

JUNE 2019

ARTICLES OF ASSOCIATION

of
KALDALÓN HF.

- 1. Company name, domicile and purpose**
 - 1.1. The company is a Public Limited Company and its name is Kaldalón hf.
 - 1.2. The company's domicile is in Reykjavík.
 - 1.3. The purpose of the company is investment activities in, among other things, real estate development, acquisitions, sales, management, holdings, administration and the development of real estate and infrastructure connected to real estate projects, various kinds of debt certificates, such as loan agreements and bonds, all in connection with real estate trading, real estate development, the development of infrastructure in connection with real estate projects or the financing of the construction of buildings and other related operations. The company is authorised to own shares in companies engaged in operations connected to the construction sector, such as mix plants.
- 2. Share capital of the company**

Share capital – shares – subscription of new shares

 - 2.1. The share capital of the company has a nominal value of ISK 3,241,570,537 – three billion, two hundred and forty one million, five hundred and seventy thousand and thirty seven krónur. The share capital is divided into shares of one króna or multiples of that amount, which shareholders own in the company at any given time.
 - 2.2. The Board of Directors of the company is authorised to issue warrants for up to 180,000,000 new shares in the company. Notwithstanding the provisions of Art. 2.8, the Board of Directors is authorised for five years, until 4 June 2024, to implement the necessary increase in share capital in connection with the subscription to new shares on the basis of subscription rights. The Board of Directors determines who gets the right to subscribe to new shares and whether shareholders or others have pre-emptive rights. The Board of Directors decides on the sale price of subscription rights and details on their terms. Subscription rights that are issued in accordance with this authorisation shall be sold at fair value according to the valuation of impartial specialised parties.
 - 2.3. No special rights are attached to the shares in the company.
 - 2.4. There are no restrictions on the handling of shares in the company.
- Share registry, calls to meetings and communication with shareholders*

 - 2.5. Shares in the company are electronic securities in accordance with Act no. 131/1997 on the Electronic Registration of Securities.
 - 2.6. The Board of Directors of the company shall keep a share registry as the Act requires. According to the Act on the Electronic Registration of Securities, the share registry is full proof of ownership to shares in the company and shall grant rights in accordance with the company's Articles of Association.

2.7. Electronic communications of documents, letters of guarantee and/or electronic mail in communication between the company and its shareholders and other mandatory communications shall be used, in accordance with Act no. 2/1995 on Limited Liability Companies. A shareholders' meeting shall be convened with a notification to all shareholders sent by regular mail or email or through an advertisement in a daily newspaper or through the stock exchange's news system. Shareholders shall notify the Board of Directors of the company of the address and email address to which notifications and other communications should be sent and the shareholder is responsible for informing the board of any changes in address or email address. If a shareholder specifically requests written calls to meetings this shall be granted. An Annual General Meeting shall be convened with at least fourteen days' notice, but extraordinary meetings with at least seven days' notice.

Increase / decrease in share capital

- 2.8. The share capital of the company can be increased by a resolution passed at a shareholders' meeting and requires the same amount of votes that are required to amend these Articles of Association. Shareholders shall have pre-emptive rights for all the new shares in proportion to their holdings in the company.
- 2.9. Notwithstanding the provisions of Article 2.8, the Board of Directors of the company is authorised to increase the share capital of the company by a nominal value of up to ISK 4,000,000,000 – four thousand million¹. The Board of Directors shall determine the price of new shares. The right to increase the share capital under these articles shall remain valid until 31 March 2021. Shareholders shall not have pre-emptive rights on new shares issued under this provision, but the Board of Directors shall be authorised to sell them to investors. Increases in these new shares are governed by the same provisions that apply to the share rights that are stipulated in these Articles of Association and the new shares confer rights in the company from the date of the decision of the Board of Directors to issue them, although never before the shares have been fully paid for. The new shares shall be paid for in cash, share capital and/or with claims in accordance with some kind of debt instrument, such as a loan agreement, depending on what the Board of Directors decides in each case. The Board of Directors of the company is authorised to amend these Articles of Association in accordance with the increase in share capital.
- 2.10. Only a shareholders' meeting is authorised to decide to lower the share capital and this requires the same proportion of votes as that required for amendments to these Articles of Association.

Own Shares and pledging of collateral

- 2.11. The company may not issue a loan in its shares. The company is authorised to buy its own shares to the extent permitted by the law. However, the company is not permitted to buy its own shares for a higher price than the amount of the last independent transaction or highest existing purchase bid in those trading systems in which the trading of the shares takes place, whichever is the highest. It is not permitted to exercise voting rights for the company's own shares.

¹ At the date of these Articles of Association, on 4 June 2019, ISK 762,429,163 of the facility remains.

2.12. The company's assets may be pledged as collateral.

3. Shareholders' meetings

3.1. The supreme authority in the affairs of the company, within the limits established by these Articles of Association and statutory law, is in the hands of legitimate shareholders' meetings.

3.2. Extraordinary meetings shall be held if the Board of Directors deems it necessary, or at the request of shareholders who control at least a twentieth of the company's share capital. The request for the meeting to be called shall be in writing and shall state the business of the meeting. The Board of Directors is then obliged to call a meeting within fourteen days of receiving the request. If the Board of Directors does not call the meeting after receiving such a request, the shareholders may seek the assistance of the Register of Limited Companies, pursuant to the provisions of Act no. 2/1995 on Public Limited Companies.

3.3. The notice of the meeting shall state the business of the meeting.

3.4. A shareholders' meeting is valid if it has been legitimately called and if it is attended by shareholders or their representatives who control at least half of the company's share capital.

3.5. The Board of Directors of the company is authorised to decide on the use of electronic media in connection with the participation of shareholders in shareholders' meetings and voting in accordance with Art. 80 of Act no. 2/1995 on Public Limited Companies.

3.6. One vote is attached to each króna of share capital. Decisions at shareholders' meetings shall be taken by majority vote unless otherwise stipulated in these Articles of Association or statutory law.

Amendments to the Articles of Association

3.7. Proposed amendments to the company's Articles of Association shall be submitted to a shareholders' meeting and only be valid if approved with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, unless otherwise specified in these Articles of Association.

3.8. Proposals for amendments to these Articles of Association or a merger with other companies cannot be discussed at shareholders' meetings unless they were mentioned in the call to the meeting.

3.9. The approval of all shareholders is required in order for decisions relating to the following amendments to the company Articles of Association to enter into force:

1. To curtail shareholders' rights to the payment of dividend or to other allocation from the company for the benefit of parties other than shareholders.
2. To increase shareholders' liabilities toward the company.
3. To substantially change the purpose of the company.

- 4. To limit shareholders' authority in the handling of their shares or to obligate shareholders to be subject to redemption of their shares without there being a dissolution of the company, beyond what is stipulated in these Articles of Association.
 - 5. To amend the provisions of Art. 3.7 of these Articles of Association.
 - 6. If the Articles of Association of the company are amended, the kind of trading restrictions that are imposed on shares in the company.
- 3.10. A decision relating to amendments of the company's Articles of Association which disturbs the judicial relationship between shareholders will only be valid provided those shareholders who are to be subject to the abridgement of rights vote for it.
- 3.11. Decisions to approve the investment policy of the company and decisions to amend it shall only be made at shareholders' meetings with the approval of shareholders who control at least 9/10 of the total share capital of the company.
- 3.12. A shareholder may have a representative attend a shareholders' meeting on his/her behalf. A representative shall submit a dated power of attorney in writing.
- 3.13. The power of attorney shall not be revoked and shall be valid with respect to the company once it has been submitted with the delivery of the meeting documents or after the shareholders' meetings, whichever comes first.
- 3.14. It is not possible to make final decisions at a shareholders' meeting on matters which have not been specified in an agenda unless this meets the approval of all the company's shareholders, but a resolution thereon may be made as guidance for the company's Board of Directors. Even if a matter has not been mentioned in an agenda, this will not prevent a decision to the effect that an extraordinary meeting be called to debate the matter, but an Annual General Meeting may also at all times deal with matters it is obliged to deal with, in accordance with the law or the company's Articles of Association.
- 3.15. Records of Minutes shall be kept and proceedings of the meeting entered into it.
- Annual General Meeting*
- 3.16. An Annual General Meeting shall be held no later than four months from the end of each fiscal year.
- 3.17. The following items shall be on the AGM agenda:
- a) The Board of Directors shall explain the company's finances and operations over the past working year.
 - b) The Board of Directors' summary regarding the holdings of individual shareholders, their voting rights, changes during the year and comparable information on the company's group affiliations.
 - c) The annual accounts of the company for the past year shall be submitted for approval along with comments from the company's auditors or inspectors.
 - d) A decision shall be made regarding how to handle profits or losses and dividends.
 - e) Auditors shall be appointed.

- f) Election and composition of the Board of Directors, and Investment Advisory Council.
- g) Decisions shall be made regarding the fees of board members and auditors. A seat on the Investment Advisory Council does not entail a right to remuneration from the company.
- h) Proposals from the Board of Directors regarding the remuneration policy of the company.
- i) Discussions and voting on any other business legitimately raised.

4. Board of directors, executive board and Investment Advisory Council

Board of Directors

- 4.1. The Board of Directors shall comprise three members and one alternate, elected at an Annual General Meeting for a term of one year at a time.
- 4.2. The signature of a majority of board members is required to commit the company.
- 4.3. A quorum is constituted in the Board of Directors when a majority of board members or their alternates, attend a legitimately called meeting. Voting at board meetings shall be determined by a simple majority.
- 4.4. The Board of Directors of the company discusses specific investments of the company, the sale of assets and other measures at board meetings. The Board of Directors also makes decisions about the above at board meetings. All of the above board decisions shall be made in accordance with the company's existing investment policy at any given time, which has been approved by a shareholders' meeting in accordance with the provisions of Article 3.11.
- 4.5. Notwithstanding Art. 4.3 and 4.4, the Board of Directors is not authorised to make decisions regarding the company's investment options or the sale or other handling of assets which are covered by the provisions of these Articles of Association 4.15, without the consent of two out of three members of the Investment Advisory Council or their alternates, to refer the investment options to the board of Directors of the Company, pursuant to Art. 4.16 of the company's Articles of Association and investment policy.
- 4.6. Notwithstanding Art. 4.3 and **Error! Reference source not found.**, the approval of all board members is required to make decisions regarding the company's trading with asset management entities and related parties.

Executive management

- 4.7. The Board of Directors of the company shall appoint a managing director and decide on his/her terms of employment. It grants the power of attorney on behalf of the company.
- 4.8. The managing director is in charge of the day-to-day operations of the company. Daily operations do not extend to unusual or major arrangements. In that connection the managing director is authorised, with the approval of the Board of Directors, to make contracts with managing entities on behalf of the company regarding the day to day running of the company and other specified tasks.

- 4.9. The managing director is in charge of examining investment options, their initial evaluation, analysing the credit worthiness of companies, the preparation of investment decisions, the administration and sale of assets and follow-up on investments. The managing director shall also ensure that the company's books are kept in accordance with laws and customs and that the company's assets are handled in a secure manner.
- 4.10. The Board of Directors of the company is authorised to make contracts regarding asset management and other services on behalf of the company, with entities which the Board of Directors deems eligible, where agreements are negotiated with an asset management entity for it to perform tasks in the field of asset management for the company, in addition to other tasks, according to instructions from the company's managing director and in consultation with him/her.
- 4.11. The managing director is obliged to comply with all of the Board of Directors' legitimate instructions. The Managing Director shall grant auditors all necessary information on the operations of the Company which they might request and are entitled to receive by law.

Investment Advisory Council

- 4.12. A shareholders' meeting can decide to appoint an Investment Advisory Council. Its work and organisation shall then be governed by the following provisions of Art. 4.13 - 4.20.
- 4.13. The company's Investment Advisory Council shall comprise three full members and one alternate. Council members shall be elected by shareholders at an Annual General Meeting, with proportional elections between individuals for a period of one year at a time. Like elections to the Board of Directors of public limited companies, elections to the Investment Advisory Council are governed by Act no. 2/1995 on Public Limited Companies. The rights of shareholders to dismiss a member or members of the Investment Advisory Council and elect another/others instead are subject to the provisions of Art.64. of the Act on Public Limited Companies.
- 4.14. The Investment Advisory Council shall, on behalf of the board, set rules which establish the principal benchmarks for investments and the sale of assets, and the organisation of meetings, including the appointment of a chairperson of the Investment Advisory Council as well as criteria to identify when the risk of conflicts of interest is considered to exist and how to handle cases of this kind.
- 4.15. The role of the Investment Advisory Council is to discuss investments and the company's investment options, including with regard to potential conflicts of interest, before the decisions are processed by the Board of Directors, in accordance with the company's investment policy and the rules of procedure of the Investment Advisory Council at any given time. Investments and proposals for the sale of assets or other measures which exceed the benchmarks defined in the company's investment policy must be submitted to the Investment Advisory Council.

- 4.16. The approval of two of the three members of the Investment Advisory Council or their alternates is required to approve the referral of investments and sale of assets to the Board of Directors of the company, all according to the benchmarks defined in the investment policy of the company.
- 4.17. Notwithstanding the provisions of Art. 4.16, decisions at Investment Advisory Council meetings are taken by majority vote and proposals are defeated if the votes are equal.
- 4.18. The Investment Advisory Council shall elect a chairperson and vice-chairperson from among its members. A record of minutes shall be kept of meetings.
- 4.19. Other than the stipulations provided in these Articles of Association, the Investment Advisory Council shall agree on the rules of procedure of the council. The Investment Advisory Council shall convene at least twice a year, but otherwise as often as the Investment Advisory Council is convened, pursuant to Art. 4.15.
- 4.20. The managing director handles all the administration of the activities of the Investment Advisory Council, including the calling of meetings on behalf of the chairperson of the council.

5. Authorisation to issue bonds

- 5.1. The company is authorised to issue bonds and/or any kind of debt certificates.

6. Auditing

- 6.1. A chartered accountant or accounting firm shall be elected auditor at each Annual General Meeting of the company. The auditor shall examine the company's accounts for each year of operation and submit their results for the Annual General Meeting of the company. The auditor may not be a board member or employee of the company.

7. Annual accounts

- 7.1. The financial year of the company shall be the calendar year.
- 7.2. The Board of Directors shall have completed the preparation of the annual accounts and submitted them to the auditors no later than one month before the Annual General Meeting. The annual accounts shall be accessible to all at the company's headquarters.

8. Allocation of dividends and reserve funds

- 8.1. Only a shareholders' meeting has the authority to decide on the allocation of dividends, upon proposals from the Board of Directors. No decision can be made to allocate more dividends than the company's Board of Directors proposes or approves.
- 8.2. Payments of dividends shall be made no later than one month after the payment of dividends was approved, unless shareholders agree otherwise.

- 9. Dissolution of the company and mergers**
 - 9.1. Proposals on the dissolution and division of the company, or changes in the public limited company or a merger with another company/companies shall otherwise be treated in the same way as amendments to these Articles of Association.
- 10. Other provisions**
 - 10.1. Where the provisions of the present Articles of Association do not stipulate proceedings, the provisions of Act No. 2/1995 on Public Limited Companies shall be abided by.

These Articles of Association were adopted at a Company Shareholders' Meeting in Reykjavík on 4 June 2019.

As amended at a shareholders' meeting in Reykjavík on 18 August 2017.

As amended at a meeting of the Board of Directors on 23 October 2017.

As approved at a shareholders' meeting on 19 December 2017.

As approved at a shareholders' meeting on 28 December 2017.

As approved at a shareholders' meeting on 28 Feb 2018.

As amended on 2 March 2018, due to decisions made by the Board of Directors on 14 February 2018.

As amended on 12 June 2018, due to decisions made by the Board of Directors on 10 May 2018.

As amended on 23 October 2018, due to decisions made by the Board of Directors on 11 October 2018.

As amended at an Annual General Meeting of the company on 4 June 2019.

As amended on board meeting on 29 July 2019.

Correct Articles of Association certified by procuration holder

TEMPORARY PROVISIONS I²
WITH THE ARTICLES OF ASSOCIATION OF KALDALÓN HF.

- A. Kaldalón hf. was initially founded as a Partnership Limited by Shares and as a dependent taxable party, but at a shareholders' meeting on 19 December 2017, the company was changed into a public limited company. With the change, the company will be a dependent taxable party in the operating year of 2017, but will become an independent taxable party from then onwards, i.e. as of 1 January 2018.

² This temporary provision is part of Kaldalón hf.'s Articles of Association as amended on 19 December 2017.