



Life Without Limitations

**The Annual General Meeting of Össur hf. was held at Grand Hotel, Reykjavík, on 22 February 2008, where the following motions were approved**

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- 1. The Consolidated Financial Statement and the Report of the Board of Directors were approved unanimously.**
- 2. A decision was made on remuneration to the Board of Directors for 2007, as follows:**

Chairman of the Board,	USD. 50.000
Vice Chairman of the Board,	USD. 30.000
Other members	USD. 20.000
- 3. A proposal was submitted and approved to carry over, the net profit of the Company in 2007, to the following year.**
- 4. The following were elected to serve on the Board of Directors until the next Annual General Meeting:**

Mr. Niels Jacobsen	Chairman
Mr. Thordur Magnusson	Vice Chairman
Mr. Kristján Tomas Ragnarsson	
Ms. Svafa Gronfeldt	
Mr. Össur Kristinsson	
- 5. The Auditing Firm of Össur hf. for the current year will be Deloitte hf.**
- 6. A Remuneration Policy in accordance with Article 79.a. of the Company Act. was confirmed, with no changes from previous year.**

**The Remuneration Policy of Össur hf.**

In accordance with Article 79.a. of the Act respecting Limited Liability Companies No. 2/1995

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*It is the policy and priority of Össur hf. to attract and retain exceptional employees. In order to achieve this, the Company must have in place a competitive compensation structure in each of its operations. This*

*remuneration policy is designed and implemented to ensure the alignment of interest of the long-term shareholders of Össur hf. and its employees and other stakeholders, in a principled, simple and transparent way.*

In addition to base salary, Össur hf. (the “Company”), provides employees with necessary working equipment. The Company compensates managers and employees with other payments, reimbursements and other rewards including:

1. With performance-linked payments and benefits. The Company can pay bonuses that reflect individual contribution to the Company’s projects, specific divisions or the Company as a whole. Managers will also be provided with vehicles in few exceptional cases.
2. With share options. The Board of Directors of Össur hf. (the “Board”) can offer employees share options in the Company. The strike price of such share options agreements shall never be below the market prices of the Company’s shares at the time of issuing. All share option agreements offered to the managers of the Company will be laid before a shareholders meeting for approval. Össur’s annual report always discloses the share options held by managers and members of the Board. The Board can in exceptional circumstances provide the Company’s managers with sales rights on their options of shares in the Company.
3. Össur hf. does not provide managers or other employees with loans or guarantees in relation to purchase of shares in the Company, as authorised in 2<sup>nd</sup> paragraph of Article 104 in the Act respecting Public Limited Companies, or for other purposes.
4. Össur hf. pays employer’s share to pension funds for employees in accordance with applicable laws and general labour contracts. The Company does not enter into special pension fund agreements and no such agreements exist. The Company, in exceptional circumstances, pays an additional pension contribution for managers, never exceeding 20% of annual salary.
5. Össur hf. does not enter into special retirement agreements with managers and other employees, but prefers to have mutual termination clauses apply as practiced on the labour market. Össur’s employees have three months notice clause in accordance with employment agreements or general union labour requirements. The Board reserves the right to approve, in specific instances, a termination notice up to 12 [twelve] months, particularly in the case of managers located abroad. Currently some managers have up to 12 [twelve] months termination clause.

6. The remuneration of the Board of Directors is approved, with forward effect for one year at a time, by the Company's Annual General Meeting in accordance with Company Law.

*This Remuneration Policy is reviewed once a year by The Board of Directors of Össur hf.*

#### **7. Two Motions regarding equity incentive plan for management:**

Reference was made to the share options agreements granted to the CEO and other members of the Executive Committee on the Company's Annual General Meeting on 23<sup>rd</sup> February 2007, where the meeting approved share options on the following key terms:

- The CEO: an option to purchase 1,250,000 shares of common stock
- Each of the six members of the Executive Committee: an option to purchase 308,000 shares of common stock.
- Vest in December 2011
- Strike price formula: the average of the Company's share price 20 working days prior to the Annual General Meeting, on 23 February 2007
- Actual calculated strike price: 113.4 ISK

A motion was submitted and approved to change the strike price, in all of the share options agreements listed above, to 92,3 ISK

A motion was also submitted and approved to authorise the Board of Directors to grant managers of the Company, at its discretion, share options agreements in accordance with the following key terms:

- Allocated number of shares: 5,000,000 [five million] shares of common stock
- Vesting time: 4 years
- Strike price: the average of the Company's share price 20 working days prior to the Board's decision to grant options

#### **8. A motion was submitted and approved to authorise the Board of Directors to acquire treasury shares in the Company. The motion was as follows:**

*The Company is authorised, pursuant to the provisions of Article 55 of the Companies Act No. 2/1995, to acquire up to 10% of treasury shares at a price which is no higher than 10% over and no lower than 10% under the posted average price of shares in the Company for the two weeks immediately preceding the acquisition.*

*The authorisation is effective for the next 18 months. Earlier authorisation is withdrawn.*

**9. The following motions were submitted and approved to change the Company's Articles of Association, as follows:**

The purpose of the Company (Article 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.*

The Board of Directors authorized to change the share capital currency from ISK to foreign currency (Article 2.01).

*The Company's Board of Directors is authorised to determine the issue of the Company's share capital in another currency than the Icelandic kroner, 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.*

Votes needed to deviate from shareholders pre-emptive rights to new share capital, (Article 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, according to stipulations of the Act on Limited Liability Companies.*

Wording to reflect that shares are issued electronically (Article 2.03 and additions).

*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.*

*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.*

The venue of the Shareholder's meetings (Article 4.01, new paragraph 3).

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.

The Board of Directors authorised to have shareholders meetings, fully or partly, internet based (Article 4.01, new additional paragraphs 6 to 9).

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.

Latest possible date for the Annual General Meeting (Article 4.02).

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

The order on Annual General Meeting's agenda revised (Article 4.02, paragraph 3).

*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.*

Convening of Shareholders' Meetings (Article 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.*

Deletion of the requirement that shareholders, intent on voting at a shareholder's meeting, are registered in the Company's share registry eight days prior to vote (Article 4.06, 2<sup>nd</sup> paragraph).

Number of board seats changed from five (5) to four-to-seven (4-7) (Article 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.*

Procedure rules regarding the vote to The Board of Directors aligned with current wording in Company Law (Article 5.01, new paragraphs 2 to 5).

*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.*

*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.*

The Icelandic term „framkvæmdastjóri” replaced with „forstjóri” (where used).

Wording on when the Board of Director's signature is required, aligned with current wording in Company Law (Article 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.*