

ARTICLES OF ASSOCIATION  
FOR  
**ÖSSUR H/F**

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23. February 2007

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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 object of the Company is the development and sale of prosthetic devices and components in the field of orthopaedics and rehabilitation as well as various types of services to the health professions and patients. The operation of workshops for prosthetic devices, the development and sale of products for other uses, 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 384.940.447- three hundred eighty four million nine hundred and forty thousand four hundred and forty seven Icelandic krónur - which has been paid in full.

(Amended at Board Meetings on 28 March 2000, 30 June 2000, 27 October 2000, 4 December 2000 and on AGM February 13 2004 when the Company's own share capital was reduced and on October 4 2005).

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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 209,608,310 – two hundred and nine million, six hundred and eight thousand three hundred and ten Icelandic krónur – in nominal value, as follows:

- A. By an amount of up to ISK 9,608,310 – nine million six hundred and eight thousand three hundred and ten Icelandic krónur – 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 200,000,000 – two hundred million 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 Companies, being applicable. The Company's Board of Directors determines the offer price of these shares, the terms of sale, the subscription deadline and 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 19. August 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.)

The Board of Directors is authorized to increase the share capital of the Company in stages by up to 10% – ten percent – of the current share capital. The Board is

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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 24. February 2006).

The share capital may be divided into shares as convenient. One Share Certificate may be issued for the total share capital of each shareholder in the Company; the same applies to increases in share capital; see Section 2.02.

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.

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

2.02 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, cf. Paragraph 3. Article 34. of the Act on Limited Liability Companies, if a Shareholders' Meeting so approves with 2/3 of the votes in the Company.

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## Share Certificates – Share Ledger

- 2.03 When a shareholder has paid his share in full, he shall be delivered a Share Certificate issued and signed by the Board of Directors of the Company, which entitles him to all rights provided for in the Company's Articles of Association.
- 2.04 The Company's Share Certificates shall be consecutively numbered, and issued in the name of the holder. The Share Certificates shall specify the following:
- a) The address and Id. No. of the shareholder and the Company.
  - b) The amount of the share, the number of the Certificate and the date of issue.
  - c) Any restrictions on the rights of shareholders to dispose of their Share Certificates.
  - d) Authorisation to invalidate a share without a prior court decision.

The Board of Directors of the Company shall maintain a Share Ledger, which shall specify the following:

- a) Date of issue of the Share Certificate.
- b) The nominal value and number of each Share Certificate;
- c) To whom the share was issued, his/her address and Id. No. Also, the date of the transfer and date of registration shall be entered.
- d) Any changes which may take place in the relationship between the Company and the owner

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of the Share Certificate, e.g. if the Certificate is invalidated with or without a court decision.

For the Company, the Share Ledger shall be regarded as full proof of title to any shares in the Company, and dividends at any time, as well as all notices, shall be sent to the party registered at any time as the owner of the shares in question in the Share Ledger of the Company. The Company assumes no responsibility for payments or notices being lost owing to failure to notify the Company of changes of address.

In the event of the loss of a Share Certificate, the owner shall receive a new Certificate as soon as the Board of Directors of the Company has received proof that a court invalidation has been obtained for the lost Certificate or that it has been invalidated by the publication of a notice in the Official Gazette, which procedure shall be entirely at the owner's expense. Should a Certificate be damaged, but there is no mistake as to the number of the Certificate or its substance, the owner may be issued a new Certificate at his own cost on return of the damaged Certificate.

Shares may be issued electronically, in accordance with the decision of the Board of Directors of the Company pursuant to the Act on Electronic Registration of Securities.

## **Ban on Granting Loans.**

2.05 The Company shall not grant loans against shares in the Company.

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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**

- 2.06 There are no restrictions on the disposal of shares in the Company.
- 2.07 Each shareholder shall inform the Company of his/her address and all notices of Company matters may be sent to that address. In the event that shareholders neglect to provide information of such address, they shall have neither any claim to receive any notice that the Board of Directors may decide to send to shareholders, unless the Board of Directors has knowledge of their address, nor any claim to remittance of dividend payments. However, shareholders may collect their dividends at the Company office within four years after payment was due.
- 2.08 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.

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No privileges are attached to any shares in the Company.

### **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.

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## **Shareholders' Meetings**

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

## **Annual General Meeting**

4.02 The Annual General Meeting shall be held before the end of June 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. Confirmation of the annual accounts of the Company for the preceding year.
3. Decision on remuneration of the Members of the Board of Directors.
4. Decisions on the disposal of the profit or losses of the Company over the accounting year.
5. Elections to the Board of Directors pursuant to Section 5.01.
6. Election of an Auditor pursuant to Section 7.02.
7. Any other business, lawfully submitted or approved for discussion by the Meeting.

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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 by a notice in the media, by post, telegram, facsimile, or e-mail .

Shareholders' Meetings shall be convened with at least two weeks' notice.

The notice of the Meeting shall state the business of 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.

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

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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.

A shareholder must be registered in the Share Ledger of the Company at least eight days before the Meeting to acquire voting rights. The attendance and voting rights of those present at a Meeting shall be ascertained at the beginning of each Meeting.

## **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

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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 5 (five) members elected at the Annual General Meeting.

(So amended at the AGM on 24. February 2006)

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

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.

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## **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.

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

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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, such as the purchase or sale of property, may not be taken unless all Members of the Board have had the opportunity to discuss the matter. The same applies to major borrowings requiring mortgaging the Company's property.

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## **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.

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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.

The Auditor shall have completed the audit of the Company's annual accounts no later than one month before the Annual General Meeting. He shall then send the audited accounts to the Board of Directors of the Company together with his comments.

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

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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

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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 do not form a part of these Articles of Association)

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

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

- 1) AGM 26 July 1996.
- 2) AGM 9 April 1999.
- 3) Shareholders' Meeting 5 July 1999.
- 4) AGM 24 March 2000.
- 5) Shareholders' Meeting 4 December 2000.
- 6) Shareholders' Meeting 21 February 2003.
- 7) AGM 13 February 2004: Own capital share reduced by ISK 10.000.000.
- 8) Shareholders' Meeting 19 August 2005: New paragraph 2 in section 2.01. Old authorisations as described in paragraphs 2, 3, 4 and 5 deleted.
- 9) AGM 24 February 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.

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

- 1) 22 July 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) 28 March 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.

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- 3) 30 June 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) 27 October 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) 4 December 2000 the share capital was increased by ISK 46,291,460.
- 6) 4 October 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.

Reykjavík, 23 February 2007

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Jón Sigurðsson  
Chief Executive Officer with Powers of Procuration

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