

**ARTICLES OF ASSOCIATION**  
**for**  
**LBI ehf.**

CHAPTER I

*Name of Company, domicile and purpose*

Definitions of significance for these Articles of Association are specified in the Articles or in Annex I to them.

**Art. 1**

**LEGAL FORM**

- 1.1 The “**Company**” is a private limited company with the name “**LBI ehf.**”. The Company operates pursuant to the Act on Private Limited Companies, No. 138/1994, as subsequently amended (“**the Private Limited Companies Act**”).

**Art. 2**

**DOMICILE**

- 2.1 The Company's domicile, headquarters and legal venue is in Reykjavík.

**Art. 3**

**PURPOSE**

- 3.1 The Company's purpose is to operate a holding company which involves general asset administration in connection with claims, real estate, liquid assets, equities, commercial paper, guarantee rights and any other types of assets or interests belonging to the Company. It is also the Company's purpose to preserve, sell, lease and/or administer those assets and rights belonging to the Company, as well as pursuing lending activities, provided that the Company's Board of Directors has decided that such lending activities are justifiable and necessary with the aim of safeguarding assets, or by other means to contribute to having the Company's assets, as they exist at any given time, deliver maximum recoveries towards convertible bonds and for other activities in connection with this.

CHAPTER II

*Share capital and share register*

**Art. 4**

**SHARE CAPITAL**

- 4.1 The Company's share capital is EUR 11,356,884,04 (eleven million three hundred and fifty-six-thousand, eight hundred eighty-four point zero four euros). Pursuant to the Company's composition, which became binding on 25 December 2015 (the “**Composition**”), the shares are paid for by means of set-off against claims that shareholders hold against the Company. The share capital is divided into shares with a value of EUR 0.01 each and a multiple thereof.

- 4.2 The Company's share capital is divided into two classes of shares, being 1,135,688,404 “**Class A Shares**” and 0 “**Class B shares**”. The rights of shareholders in each class are the same apart from the fact that shareholders holding Class B shares do not enjoy voting rights except as set out in Articles 21.5 and 21.6 of these Articles of Association.
- 4.3 Share certificates in the Company may be issued.

#### **Art. 5**

##### **SHARE REGISTER**

- 5.1 The Company’s Board of Directors shall keep a register of shares as provided for in Art. 19 of the Private Limited Companies Act, which shall list: 1) the date of issue of share capital, 2) the nominal value of share capital and 3) to whom the share capital was issued, as well as any subsequent change of ownership, together with the name, Id./Reg. No. (as applicable), address and e-mail address of the shareholder or representative of the shareholder concerned. Furthermore, the date of change of ownership and of registration shall be listed. The register of shares shall be kept at the Company’s offices and be accessible to all shareholders to acquaint themselves with it. The register of shares may be in electronic format.
- 5.2 The register of shares shall be regarded as valid proof of ownership rights to shares towards the Company and any bonus shares, meeting announcements, as well as all notifications, shall be sent to the party currently recorded in the shareholders' register as the owner of the respective share capital. Dividends shall be paid to those parties registered in the register of shares at the end of the day the shareholders' meeting which approved the dividend payment was held, unless the Company receives notice of the transfer of the dividend through the transfer of share capital. The Company shall bear no responsibility for payments or notifications which may go astray as a result of failure to notify it of changes in ownership or residence.

#### **Art. 6**

##### **SHARE CAPITAL INCREASE**

- 6.1 The Company's Board of Directors may increase its share capital by up to 36,839,604 shares through subscription for new Class A shares to fulfil disputed and contingent claims, as provided for in detail in Art. 7 of these Articles of Association.
- 6.2 The Company's Board of Directors may also issue new shares in the Company to be delivered to owners of convertible bonds which were delivered as part of composition payment under the Company's composition should the Company's Board of Directors decide to unilaterally avail itself of conversion rights provided for in the bonds.
- 6.3 The Company's share capital may also be increased in connection with remedial actions provided for in Articles 12 to 14.
- 6.4 Apart from this no increase in the Company's share capital is authorised.

#### **Art. 7**

##### **SHARE CAPITAL FOR DISPUTED AND CONTINGENT CLAIMS**

- 7.1 In accordance with the Company's composition the Company's Board of Directors is obliged to issue

new Class A share capital with the aim of fulfilling composition provisions regarding disputed or contingent claims which have subsequently been recognised as claims with priority which would have resulted in their having the status of composition claims under the Company's composition. This applies in the following instances:

- a) when a disputed claim has been recognised with an agreement approved by the Company's Board of Directors or a final resolution by an Icelandic court; and/or
  - b) when a contingency event occurs, which results in a contingent claim no longer being contingent upon the event and as a result the claim should be treated as a composition claim.
- 7.2 Once a disputed claim and/or a contingent claim becomes a recognised composition claim, as referred to in Art. 7.1, the Board of Directors is authorised and obliged to issue and allocate new Class A share capital totalling a maximum nominal value of EUR 360,396.04, to fulfil the Company's obligations with respect to such a composition claim. Each creditor holding such a composition claim is considered to have subscribed for (and is entitled to be registered as owner of) those Class A shares which are allocated to it as payment for such a composition claim. The subscription price shall be EUR 0.01 for each Class A share and shall be paid for by means of set-off against the composition claim.
- 7.3 Class A shares issued pursuant to this Art. 7 shall be subject to the same conditions for redemption as other Class A shares referred to in these Articles of Association.
- 7.4 Shareholders waive any pre-emptive rights which they may hold pursuant to these Articles of Association or on other grounds in connection with subscriptions for share capital which is issued as authorised in this Art.

#### **Art. 8**

##### **OWN SHARES**

- 8.1 The Company may purchase its own shares ("**own shares**") to the extent authorised by law and these Articles of Association.
- 8.2 The Company may decrease its share capital by the own shares which it holds, in accordance with Icelandic law.
- 8.3 The Company may not hold own shares in excess of 10% of the Company's share capital (such shares are referred to as "**excess shares held by the Company**") for longer than six months. After that all excess shares held by the Company shall be cancelled through a reduction in share capital.
- 8.4 Own shares convey no voting rights.

#### **Art. 9**

##### **STATUS OF SHAREHOLDERS**

- 9.1 No privileges are conferred by any shares in the Company. Shareholders are not subject to redemption of their shares other than as a result of peremptory statutory provisions and the Company's Articles of Association.

#### **Art. 10**

##### **COMPLIANCE WITH ARTICLES OF ASSOCIATION**

- 10.1 All shareholders are required, without special obligation, to comply with the provisions of these

Articles as they now stand or as subsequently amended in accordance with Icelandic law. Shareholders bear no responsibility for the obligations of the Company above and beyond their holding.

### CHAPTER III

#### *Transfer of share capital*

#### **Art. 11**

#### **RESTRICTIONS ON TRANSFER**

- 11.1 Transactions with shares in the Company are not restricted apart from the fact that the Company's Board of Directors shall, in accordance with Art. 15 of the Private Limited Companies Act, refuse to register changes in ownership of shares or any type of encumbrances on them which conflict or might conflict with those restrictions on transfer referred to in this Art. 11 of the Articles of Association. The Company's Board of Directors shall not approve a transfer unless it considers a valid notification of transfer to have been received in accordance with Art. 11.4. Should the Company's Board of Directors refuse to approve transfer in accordance with this Art. 11 of the Articles of Association it shall notify the transferor of this decision.
- 11.2 A party acquiring share capital in the Company may not exercise its rights as a shareholder unless its name has been entered in the register of shares following approval by the Board of Directors of the transfer. Such approval shall not be given unless the transfer accords with the provisions of this Chapter III.
- 11.3 Shareholders of Class A shares shall always comply with the stapling requirement.
- 11.4 Transferors and transferees must immediately send a notification of transfer, signed by both the transferor and transferee, to the Company's registered office for each transfer, together with the transfer document and any share certificate which must be delivered in connection with the transfer in question. If such notification of transfer contains incorrect or misleading information, or in any way violates Art. 11.5, the assumption will be in each instance that the stapling requirement has not been satisfied and the Board of Directors may then refuse to approve the transfer or, if the Board has already granted its approval and only subsequently become aware that the stapling requirement has not been satisfied, then the Board may undertake remedial actions with regard to those Class A and/or Class B shares held by the shareholder concerned.
- 11.5 If the Board is not convinced that the information in such a notification of transfer is correct, exhaustive or in other respects satisfactory, in order for it to assess whether the provisions of these Articles of Association are satisfied, or if the notification of transfer indicates that the transfer does not accord with these Articles of Association, or if the Company is of the opinion that the transfer would in other respects violate or result in a violation of these Articles of Association, then the Board may refuse to approve the proposed transfer.
- 11.6 Each shareholder (together with other parties in the same group) shall be the beneficial owner of those ownership rights to share capital registered in its name in the register of shares; furthermore, all ownership rights to share capital shall be registered in the name of the shareholder and not in the name of the trustee. By subscribing and paying for Class A shares each shareholder is deemed to have agreed that the Company's Board of Directors (completely of its own volition) can redeem any Class A shares as part of a remedial action (as provided for in Art. 14) at the nominal value of the

share capital in those instances where the Board is of the opinion that: (i) it is not demonstrated that the shareholder registered for such share capital in the Company is the beneficial owner of those ownership rights linked to the share capital, or (ii) it is not demonstrated that such Class A shares are not registered in the name of a trustee other than a securities escrow agent (as these are defined in Art. 30). No party holding only indirect rights to share capital (including those rights which the party in question holds through a securities escrow agent) has any right with respect to the Company to be registered as lawful owner of such share capital.

#### **Art. 12**

##### **REMEDIAL ACTIONS IN CONNECTION WITH DEFAULTING STAPLING SHAREHOLDERS**

- 12.1 The Company's Board of Directors may reduce the Company's share capital by redemption, in accordance with Art. 37 of the Private Limited Companies Act, of excess shares in Class A owned by shareholders in Class A at their total nominal value and the Board may, at its own discretion, dispose of the total amount acquired through redemption of such excess shares in Class A to allocate to the respective shareholder in Class A the total number of shares in Class B which corresponds to the total number of the redeemed excess shares in Class A.

#### **Art. 13**

##### **REDEMPTION OF CLASS B SHARES AND ISSUANCE OF CLASS A SHARES**

- 13.1 The Company's Board of Directors may (completely at its sole discretion) reduce at any time the Company's share capital by redemption, in accordance with Art. 37 of the Private Limited Companies Act, of any or all shares in Class B owned by a shareholder in Class B at a price equivalent to the nominal value of each Class B share redeemed, and the Board may, at its own discretion, dispose of the total amount acquired through redemption of such shares in Class B to allocate to the respective shareholder in Class B the total number of shares in Class A which corresponds to the total number of the redeemed shares in Class B, provided the Class B shareholder concerned is not, and will not become through this action, a defaulting stapling shareholder.

#### **Art. 14**

##### **GENERAL PROVISIONS REGARDING TRANSFER AND REMEDIAL ACTIONS**

- 14.1 The assumption is that in purchasing shares each shareholder recognises that redemption, as part of a remedial action, will be implemented at nominal value, regardless of the value which such shares may be accorded in transactions or in other respects.
- 14.2 The Company's Board of Directors may issue and allocate new Class A shares with the aim of redeeming Class B shares which are outstanding at any time in accordance with these Articles of Association. The new Class A shares may be paid for by set-off against the value of Class B shares.
- 14.3 The Company's Board of Directors may issue and allocate new Class B shares with the aim of redeeming Class A shares which are outstanding at any time in accordance with these Articles of Association. The new Class B shares may be paid for by set-off against the value of Class A shares.
- 14.4 Shareholders shall not have any pre-emptive rights to purchase new shares issued pursuant to this

Article.

#### CHAPTER IV

##### *Request for information*

#### **Art. 15**

#### **SHARES AND BONDS**

- 15.1 In addition to the conditions laid down in Art. 11, the Company's Board of Directors may at any time, by giving notice in writing with at least 10 working days' notice, oblige all or some of its shareholders to:
- (a) inform the Company of all parties other than the shareholder ("**stakeholders**") who hold ownership or guarantee rights to this shareholder's shares;
  - (b) inform the Company of the nature of such ownership rights;
  - (c) inform the Company as to whether the shareholder or stakeholder satisfies the stapling requirement; and
  - (d) deliver to the Company all documentation which the Board considers necessary to verify the identity of the shareholder and/or stakeholder.
- 15.2 The Company's Board of Directors may at any time, by giving notice in writing with at least 10 working days' notice, oblige all or some of its shareholders to deliver documentation showing the bond holdings of the shareholder concerned and of each stakeholder (including documentation showing ownership or guarantee rights to such bonds).
- 15.3 Should a shareholder fail to provide the Company with documentation which the Company considers acceptable (within reason) with 10 working days from [receipt of] written notification on any of the above-listed aspects, the shareholder concerned will be considered, until acceptable documentation on the aspects in questions has been received by the Company (within reason), to have violated the stapling requirement, in which case Art. 12 shall apply.

#### CHAPTER V

##### *Shareholders' meetings*

#### **Art. 16**

#### **GENERAL**

- 16.1 The Company's shareholders' meeting is the supreme authority in its affairs.
- 16.2 All shareholders, their proxies and advisors, the Company's auditor and managing director are entitled to attend a shareholders' meeting.
- 16.3 Shareholders may appoint proxies to attend a shareholders' meeting on their behalf. A proxy must present a written, dated and witnessed power of attorney. A shareholder may attend a shareholders' meeting together with an advisor. An advisor does not have the right to address a shareholders' meeting, make motions or vote.
- 16.4 The Company's auditor and managing director shall have full rights to speak and make motions at shareholders' meetings, despite not being shareholders.

16.5 The Board of Directors may invite experts to specific meetings, if their opinions or assistance is to be sought.

#### **Art. 17**

#### **ANNUAL GENERAL MEETINGS**

17.1 An Annual General Meeting (“AGM”) shall be held before the end of April each year.

17.2 The AGM shall be convened with an advertisement published on the Company's website and written notices to shareholders sent by mail or e-mail in accordance with the shareholder registry referred to in Art. 5 of these Articles of Association with at least two weeks' and no more than four weeks' notice. The meeting agenda shall be specified in the meeting announcement.

17.3 An AGM is legally constituted if lawfully convened, regardless of how many persons attend it.

#### **Art. 18**

#### **AGM AGENDA**

18.1 The following items shall be dealt with at the AGM:

- (a) a report from the Board of Directors on Company activities during the past operating year;
- (b) the annual financial statements for the past operating year, together with the auditor's report submitted to the meeting for endorsement;
- (c) a decision on the payment of a dividend and the treatment of profit or loss during the past financial year;
- (d) a motion from the Board of Directors on a Remuneration Policy submitted to the meeting for approval;
- (e) motions for amendments to the Articles of Association, if any have been received;
- (f) election of the Board of Directors;
- (g) election of the auditor;
- (h) a decision on compensation to Directors for the coming term;
- (i) other business.

18.2 The arrangements for election of the Board of Directors shall comply with the relevant provisions of the Act on Private Limited Companies.

#### **Art. 19**

#### **EXTRAORDINARY MEETINGS**

19.1 Extraordinary general meetings (EGMs) shall be held whenever the Board of Directors deems necessary, in accordance with a resolution at a meeting or if the elected auditor or shareholders controlling at least 1/20 of share capital demand such in writing, stating the object of the meeting; in such case an extraordinary general meeting shall be called within 14 days of receipt of the demand by the Board of Directors.

19.2 An EGM shall be convened with an advertisement published on the Company's website and written notices to shareholders sent by mail or e-mail in accordance with the shareholder registry referred to in Art. 5 of these Articles of Association with at least one week's and no more than four weeks' notice. If all shareholders, or their proxies, attend they may grant an exemption from this Article.

19.3 An EGM is legally constituted if lawfully convened, regardless of how many persons attend it.

## **Art. 20**

### **AGENDA OF SHAREHOLDERS' MEETINGS**

- 20.1 Every shareholder shall be entitled to have a specific issue dealt with at a shareholders' meeting if it submits a written request for such to the Company's Board of Directors no later than ten working days prior to the commencement of the meeting.
- 20.2 The meeting announcement must state the business to be dealt with at the shareholders' meeting. At least one week prior to a shareholders' meeting, the agenda, final motions submitted, as well as the year's annual financial statements and report of the auditor, in the case of an AGM, must be available at the Company's office or on its website for inspection by shareholders and at the same time shall be sent to every registered shareholder who so requests.

## **Art. 21**

### **VOTING**

- 21.1 Each Class A share in the Company conveys one vote at shareholders' meetings. Class B shares do not convey voting rights other than as stated in Articles 21.5 and 21.6 below in which case each Class B share shall convey one vote.
- 21.2 The majority of votes shall determine the outcome at shareholders' meetings, unless otherwise provided for by these Articles or by Icelandic law. In the case of a tie vote, the outcome shall be decided by lot. Voting shall be carried out using ballots if so demanded by any person attending the meeting eligible to vote.
- 21.3 Subject to Art. 21.4, these Articles of Association may be amended at a legally constituted shareholders' meeting by a majority of at least two-thirds of votes cast and with the support of shareholders controlling at least two-thirds of Class A shares represented by voters at the meeting, provided no other majority of votes is required by law.
- 21.4 Notwithstanding the provisions of Art. 21.3, Articles 28 to 32 (inclusive) and this Art. 21.4 may only be amended by a legally constituted shareholders' meeting (attended by shareholders or their proxies controlling at least 50% of the Company's entire Class A share capital) by at least 75% of votes cast and the support of shareholders controlling at least 75% of Class A share represented by voters at the meeting, provided that such amendments do not contravene the provisions of the composition or the provisions of the terms and conditions of the convertible bonds.
- 21.5 Notwithstanding the provisions of Art. 21.3, a decision to amend these Articles of Association which causes a change in the rights between Class A and Class B shares needs the approval of (a) shareholders controlling at least 90% of share capital in the class which will be subject to reduction and which are represented by voters at the meeting, and (b) more than half of the total share class.
- 21.6 The approval of all shareholders is needed for decisions on the following amendments to these Articles of Association or statutory law:
- (a) to reduce shareholders' rights to a dividend or other distribution from the company, unless this is to the shareholders' benefit;
  - (b) to increase shareholders' obligations towards the Company;
  - (c) to restrict shareholders' authorisations to control their shares, cf. 14 and 15 of the Private Limited Companies Act;
  - (d) without prejudice to the validity of provisions of Articles 12 and 13, to oblige shareholders to be



subject to redemption of their shares without the Company being wound up.

21.7 In other respects, reference is made to Art. 69 of the Private Limited Companies Act.

## **Art. 22**

### **RESERVED MATTERS**

22.1 Notwithstanding other provisions of these Articles of Association, proposals for the following shall not be dealt with, approved or become obligatory for the company unless approved by a majority of votes at a shareholders' meeting:

- (a) any type of transactions by the Company in connection with bonds originally issued by Landsbankinn hf. to the Company under the *Framework and Bond Issuance Agreement*, dated 15 December 2009, between the Company and the Ministry of Finance on behalf of the Icelandic government, which was subsequently amended by the *Amendment and Restatement Agreement*, dated 4 December 2014, between Landsbankinn hf. and the Company (“**the LB bond**”), except in the case of transactions which result in the Company agreeing to repayment or prepayment of the LB bond at or above nominal value;
- (b) the sale of any of the Company's assets in transactions or a series of related transactions where the total fair value exceeds ISK 25,000,000,000; the Board shall determine the fair value of the assets based on their book value according to the latest audited accounts, adjusted to take into consideration those factors (including experts' opinions) which the Board should appropriately consider;
- (c) until the convertible bonds (cf. the definition in Art. 28) have been repaid in full, any type of assumption of, or agreement to assume, debts totalling over ISK 25,000,000,000;
- (d) any type of conversion of currency to ISK, unless those ISK amounts created through such conversion are used solely for payment of domestic operating expenses, including taxes; and
- (e) the company commencing new activities or changing the nature of the Company's activities which are pursued on the date upon which these Articles of Association take effect, unless the Board has decided (reasonably) that such actions will be to the benefit of the holders of convertible bonds and will not have a negative taxation impact on the company.

## **CHAPTER VI**

### *The Company's Board of Directors,*

## **Art. 23**

### **COMPOSITION OF THE BOARD OF DIRECTORS**

23.1 The Company's Board of Directors, as provided for in these Articles of Association, shall consist of three persons, elected at the AGM for a one-year term. One alternate may also be elected. Statutory provisions shall apply concerning eligibility of Directors. Election to the Board of Directors shall generally be by ballot if more persons are nominated than are to be elected. The Board elects a Chairman from among the Directors and divides responsibility for other tasks between Directors. The Board of Directors may entrust the Chairman with certain tasks on behalf of the Company as currently authorised by law. A majority of the Board of Directors is required to oblige the Company.

## **Art. 24**

### **QUORUM AND VOTING**

24.1 The Chairman of the Board shall convene and direct Board meetings. Meetings shall be held whenever the Chairman deems necessary. In addition, the Chairman must call a meeting of the Board of Directors at the request of a Director or the managing director. Board meetings shall be convened with at least 24 hours' notice. Convening a meeting electronically is regarded as sufficient. Meetings of the Board of Directors are legally constituted if lawfully convened and if a majority of the Directors is present, or a majority including the alternate if applicable. Questions shall be decided by a majority of votes. The Board of Directors must keep minutes of the proceedings of Board meetings and endorse them with their signatures. Any person entitled to attend a Board meeting may demand that his/her comments and dissenting opinion be recorded in the minutes.

#### **Art. 25**

### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

25.1 Subject to Art. 22, the Company's Board of Directors shall direct its affairs between shareholders' meetings. The provisions of the Company's Articles of Association, provisions of the Act on Private Limited Companies and other statutory provisions as appropriate shall determine the mandate of the Board of Directors. The Board of Directors shall adopt its own protocols.

#### **Art. 26**

### **MANAGING DIRECTOR**

26.1 The Board of Directors may entrust one or more managing directors to carry out the daily management of the Company in full or in part on its responsibility, to the extent authorised by law. The managing director shall ensure that the Company's operations comply with law, these Articles of Association and decisions of the Board of Directors at any given time. The managing director shall furthermore take care that he/she fulfils all the specific or general statutory conditions which may apply to his/her position.

## **CHAPTER VII**

### *Accounts and auditing*

#### **Art. 27**

### **FINANCIAL REPORTING**

27.1 The Company's financial year shall be the calendar year.

27.2 The Company's annual financial statements must be audited by an auditing firm.

27.3 The auditing firm shall be elected at the Company's AGM for a one-year term.

## **CHAPTER VIII**

### *Implementation of the composition*

#### **Art. 28**

### **CONVERTIBLE BONDS**

28.1 In accordance with the Company's composition and with reference to Chapter VI of the Private Limited Companies Act, the Company decided at a shareholders' meeting which was held on 19 February 2016

to issue to the benefit of its composition creditors (cf. the definition in the composition) bonds in an amount equivalent to ISK 288,059,442,384, issued in EUR based on the quoted selling rate for EUR against the ISK on the date of issue, which can be converted to Class A shares (“**convertible bonds**”).

28.2 The convertible bonds will be created with a trust deed (as it may be amended or supplemented at any time) and issued in accordance with the terms and conditions which apply to the convertible bonds, as they may be amended at any time (“**terms and conditions of the bonds**”).

28.3 A shareholders' meeting held on 19 February 2016 approved the issuance of convertible bonds with final maturity on 30 November 2035, in accordance with the Company's composition, by the Company to the benefit of the Company's composition creditors. The principal terms and conditions of the convertible bonds are as follows:

- (a) The total amount of the convertible bonds is the EUR amount equivalent to ISK 288,059,442,384 based on the EUR exchange rate against the ISK on the date of issue of the bonds.
- (b) The final maturity of the bonds is 30 November 2035.
- (c) Payments on the convertible bonds will be made with the Company's available cash (as defined in the terms and conditions of the convertible bonds).
- (d) The convertible bonds bear no interest and
- (e) each composition creditor who satisfies the requirements to receive convertible bonds pursuant to the provisions of the composition will receive convertible bonds in an amount equivalent to the ratio of the total composition claim amount of the creditor in question in excess of the securities distribution threshold (as defined in the Company's composition) to the total amount of all compositions claims of such creditors in excess of the same threshold.

The owners of convertible bonds shall not have any rights in connection with changes to the Company's share capital, further issuance of convertible bonds or subscription rights, or the winding-up, merger or split of the Company.

## **Art. 29**

### **CONVERSION OF CONVERTIBLE BONDS**

29.1 The Company's Board of Directors may issue and allocate new Class A shares totalling up to EUR 360,396,04 nominal value, to fulfil its obligations in connection with subscription rights (as these are defined in Art. 29.5), including those issued pursuant to Articles 29.5 and 29.6, following a conversion of the convertible bonds as provided for in the terms and conditions of the convertible bonds. Payment shall be made for new Class A shares by set-off against the value of the convertible bonds, as determined by the relevant subscription rights.

29.2 Upon the entry into force of the composition owners of convertible bonds will be considered to have subscribed for (and be entitled to be registered as owners of) all Class A shares allocated to them in accordance with their subscription rights or contingent subscription rights pursuant to Articles 29.5 to 29.7.

29.3 Class A shares issued pursuant to this Art. 29 shall be subject to the same conditions for redemption as other Class A shares referred to in these Articles of Association.

29.4 Previous shareholders shall not enjoy pre-emptive rights concerning subscription rights or contingent subscription rights as referred to in this Art. 29.

- 29.5 Upon conversion of bonds to Class A share capital as provided for in the terms and conditions of the bonds the Company shall initially grant each bond holder subscription rights (“**subscription rights**”) to the relevant number of Class A shares to which the bond holder concerned is entitled under the terms and conditions of the bonds. Assuming that such bonds are not in the custody of securities escrow agents due to the fact that they were issued in connection with disputed claims or contingent claims, the Company's Board of Directors shall, as promptly as possible and in accordance with Art 29.1, exchange subscription rights granted in connection with each convertible bond for Class A shares and register these Class A shares in the name of the respective bond holder.
- 29.6 If a disputed claim is still unresolved and has not been recognised as a composition claim when the conversion of the convertible bonds is effected, then the subscription rights which were granted pursuant to Art. 29.5 for such bonds in connection with the said disputed claim shall be contingent and not transferable (“**contingent subscription rights**”) and they can then only be exchanged for Class A shares in the Company if and to the extent that such a disputed claim is recognised as a composition claim. Once this occurs the Company's Board of Directors shall, in accordance with Art. 7, exchange the contingent subscription rights for Class A share capital of the equivalent amount and register this in the name of the composition creditor concerned. If it is considered certain that a disputed claim will not be recognised as a composition claim in part or in full then all contingent subscription rights linked to such a disputed claim which has been finally rejected shall be cancelled.
- 29.7 If a contingent claim is still unresolved and has not been recognised as a composition claim when the conversion of the convertible bonds is effected, then the subscription rights which were granted pursuant to 29.5 in connection with such bonds in respect to the said contingent claim shall be contingent subscription rights and they will only be exchanged for Class A share in the company if and to the extent that such a contingent claim is recognised as a composition claim. Once this occurs the Company shall exchange the contingent subscription rights for Class A share capital of the equivalent amount and register this in the name of the composition creditor concerned. If it is considered certain that a contingent claim will not be recognised as a composition claim in part or in full then contingent subscription rights linked to such a contingent claim which has been finally rejected shall be cancelled.
- 29.8 The Company's Board of Directors must ensure that subscription rights and contingent subscription rights are renewed annually or otherwise as necessary under Icelandic law.
- 29.9 To remove any doubt it shall be stated that: (i) the issuance and exercise of subscription rights or contingent subscription rights grants no pre-emptive rights to existing shareholders and (ii) subscription rights (including contingent subscription rights) are not transferable.

### **Art. 30**

#### **ESCROW ARRANGEMENTS**

- 30.1 According to the composition, the Company may be obliged to place share capital into escrow, as provided for in the sixth paragraph of Art. 103 a of Act No. 161/2002, on Financial Undertakings. The Company will conclude an escrow agreement (“**securities escrow agreement**”) with a securities escrow agent (or the party which replaces it in each instance, the “**securities escrow agent**”) providing for the company to perform these escrow arrangements in accordance with the terms of the composition (“**securities escrow arrangements**”). The Company shall provide securities escrow arrangements (including written notification to the securities escrow agent to release cash, convertible bonds and Class A shares (as applicable)) in accordance with the

composition and securities escrow agreement and with due conscientiousness, rationality and caution.

- 30.2 No voting rights may be exercised for Class A shares which are in the custody of or registered in the name of the securities escrow agent in accordance with the securities escrow agreement.

#### **Art. 31**

#### **DISPUTED CLAIMS AND CONTINGENT CLAIMS**

- 31.1. The Company shall handle, supervise, administer and settle disputed claims and contingent claims as provided for in the composition. The Company shall in particular handle, administer or manage the conduct of each disputed claim which has been referred to Icelandic courts for resolution.
- 31.2 The Company shall perform its duties and tasks as referred to above with due conscientiousness, rationality and caution.

#### **Art. 32**

#### **COMPLIANCE WITH THE COMPOSITION**

- 32.1 The Company must fulfil, and the Company's Board of Directors shall see to it that it does fulfil, its obligations pursuant to the composition and securities escrow agreement.

### CHAPTER IX

#### *Miscellaneous provisions*

#### **Art. 33**

#### **RESTRICTIONS ON DIVIDEND PAYMENTS**

- 33.1 As long as the convertible bonds have not been repaid in full no dividends may be paid to shareholders. To the extent that dividends are paid while contingent subscription rights still exist which have not been converted to Class A shares, the Company must ensure that an amount equal to those dividends which would have been paid to holders of Class A shares which may subsequently result from contingent subscription rights is set aside and preserved. Upon each subsequent delivery of Class A shares based on contingent subscription rights the Company shall pay each shareholder that acquires Class A share capital in this manner an amount equivalent to the amount of dividend previously set aside and preserved for the contingent rights accruing to its respective Class A shares.

#### **Art. 34**

#### **STATUTORY PROVISIONS**

- 34.1 All of those aspects not provided for to in these Articles of Association shall be governed by the provisions of the Act on Private Limited Companies, the Act on Annual Financial Statements and other statutory provisions as applicable.

#### **Art. 35**

#### **ADOPTION OF THE ARTICLES OF ASSOCIATION**

English translation from the Icelandic original. In case of discrepancy only the Icelandic text is authentic.

35.1 These Articles of Association were approved at a shareholders' meeting on 29 April 2019. Previous Articles of Association of the Company concurrently became invalid.

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Ársæll Hafsteinsson

## **Annex 1**

In these Articles of Association the following definitions shall apply:

<b>“Affiliate”</b>	means, regarding any party: (i) a subsidiary of the party concerned; (ii) a parent company of the party concerned; (iii) any other subsidiary of the parent company referred to in (ii); or (iv) any party under the control of, controlling or subject to the same control as the party concerned.
<b>“Announced total principal of bonds”</b>	means the gross amount of the principal of convertible bonds which are outstanding at any given time, as can be seen on the Company's website;
<b>“Class A shareholder”</b>	means a party who is a registered owner of any Class A shares;
<b>“Transferee of Class A shares”</b>	means a party to whom a Class A shareholder has transferred or intends to transfer any of its Class A shares;
<b>“Transferor of Class A shares”</b>	means a Class A shareholder who transfers or intends to transfer to another party any of its Class A shares;
<b>“Class B shareholder”</b>	means a party who is a registered owner of any Class B shares;
<b>“Transferee of Class B shares”</b>	means a party to whom a Class B shareholder has transferred or intends to transfer any of its Class B shares;
<b>“Transferor of Class B shares”</b>	means a Class B shareholder who transfers or intends to transfer to another party any of its Class B shares;
<b>“Composition”</b>	has the meaning stated in Art. 4.1 of these Articles of Association;
<b>“Composition claim”</b>	means an unsecured claim against the Company, cf. the definition in the first paragraph of Art. 29, cf. also the first paragraph of Art. 28, of the Act on Bankruptcy etc., in an amount exceeding ISK 11,821,975;
<b>“Contingent claim”</b>	means a composition claim against the Company which is subject to certain conditions and will become a recognised composition claim if and when such conditions are satisfied;
<b>“Contingent subscription rights”</b>	has the meaning stated in Art. 29.6 of these Articles of Association;
<b>“Control”</b>	means direct or indirect power to direct or see to the direction of the management and policy of a party,

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either through ownership of those securities which convey voting rights, through an agreement or for other reasons (for clarification it applies that (a) a limited partnership shall be considered to be under the control of its managing director, member with unlimited liability and/or whoever has been entrusted with control or who the Company has entrusted to perform the role which would otherwise be in the hands of a managing director or member with unlimited liability; and (b) a fund shall be considered to be under the control of its managing director and/or anyone who has been entrusted with exercising such control).

- “Defaulting Stapling Shareholders”** means a Class A shareholder who owns excess Class A shares;
- “Disputed claim”** means a claim of a creditor against the Company where the Company's decision on the claim has been objected to, either by the said creditor or any of the Company's other creditors and the dispute on the claim has not been finally resolved by Icelandic courts or with an agreement between the parties to the dispute, and which would be considered a composition claim if the Company recognised it;
- “Excess of Class A share percentage”** means, in connection with Class A shareholders, a percentage holding of its group of Class A shares which exceeds its group's percentage holding of convertible bonds;
- “Excess Class A shares”** means, in connection with Class A shareholders, the number of Class A shares underlying its group's excess holding of Class A shares;
- “Group”** means, in connection with any party, the party and its affiliates;
- “Parent company”** means, in connection with a company or undertaking, any other company or undertaking of which it is a subsidiary;



- “Percentage holding”** means:
- (i) in connection with convertible bonds, the proportion (stated as a percentage) which is obtained by dividing the total amount of the principal of bonds owned by a specific party by the stated gross principal of bonds; and
  - (ii) in connection with Class A shares, the proportion (stated as a percentage) which is obtained by dividing the total number of Class A shares owned by a specific party by the relevant number of Class A shares;
- “Relevant number of Class A shares”** means the total number of Class A shares comprising the Company's share capital at any given time, plus all Class A shares which the Company has redeemed as part of remedial actions announced on its website;
- “Remedial action”** means actions which the Company may take pursuant to Articles 12 to 14 (inclusive) of these Articles of Association if the stapling requirement is not satisfied due to transfer;
- “Securities escrow agreement”** has the meaning stated in Art. 30.1 of these Articles of Association;
- “Stapling requirement”** means the condition for transfer of Class A shares that:
- (i) the transfer is either carried out by a Class A transferee to its affiliate or
  - (ii) if subparagraph (i) above does not apply, that immediately upon the conclusion of such transfer of Class A shares to the Class A transferee the percentage holding of the Class A transferor's group of convertible bonds is the same (or so essentially similar that the difference in the proportions of such holdings is negligible (as determined by the Company's Board of Directors at its own discretion)) as its percentage holding in Class A shares, and that the percentage holding of the Class A transferee's group of convertible bonds is the same as its percentage holding in Class A shares

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(or so essentially similar that the difference in the proportions of such holdings is negligible (as determined by the Company's Board of Directors at its own discretion)),

and the condition for transfer of the convertible bonds is that either:

- (iii) the transfer be made by the bearer of a convertible bond to an affiliate; or
- (iv) if subparagraph (iii) above does not apply, that immediately upon the conclusion of such transfer of convertible bonds between bearers of bonds the percentage holding of the bearer's group of Class A shares is the same as of convertible bonds (or so essentially similar that the difference in the proportions of such holdings is negligible (as determined by the Company's Board of Directors at its own discretion)), and that the percentage holding of the bearer's group of Class A shares is the same as the bearer's group's holding of convertible bonds (or so essentially similar that the difference in the proportions of such holdings is negligible (as determined by the Company's Board of Directors at its own discretion));

**“Subscription rights”**

has the meaning stated in Art. 29.5 of these Articles of Association;

**“Subsidiary”**

means any company, association, partnership or other type of operating unit where over 50% of voting rights or share capital is at the time owned by or under the direct control of a specific party, of this party and one or more of its subsidiaries, or one or more subsidiaries of this party;

**“Transfer”**

means any type of sale, transfer or other disposition (whether for value or not and whether voluntary or involuntary) of formal or beneficial ownership rights to Class A or Class B share capital and/or convertible bonds, including without restriction any type of disposition by a pledgee in enforcing a pledge or other security interest in Class A or Class B share capital and convertible bonds;

**“Transfer notice”**

means a notification in the format available on the

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Company's website, as amended at any time by the Company and the new version published on the website;

**“Transferee”**

means a transferee of Class A or Class B shares, depending upon the context;

**“Transferor”**

means a transferor of Class A or Class B shares, depending upon the context;

**“Website”**

means the Company's website which is used for communications with Class A and Class B shareholders and to provide them with information, as well as any other website or web which replaces it of which the Company informs Class A and Class B shareholders at any time.