling at least 1/3 of the shares so request in writing at the Annual General Meeting, decisions on items 2 and 4 shall be postponed to an adjourned Annual General Meeting, which shall be held at the earliest one month and at the latest two months later. Further postponement cannot be requested.

## **Convening of Shareholders' Meetings**

- 4.03 Shareholders' Meetings shall be convened with a minimum of one week's notice.

Shareholders' Meetings shall be convened with an advertisement in the media or in another verifiable manner.

The notice of the Shareholders' Meeting shall state the business of the Meeting. In case a proposal for amendment to the Company's Articles of Association is to be taken for consideration at the Meeting, the main subject of the motion shall be specified in the call to the Meeting.

## **Rules of Order**

Shareholders' Meetings shall be convened at the discretion of the Board of Directors, by a resolution of a meeting, or if the elected Auditors or shareholders holding a minimum of 1/10 of the shares of the Company request a meeting and state the business of the meeting.

Each shareholder shall be entitled to have a specific item of business included on the agenda of Shareholders' Meetings, provided that such shareholder submits a written request to this effect to the Board of Directors of the Company with sufficient advance notice for the item to be included on the agenda.

## **Chairman of the Meeting**

- 4.04 A Chairman, elected at the Meeting, shall preside over Shareholders' Meetings and appoint a Secretary with the approval of the Meeting. The Chairman shall resolve all issues relating to the validity of the Meeting pursuant to these Articles of Association, decide the form of discussion, the treatment of issues at the Meeting and voting procedures.

## **Minutes**

Minutes shall be kept of the Meeting and all decisions of the Meeting and the results of all polls shall be entered along with a concise account of proceedings. The Chairman and the Secretary shall sign the minutes after they have been read and approved. The recorded minutes shall constitute conclusive proof of the proceedings of each Shareholders' Meeting.

The Annual General Meeting may establish special rules of order for Shareholders' Meetings.

## **Voting**

- 4.05 At Shareholders' Meetings, each króna of share capital shall carry one vote.

Decisions at Shareholders' Meetings shall be taken by majority vote unless otherwise provided in these Articles or statutory law. Proposals are

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dismissed if they receive an equality of votes. In the event of an equality of votes, elections shall be decided by casting lots.

The consent of all shareholders is required to conclude the issues described in Article 94 of Act No.2/1995 on Limited Liability Companies.

Voting shall be by ballot if any attendant so requests.

### **Right to Attend**

- 4.06 Shareholders, shareholders' proxies, Company Auditors and the CEO of the Company, even if he is not a shareholder in the Company, are entitled to attend Shareholders' Meetings. The Board of Directors may also invite experts to attend specific meetings, if their opinion or assistance is required.

### **Agenda - Documents of the Meeting.**

- 4.07 The final agenda, as well as all major proposals to be voted on at the Shareholders' Meetings, shall be laid open to all shareholders for inspection at the Company's office no later than seven days before the Meeting.

Items which are not included on the agenda of a Shareholders' Meeting may not be brought to a conclusion at the Meeting except with the consent of all the shareholders in the Company, but resolutions may be passed on such matters for the purpose of providing guidance to the Board of Directors.

Lawfully submitted proposals for amendments may be placed before the Meeting itself even if they have not been laid open for inspection by shareholders.

The Company's accounts along with the Auditor's comments, the response from the Board of Directors and the Auditor's proposed conclusion shall be laid open for inspection by shareholders at the Company's offices no later than seven days before the Annual General Meeting.

## **5. The Board of Directors of the Company.**

- 5.01 The Board of Directors of the Company shall be composed of 4-7 (four to seven) members elected at the Annual General Meeting.

(So amended at the AGM on February 24 2006)

Elections to the Board shall always be by ballot if the number of nominations exceeds the number of Members to be elected.

Notice shall be given in writing at the latest five days prior to an Annual Meeting about the candidature for the Board of Directors. Only candidates who fulfill this requirement are eligible for elections at the Annual Meeting.

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In a notification about candidature for the Board of Directors there shall be quoted, in addition to a candidate's name, an Identity Number and address, information about main occupation, other Directorships, education, experience and holdings of share capital in the Company. There shall also be disclosed interest links with the principal business parties and competitors of the Company as well as with shareholders holding over 10% shares in the Company.

The Company's Board of Directors shall check the notifications of candidature and afford the parties concerned in a verifiable manner an opportunity of improving upon the shortcomings to the notification within a specific respite, not exceeding twenty-four hours. If shortcomings to the notification of candidature are not improved upon within the specific respite the Company's Board of Directors will decide upon the validity of candidature. It is possible to refer the conclusion of the Board of Directors to a Shareholders' Meeting which wields final decisive power concerning the validity of candidature.

Information concerning candidates to the Board of Directors shall be submitted on display to shareholders at the Company's office no later than two days in advance of a Shareholders' Meeting.

If shareholders holding at least 1/10 of the share capital should so request, the Members of the Board shall be elected by proportional or multiple voting. Requests to this effect shall be delivered to the Board of Directors at least five days prior to the Meeting.

### **Allocation of Tasks in the Board of Directors**

- 5.02 The Board shall elect a Chairman from among its Members and allocate tasks among its Members. The Board of Directors shall establish its own rules of procedure regarding the performance of its duties.

### **Calling of Meetings of the Board of Directors**

The Chairman shall call meetings of the Board and preside at Board Meetings. The Chairman shall ensure that all Members of the Board are notified. Meetings shall be held at the discretion of the Chairman or when the CEO or any Member of the Board requests such a meeting.

### **Validity of Meetings of the Board of Directors**

The presence of the majority of the Members of the Board constitutes a quorum. Important decisions, however, may not be taken unless all Members of the Board have had the opportunity, if possible, of discussing the matter.

A simple majority shall decide issues, unless otherwise provided in these Articles of Association or other lawful instructions. In the event of an equality of votes, the Chairman of the Board shall cast the deciding vote.

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Members of the Board shall keep minutes of proceedings at meetings of the Board and confirm such minutes with their signatures.

- 5.03 The Board of Directors of the Company is the supreme authority in the affairs of the Company between Shareholders' Meetings.

The principal duties of the Board of Directors are the following:

1. To appoint a CEO and decide on his salary and the terms of his employment, establish his terms of reference and supervise his work.
  2. To supervise continuously and precisely all aspects of the Company's operations and ensure that the Company's organisation and activities are always in good and proper order. In particular, the Board of Directors shall ensure adequate supervision of the accounts and disposal of the Company's property.
  3. To represent the Company before the courts and government authorities.
  4. To resolve differences of opinion as may arise between the CEO and other employees.
  5. To decide who shall be authorised to bind the Company.
  6. To resolve other issues, as the Board deems necessary at any given time.
- 5.04 The Board of Directors is responsible for the affairs of the Company between Shareholders' Meetings and their resolutions and contracts are binding for the Company. The signatures of a majority of the Members of the Board are required to bind the Company. Important decisions, may not be taken unless all Members of the Board have had the opportunity to discuss the matter.

## **6. The Chief Executive Officer**

- 6.01 The Board of Directors shall appoint a Chief Executive Officer to manage the Company's daily operation.

The CEO of the Company is responsible for the day-to-day operation of the Company, pursuant to the rules established by the Board of Directors, or in accordance with the Company's Articles. The day-to-day operations do not include measures which are unusual or extraordinary. The CEO shall ensure that the accounts of the Company conform to the law and accepted practices and that the disposal of the property of the Company is secure.

- 6.02 The CEO of the Company is under obligation to follow all instructions of the Board of Directors. He/she is required to provide any information that may be requested by the Company's Auditors. A member of the Board of Directors may be appointed CEO.

## **7. Accounts and Auditing**

- 7.01 The fiscal year of the Company shall be the calendar year. Each fiscal year, the annual accounts of the Company shall be prepared, containing a profit and loss account, balance sheet, cash flow statement and notes.
- 7.02 One Auditor, which shall be an auditing firm, shall be elected at the Annual General Meeting for a term of one year. The Auditor, however, shall not be a member of the Board of Directors, CEO or employee of the Company.

The Auditor shall examine the Company's annual accounts in accordance with generally accepted accounting standards, and shall for this purpose inspect account records and other material relating to the operation and financial position of the Company. The Auditor shall at all times have access to all books and documents of the Company.

No later than one week before the Annual General Meeting, the Board of Directors of the Company shall have prepared their responses to the Auditor's comments and the responses and comments shall be laid open for inspection by shareholders, together with the annual accounts, at least one week before the Meeting.

- 7.03 The annual accounts shall clearly and in detail state the income and costs of the Company, its assets and liabilities. Charges shall include reasonable depreciation of real estate and liquid assets of the Company.

## **8. Treasury Shares of the Company**

- 8.01 The Company may own up to 10% - ten per cent - of its own shares. The Company may acquire shares only pursuant to authorisation granted to the Board of Directors by a Shareholders' Meeting. Authorisation granted to the Board of Directors to buy shares in the Company shall not be effective for longer than 18 months at a time. No voting rights are attached to treasury shares of the Company.

## **9. Amendments to the Articles of the Company**

- 9.01 Amendments to the Articles of Association of the Company, other than those provided for in the Act on Limited Liability Companies, shall only be made at a valid Shareholders' Meeting. A decision to amend the Articles of Association is valid only if it has the support of at least 2/3 of the cast votes and the support of shareholders controlling at least 2/3 of the share capital represented at the meeting.

Proposals to reduce the share capital of the Company shall be treated as amendments to the Articles.

However, the provisions of these Articles regarding voting rights of shareholders and equality among them may not be amended except with

the consent of 9/10 – nine tenths – of all votes, cf. Article 94 of Act No. 2/1995 on Limited Liability Companies.

## 10. Dissolution of the Company.

- 10.01 The dissolution of the Company shall be governed by the provisions of Chapter XIII of Act No. 2/1995 on Limited Liability Companies.

The same shall apply to any type of merger or joining of the Company with other companies and to the sale of all of its assets. The meeting that has made a valid decision to dissolve or liquidate the Company shall also decide on the disposal of assets and the payments of debts cf. Chapter XIII of Act No. 2/1995 on Limited Liability Companies.

## 11. Further Provisions

- 11.01 Matters on which these Articles provide no directions shall be governed by the provisions of Act No. 2/1995 on Limited Liability Companies.

(Intermediate headings within specific sections as well as information in small print and parentheses do not form a part of these Articles of Association but are included for enlightenment)

**These Articles of Association were approved at a Shareholders' Meeting on November 2 1995.**

The following Shareholders' Meetings have approved amendments to these Articles of Association:

- 1) AGM July 26 1996.
- 2) AGM April 9 1999.
- 3) Shareholders' Meeting July 5 1999.
- 4) AGM March 24 2000.
- 5) Shareholders' Meeting December 4 2000.
- 6) Shareholders' Meeting February 21 2003.
- 7) AGM February 13 2004: Own capital share reduced by ISK 10,000,000.
- 8) Shareholders' Meeting August 19 2005: New paragraph 2 in section 2.01. Old authorisations as described in paragraphs 2, 3, 4 and 5 deleted.
- 9) AGM February 24 2006. Section 2.01: New authorization added for the Company to increase share capital. Section 5.01: Number of Board Members reduced from seven to five.
- 10) AGM February 23 2007: Authorisation of the Board to increase share capital increased from ISK 10,600,553 to ISK 209,608,310 in section 2.01 and last sentence added to sub-paragraph B in section 2.01.
- 11) AGM February 22 2008.

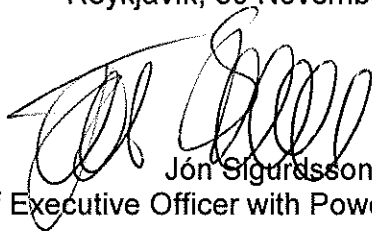
Also, the Board of Directors has made the following amendments to the Articles:

- 1) July 22 1999, when the Board partially exercised its authorisation pursuant to Paragraph 2 of Section 2.01 to increase the share capital of the Company by ISK 13,937,460 and partially exercised its authorisation pursuant to Paragraph 3 of Section 2.01, by ISK 38,000,000.
- 2) March 28 2000 when the Board exercised the authorisation in item A in Paragraph 4 of Section 2.01 on an increase in share capital by ISK 60,000,000.
- 3) June 30 2000 when the Board exercised a part of the authorisation provided for in Paragraph 2 of Section 2.10 to increase the share capital of the Company.
- 4) October 27 2000 when the Board exercised a part of the authorisation provided for in Paragraph 3 of Section 2.01 to increase the share capital of the Company by ISK 4,912,435.
- 5) December 4 2000 the share capital was increased by ISK 46,291,460.
- 6) October 4 2005 the share capital was increased by ISK 66,499,447 and the authorisations in section 2.01, paragraph A and B thus exercised partly.
- 7) 30 October 2007 the share capital was increased by ISK 38,059,553 as the authorisation in third paragraph section 2.01 was partly exercised.
- 8) 3 November 2009 the share capital was increased by ISK 29,500,000 as the authorisation in item B in second paragraph section 2.01 was partly exercised.
- 9) 30 November 2009 the share capital was increased by ISK 1,250,000 as the authorisation in item B in second paragraph section 2.01 was partly exercised.

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Reykjavík, 30 November 2009

A handwritten signature in black ink, appearing to be 'Jón Sigurðsson', written over a horizontal line.

Jón Sigurðsson  
Chief Executive Officer with Powers of Procurement

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