

ORTHOFIX INTERNATIONAL N V
Form DEFR14A
May 08, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ORTHOFIX INTERNATIONAL N.V.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (4) Proposed maximum aggregate value of transaction:
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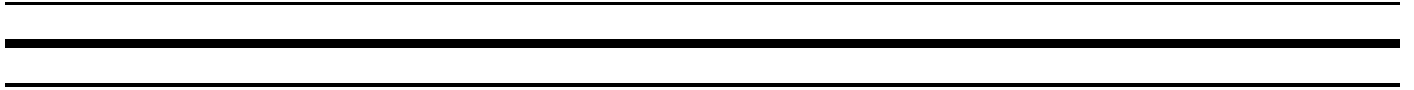
by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



Explanatory Note

This definitive proxy statement is being filed to correct certain typographical errors contained in the definitive proxy statement filed earlier on May 8, 2007.

Orthofix International N.V.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

Meeting Date:
June 20, 2007
at 11:00 a.m. (local time)

Meeting Place:
Orthofix International N.V.
7 Abraham de Veerstraat
Curaçao, Netherlands Antilles

Dear Shareholders:

We will hold the Annual General Meeting of Shareholders (the “Annual Meeting”) on Wednesday, June 20, 2007, at 11:00 a.m. (local time) at Orthofix’s offices, located at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles.

This booklet includes the notice of Annual Meeting and the proxy statement. The proxy statement describes the business that we will conduct at the meeting.

Your vote is important. Please refer to the proxy card or other voting instructions included with these proxy materials for information on how to vote by proxy or in person.

Sincerely,

/s/ Alan W. Milinazzo

Alan W. Milinazzo
President and Chief Executive Officer and Director

May 7, 2007

**NOTICE AND PROXY STATEMENT
for Shareholders of**

**ORTHOFIX INTERNATIONAL N.V.
7 Abraham de Veerstraat
Curaçao, Netherlands Antilles**

for

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Wednesday, June 20, 2007

This notice and the accompanying proxy statement are being furnished to the shareholders of Orthofix International N.V., a Netherlands Antilles corporation (“Orthofix” or the “Company”), in connection with the upcoming Annual General Meeting of Shareholders (the “Annual Meeting”) and the related solicitation of proxies by the Board of Directors of Orthofix (the “Board of Directors” or “Board”) from holders of outstanding shares of common stock, par value \$0.10 per share, of Orthofix for use at the Annual Meeting and at any adjournment thereof. In this notice and the accompanying proxy statement, all references to “we,” “our” and “us” refer to the Company, except as otherwise provided.

Time, Date and Place of Annual Meeting

Notice is hereby given that the Annual Meeting will be held on June 20, 2007 at 11:00 a.m., local time, at Orthofix’s offices, located at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles.

Purpose of the Annual Meeting

1. *Election of Board of Directors.* Shareholders will be asked to consider, and, if thought fit, approve a resolution to elect the following persons to the Board of Directors: James F. Gero, Peter J. Hewett, Jerry C. Benjamin, Charles W. Federico, Guy J. Jordan, Thomas J. Kester, Alan W. Milinazzo, Walter P. von Wartburg and Kenneth R. Weisshaar. The Board of Directors recommends that shareholders vote **FOR** each of the foregoing nominees for director.
2. *Approval of Further Amendment and Restatement to Amended and Restated 2004 Long-Term Incentive Plan.* Shareholders will be asked to consider, and, if thought fit, approve the further amendment and restatement of the Amended and Restated 2004 Long-Term Incentive Plan. The Board of Directors recommends that shareholders vote **FOR** the proposal to further amend and restate the Amended and Restated 2004 Long-Term Incentive Plan.
3. *Approval of Amendment of Section 8.3 of the Articles of Association.* Shareholders will be asked to consider, and, if thought fit, approve a resolution of the Board of Directors to approve an amendment of Section 8.3 of the Articles of Association. Currently, Section 8.3 provides that the size of the Board of Directors shall be not less than seven nor more than fifteen directors, and that the size of the Board shall be fixed by the shareholders at the annual general meeting. The proposed amendment would provide that the size of the Board shall be not less than six nor more than fifteen directors, and that the size shall be as determined from time-to-time by resolution of the Board. The Board of Directors recommends that shareholders vote **FOR** the proposal to amend Section 8.3 of the Articles of Association.
4. *Approval of Amendment of Article 14 of the Articles of Association.* Shareholders will be asked to consider, and, if thought fit, approve a resolution of the Board of Directors to approve an amendment of Article 14 of the

Articles of Association to provide that the maximum permitted time between a shareholder meeting and the record date for such meeting shall be extended from 50 to 60 days. In addition, these revisions provide that the maximum period during which the corporate Register may be closed in advance of such a meeting shall be extended from 50 to 60 days. The Board of Directors recommends that shareholders vote **FOR** the proposal to amend Article 14 of the Articles of Association.

5. *Approval of Financial Statements for the Year Ended December 31, 2006.* Shareholders will be asked to consider, and, if thought fit, approve the balance sheet and income statement at and for the year ended December 31, 2006. The Board of Directors recommends that shareholders vote **FOR** the proposal to approve the balance sheet and income statement at and for the year ended December 31, 2006.

6. *Ratification of the Selection of Ernst & Young LLP.* Shareholders will be asked to consider, and, if thought fit, approve a resolution to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm for Orthofix and its subsidiaries for the fiscal year ending December 31, 2007. The Board of Directors recommends that shareholders vote **FOR** the proposal to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm.

7. *Miscellaneous.* Shareholders will be asked to transact such other business as may come before the Annual Meeting or any adjournment thereof.

Please read a detailed description of proposals 1 through 6 stated above beginning on page 39 of the proxy statement.

Shareholders Entitled to Vote

All record holders of shares of Orthofix common stock at the close of business on May 3, 2007 have been sent this notice and will be entitled to vote at the Annual Meeting. Each record holder on such date is entitled to cast one vote per share of common stock.

Documents Available for Inspection

A copy of the financial statements for the year ended December 31, 2006 have been filed at the offices of Orthofix at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles and are available for inspection by shareholders until the conclusion of the Annual Meeting.

By Order of the Board of Directors

/s/ Raymond C. Kolls

Raymond C. Kolls
Senior Vice President, General Counsel and Corporate Secretary

May 7, 2007

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**PROXY STATEMENT FOR THE ORTHOFIX INTERNATIONAL N.V.
2007 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

THIS PROXY STATEMENT AND THE ENCLOSED PROXY ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT MAY 11, 2007.

ABOUT VOTING

Who can vote?

All record holders of shares of Orthofix common stock at the close of business on May 3, 2007 (the "Record Date") have been sent this notice and will be entitled to vote at the Annual Meeting. Each record holder on such date is entitled to cast one vote per share of common stock. As of the Record Date, there were 16,540,041 shares of Orthofix common stock outstanding.

Quorum, vote required

The presence, in person or by proxy, of the holders of fifty percent (50%) of the shares of Orthofix common stock outstanding on the Record Date is required to constitute a quorum at the Annual Meeting. An absolute majority of the votes cast will be required in order to approve the proposals before the Annual Meeting, except that (i) each of the proposed amendments to the Articles of Association will require an absolute majority of the shares of common stock outstanding for approval and (ii) the directors shall be elected by a plurality of the votes cast. Abstentions and "broker non-votes" are counted as shares that are present and entitled to vote on the proposals for purposes of determining the presence of a quorum, but abstentions and broker non-votes will not have any effect on the outcome of voting on the proposals, except for each of the proposed amendments to the Articles of Association, for which abstentions and "broker non-votes" will have the effect of a vote against such proposals. A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Proxies

This proxy statement is being furnished to holders of shares of Orthofix common stock in connection with the solicitation of proxies by and on behalf of the Board of Directors for use at the Annual Meeting.

All shares of Orthofix common stock that are represented at the Annual Meeting by properly executed proxies received prior to or at the Annual Meeting and which are not validly revoked, will be voted at the Annual Meeting in accordance with the instructions indicated on such proxies. If no instructions are indicated on a properly executed proxy, such proxy will be voted in favor of each of the proposals. The Board of Directors does not know of any other matters that are to be presented for consideration at the Annual Meeting.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (1) filing with Orthofix, at or before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than the proxy, or (2) duly executing a subsequent proxy relating to the same shares of Orthofix common stock and delivering it to Orthofix before the Annual Meeting. Attending the Annual Meeting will not in and of itself constitute the revocation of a proxy. Any written notice of revocation or subsequent proxy should be sent so as to be delivered to: Orthofix International N.V., 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles, at or before the taking of the vote at the Annual Meeting.

Voting is confidential

We maintain a policy of keeping all the proxies, ballots and voting tabulations confidential.

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The costs of soliciting these proxies and who will pay them

We will pay all the costs of soliciting these proxies. Although we are mailing these proxy materials, our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Georgeson Shareholder is assisting us with the solicitation of proxies for a fee of \$6,500 plus out-of-pocket expenses.

Obtaining an Annual Report on Form 10-K

We have filed our Annual Report on Form 10-K for the year ended December 31, 2006 with the U.S. Securities and Exchange Commission (the "SEC"). Our Form 10-K is included in our Annual Report that we are sending you with this proxy statement. Our Form 10-K is also available on our website at www.orthofix.com. If you would like to receive a separate copy of our Form 10-K, we will send you one without charge. Please write to:

Investor Relations
Orthofix International N.V.
10115 Kincey Ave., Suite 250
Huntersville, NC 28078
Attention: Mr. Dan Yarbrough

You may also contact Mr. Dan Yarbrough at (704) 948-2600 or at danyarbrough@orthofix.com.

The voting results

We will publish the voting results from the Annual Meeting in our Form 10-Q for the second quarter of 2007, which we currently expect to file with the SEC in August 2007. You will also be able to find the Form 10-Q on our website at www.orthofix.com.

Whom to call if you have any questions

If you have any questions about the Annual Meeting, voting or your ownership of Orthofix common stock, please contact Thomas Hein, Chief Financial Officer, at (704) 948-2600 or at tomhein@orthofix.com or Raymond C. Kolls, Senior Vice President, General Counsel and Corporate Secretary, at (704) 948-2600 or at raykolls@orthofix.com.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS

Who are the principal owners of Orthofix common stock?

The following table shows each person, or group of affiliated persons, who beneficially owned, directly or indirectly, at least 5% of Orthofix common stock as of the record date. Our information is based on reports filed with the SEC by each of the firms or individuals listed in the table below. You may obtain these reports from the SEC.

The Percent of Class figures for the common stock are based on shares of our common stock outstanding as of the record date. Except as otherwise indicated, each shareholder has sole voting and dispositive power with respect to the shares indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR Corp 82 Devonshire Street Boston, MA 02109	2,458,858 (1)	14.9%
Robert Gaines-Cooper Orthofix International N.V. 7 Abraham de Veerstraat Curacao, Netherlands Antilles	1,613,200 (2)	9.8%
Paradigm Capital Management, Inc Nine Elk Street Albany, NY 12207	1,423,750 (3)	8.6%
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606	1,224,500 (4)	7.4%

(1) Information obtained from Schedule 13G/A filed with the SEC by FMR Corp. (“FMR”) on February 14, 2007. The Schedule 13G/A discloses that, of these shares, FMR has sole power to vote or direct the vote of 288,800 shares and sole power to dispose or to direct the disposition of 2,458,858 shares.

(2) Amount consists of (i) 332,700 shares owned directly, (ii) 693,000 shares owned by a trust in which Mr. Gaines-Cooper has an indirect interest, (iii) 400,000 shares owned by Venner Capital S.A. (formerly LMA International S.A.) and (iv) 187,500 currently exercisable stock options. Information obtained by the Company from Mr. Gaines-Cooper.

(3) Information obtained from Schedule 13G/A filed with the SEC by Paradigm Capital Management, Inc. (“Paradigm”) on February 14, 2007. The Schedule 13G/A discloses that, of these shares, Paradigm has sole power to vote or direct the vote of 1,423,750 shares and sole power to dispose or to direct the disposition of 1,423,750 shares.

(4) Information obtained from Schedule 13G filed with the SEC by Columbia Wanger Asset Management, L.P. on January 12, 2007. The Schedule 13G discloses that, of these shares, Columbia Wanger Asset Management, L.P. has sole power to vote or direct the vote of 1,064,500 shares, shared power to vote or direct the vote of 160,000 shares and sole power to dispose or to direct the disposition of 1,224,500 shares.

Common stock owned by Orthofix's directors and executive officers

The following table sets forth the beneficial ownership of our common stock, including stock options currently exercisable and exercisable within 60 days, as of May 3, 2007, the record date, by each director, each nominee for director, each executive officer listed in the Summary Compensation Table and all directors and executive officers as a group. The percent of class figure is based on 16,540,041 shares of our common stock outstanding as of May 3, 2007. All directors and executive officers as a group beneficially owned 761,279 shares of Orthofix common stock as of such date. Unless otherwise indicated, the beneficial owners exercise sole voting and/or investment power over their shares.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Bradley R. Mason	203,255 (1)	1.2%
James F. Gero	103,172 (2)	*
Peter J. Hewett	94,300 (3)	*
Jerry C. Benjamin	87,282 (4)	*
Thomas Hein	80,277 (5)	*
Alan W. Milinazzo	66,534 (6)	*
Raymond C. Kolls	35,067 (7)	*
Walter P. von Wartburg	18,000 (8)	*
Michael M. Finegan	16,667 (9)	*
Stefan Widensohler	14,000 (10)	*
Thomas J. Kester	13,000 (11)	*
Kenneth R. Weisshaar	12,500 (12)	*
Guy J. Jordan	12,000 (13)	*
Charles W. Federico	5,225 (14)	*
Galvin Mould	0	*
All directors, nominees for director and executive officers as a group (17 persons)	761,279	4.6%

* Represents less than one percent.

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- (1) Includes 42,501 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 160,754 shares owned indirectly.
- (2) Includes 27,600 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 75,572 shares owned directly.
- (3) Includes 63,300 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 31,000 shares owned directly.
- (4) Includes 18,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 69,282 shares owned directly.

- (5) Includes 77,535 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 2,742 shares owned directly.
- (6) Includes 53,334 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 13,200 shares owned indirectly.
- (7) Includes 33,867 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 1,200 shares owned directly.
- (8) Includes 18,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date.
- (9) Includes 16,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date.
- (10) Includes 12,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 2,000 shares owned directly.
- (11) Includes 12,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 1,000 shares owned directly.
- (12) Includes 12,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date and 500 shares owned directly.
- (13) Includes 12,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the record date.
- (14) Amount consists of 4,325 shares owned directly and 900 shares owned indirectly.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and holders of more than 10% of our common stock (collectively, the "Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based on our review of these reports from the Reporting Persons, we believe that during the fiscal year ended December 31, 2006 all Section 16(a) filing requirements applicable to the Reporting Persons were complied with, except that one Form 3 for each of Mr. Burckhardt and Mr. Lyons, and one Form 4 with respect to one transaction each for each of Mr. Milinazzo, Mr. Hein, Mr. Kolls, Mr. Mason, and Mr. Burckhardt were filed late.

INFORMATION ABOUT DIRECTORS

The Board of Directors

The Board of Directors currently has 10 members. The directors are elected at each Annual General Meeting of Shareholders by a plurality of the votes cast, in person or by proxy by the shareholders. Directors are elected for one-year terms. Because we are required by Netherlands Antilles law to hold the Annual General Meeting of Shareholders in the Netherlands Antilles, we do not have a policy regarding director attendance at the Annual General Meeting of Shareholders. No directors were present at our 2006 Annual General Meeting of Shareholders. Our Articles of Association currently provide that the Board shall consist of not less than seven and no more than fifteen directors, the exact number to be determined by the Annual General Meeting of Shareholders.

Our Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met nine times during 2006. All directors attended at least 75% of the Board meetings and meetings of the committees of which they were members. Of the nine directors standing for election at the Annual Meeting, the Board has determined that Messrs. Benjamin, Kester and Weisshaar, Dr. Jordan and Dr. von Wartburg are independent under the current listing standards of the Nasdaq Global Select Market and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended. A list of our current directors who will serve beyond the meeting and background information for each of them is presented in the section "Proposal 1: Election of Directors," beginning on

page 39.

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The Committees of the Board

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

The Audit Committee

Our Audit Committee is a separately-designated standing audit committee established in accordance with section 3(a) (58) (A) of the Securities Exchange Act of 1934, as amended. The Audit Committee is responsible for the appointment, compensation and oversight of our independent registered public accounting firm, approving the scope of the annual audit by the independent registered public accounting firm, reviewing audit findings and accounting policies, assessing the adequacy of internal controls and risk management and reviewing and approving Orthofix's financial disclosures. The committee also meets privately, outside the presence of Orthofix management, with our independent registered public accounting firm. The Audit Committee's Report for 2006 is printed below at page 54.

The Board has adopted a written charter for the Audit Committee, a copy of which is attached as Appendix I to this proxy statement. This charter is also available for review on our website at www.orthofix.com.

The Audit Committee met 10 times during 2006.

Messrs. Benjamin, Kester and Weisshaar currently serve as members of the Audit Committee. Mr. Benjamin serves as Chairman of the committee. Under the current rules of the Nasdaq Global Select Market and pursuant to Rule 10A-3 of Schedule 14A under the Securities Exchange Act of 1934, as amended, all of the members of the Audit Committee are independent. Our Board of Directors has determined that Messrs. Benjamin, Kester and Weisshaar are "audit committee financial experts" as that term is defined in Item 401(h) of Regulation S-K.

The Compensation Committee

The Compensation Committee is responsible for all aspects of compensation for our executive officers and other key employees, including compensation policies and establishing and approving all elements of compensation.

The Compensation Committee administers our Amended and Restated 2004 Long-Term Incentive Plan (the "2004 LTIP"), the primary equity incentive plan under which we currently make equity-related awards. The Compensation Committee also administers prior plans that continue to have outstanding awards, but under which we no longer grant awards, including the Staff Share Option Plan (including the Performance Accelerated Stock Option Program) and the Performance Accelerated Stock Option Inducement Grants. The Compensation Committee has sole authority with respect to awards under these plans. See "Executive Compensation – Compensation Discussion and Analysis – Elements of In-Service Executive Compensation – Long-Term Equity-Based Incentives" for information on these plans.

The Compensation Committee met seven times during 2006.

The Board has adopted a written charter for the Compensation Committee, a copy of which is available for review on our website at www.orthofix.com.

Messrs. Kester and Widensohler, Dr. Jordan and Dr. von Wartburg currently serve as members of the Compensation Committee, and each satisfies the qualification standards of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and Section 16 of the Securities Exchange Act of 1934, as amended. All members are non-employee, non-affiliated, outside directors and they are considered independent under the current rules of the Nasdaq Global Select Market and the SEC. Mr. Kester serves as Chairman of the Compensation Committee.

The Nominating and Governance Committee

The Nominating and Governance Committee assists the Board in identifying qualified individuals to become Board members, determining the composition of the Board and its committees, monitoring a process to assess Board effectiveness and developing its director compensation policy. The Nominating and Governance Committee is also responsible for periodically reviewing plans regarding succession of senior management.

The Nominating and Governance Committee met three times in 2006.

The Board has adopted a written charter for the Nominating and Governance Committee, a copy of which is available for review on our website at www.orthofix.com.

Messrs. Benjamin, Widensohler and Weisshaar and Dr. Jordan currently serve as members of the Nominating and Governance Committee. Dr. Jordan serves as Chairman of the committee. All members are independent under the current rules of the Nasdaq Global Select Market and the SEC.

Compensation Committee Interlocks and Insider Participation

During 2006, the Compensation Committee of the Board consisted of four members, Thomas J. Kester, Guy J. Jordan, Stefan Widensohler and Walter P. von Wartburg all of who satisfy the independent director standards as defined by current Nasdaq rules and are “outside directors” for purpose of Rule 162(m) of the Internal Revenue Code, and are “non-employee directors” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. No interlocking relationship, as defined in the Securities Exchange Act of 1934, as amended, exists between the Board or Compensation Committee and the board of directors or compensation committee of any other entity.

Code of Ethics

We have adopted a code of ethics to comply with the rules of the SEC and the Nasdaq Global Select Market. Our code of ethics applies to our directors, officers and employees worldwide, including our Chief Executive Officer and Chief Financial Officer. A copy of our Code of Ethics is available for review on our website at www.orthofix.com.

Shareholder Communication with the Board of Directors

To facilitate the ability of shareholders to communicate with the Board of Directors, we have established an electronic mailing address and a physical mailing address to which communications may be sent: boardofdirectors@orthofix.com, or The Board of Directors, c/o Mr. James F. Gero, Chairman of the Board of Directors, Orthofix International N.V., 10115 Kincey Avenue, Suite 250, Huntersville, NC 28078.

Mr. Gero reviews all correspondence addressed to the Board of Directors and regularly presents to the Board a summary of all such correspondence and forwards to the Board or individual directors, as the case may be, copies of all correspondence that, in the opinion of Mr. Gero, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Examples of communications that would be logged, but not automatically forwarded, include solicitations for products and services or items of a personal nature not relevant to us or our shareholders. Directors may at any time review the log of all correspondence received by Orthofix that is addressed to members of the Board and request copies of any such correspondence.

Nomination of Directors

As provided in its charter, the Nominating and Governance Committee identifies and recommends to the Board nominees for election or re-election to the Board and will consider nominations submitted by shareholders. The

Nominating and Governance Committee Charter is available for review on our website at www.orthofix.com.

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The Nominating and Governance Committee seeks to create a Board of Directors that is strong in its collective diversity of skills and experience with respect to finance, leadership, business operations, technologies and industry knowledge. The Nominating and Governance Committee reviews with the Board, on an annual basis, the current composition of the Board in light of the characteristics of independence, skills, experience and availability of service to Orthofix of its members and of anticipated needs. If necessary, we will retain a third party to assist us in identifying or evaluating any potential nominees for director. When the Nominating and Governance Committee reviews a potential new candidate, they look specifically at the candidate's qualifications in light of the needs of the Board at that time given the then current mix of director attributes.

Generally, in nominating director candidates, the Nominating and Governance Committee strives to nominate directors that exhibit high standards of ethics, integrity, commitment and accountability. In addition, all nominations attempt to ensure that the Board shall encompass a range of talent, skills and expertise sufficient to provide sound guidance with respect to our operations and activities.

Under our Corporate Governance Guidelines, directors must inform the Chairman of the Board and the Chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another company's board of directors. In addition, no director may sit on the board of directors of, or beneficially own a significant financial interest in, any business that is a material competitor of Orthofix. The Nominating and Governance Committee reviews any applicable facts and circumstances relating to any such potential conflict of interest and determines in its reasonable discretion whether a conflict exists.

To recommend a nominee, a shareholder shall give notice to the Board, at our registered address c/o Mr. Guy J. Jordan, Chairman of the Nominating and Governance Committee, Orthofix International N.V., 10115 Kinsey Avenue, Suite 250, Huntersville, NC 28078. This notice should include the candidate's brief biographical description, a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above and the candidate's signed consent to be named in the proxy statement and to serve as a director if elected. The notice must be given not later than 180 days before the first anniversary of the last Annual General Meeting of Shareholders. Once we receive the recommendation, we will contact the candidate and request that he or she provide us with additional information about the candidate's independence, qualifications and other information that would assist the Nominating and Governance Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in our proxy statement, if nominated. Candidates must respond to our inquiries within the time frame provided in order to be considered for nomination by the Nominating and Governance Committee.

The Nominating and Governance Committee has not received any nominations for director from shareholders for the 2007 Annual General Meeting of Shareholders.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Procedures for Approval of Related Person Transactions

The Company's policies and procedures for the review, approval or ratification of related party transactions are set forth in our Code of Conduct and Ethics, which provides that the Audit Committee will review and approve all related-party transactions, as required by SEC and Nasdaq rules. Nasdaq Marketplace Rules require us to conduct an appropriate review on an ongoing basis of all related-party transactions involving amounts greater than \$120,000 for potential conflict of interest situations, and require that the Audit Committee or another independent committee of our Board approve all such transactions.

Transactions involving Robert Gaines-Cooper

Mr. Gaines-Cooper is the Chairman of Venner Capital S.A. (formerly LMA International S.A.) and is the settlor of a trust, which owns 100% of Venner Capital S.A. Venner Capital S.A., which owns the distribution rights in Italy to the Laryngeal Mask (used to maintain the airway open during the administration of anesthesia) produced by The Laryngeal Mask Company Ltd., has awarded the distribution rights for the Laryngeal Mask in Italy to Orthofix S.r.l., a subsidiary of Orthofix.

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Our United Kingdom distribution company, Intavent Orthofix Limited distributes Orthofix products, Laryngeal Mask products and other orthopedic products. Until March 1, 2006 we had a Distribution Agreement with Intavent Limited and a Guarantee Agreement with Venner Capital S.A. for the supply of Laryngeal Mask products in the United Kingdom, Ireland and Channel Islands for an initial period of seven years, which expires in March 2010. Effective March 1, 2006, Venner Capital, S.A. acquired all the intellectual property and assets relating to the Laryngeal Mask from Intavent Limited. Therefore, as of March 1, 2006 our distribution agreement is with Venner Capital S.A. In 2006, we paid Venner Capital S.A. \$6.2 million for purchases of products to be distributed by Intavent Orthofix Limited under this distribution agreement.

Arrow Medical Limited (Arrow) supplies impads for use with the A-V Impulse System to Novamedix Distribution Limited and Novamedix Services Limited (collectively "Novamedix"), wholly-owned subsidiaries of the Company. Venner Capital S.A. owns a 30% interest in Arrow. In 2006, Novamedix purchased \$4.4 million from Arrow for the supply of impads.

Inter Medical Supplies, a wholly-owned subsidiary of Orthofix, which manufactures Orthofix products, leased facilities in the Seychelles from Venner Capital S.A. under a three year lease which started in 2005. This lease was terminated by the parties in 2006, and Inter Medical Supplies paid \$75,000 to Venner Capital S.A. in 2006 pursuant to the lease and the termination thereof.

Loans to Charles W. Federico and Gary Henley

On January 10, 2002 we entered into full-recourse loans with Charles W. Federico and Gary Henley (former Senior Vice President and President of the Americas Division of Orthofix). Each loan had a principal amount of \$145,200 and was entered into to assist Messrs. Federico and Henley in purchasing shares of OrthoRx Inc. common stock, a company in which we currently hold a minority interest. Each loan had an annual interest rate of 3.97%, compounded annually and matured on the earlier of (1) January 10, 2007 and (2) the date Messrs. Federico or Henley, as applicable, ceased to be our employee, officer or director. No principal or interest payments were due prior to the maturity date, and after such date, the loans bore an interest rate of 18% if not paid in full at such time. The loans were secured by stock pledge agreements covering all shares of OrthoRx Inc. common stock owned by Messrs. Federico and Henley. On April 4, 2006, Mr. Henley ceased being an officer or employee of Orthofix. Prior to such time, he also served as a director of OrthoRx at the request of Orthofix. Mr. Federico continues to serve as a director of Orthofix.

In October 2006 and January 2007, respectively, we entered into separate settlement agreements with each of Messrs. Henley and Federico with respect to disputes between Orthofix and each of them regarding their shares of OrthoRx Inc. and the outstanding obligations under the loans and related stock pledge agreements. Under these settlement agreements and in full satisfaction of any and all amounts and obligations under the loans and stock pledge agreements, as well as in settlement of any disputes among the parties, Messrs. Henley and Federico (1) tendered all shares of OrthoRx Inc. held by them to Orthofix, (2) paid \$40,000 each to Orthofix and (3) entered into various releases with Orthofix.

OrthoPro, Inc.

Gregory Federico, the son of Charles W. Federico, a director and former Orthofix Group President and Chief Executive Officer, is the owner of OrthoPro, Inc. ("OrthoPro"), which acts as an independent third-party distributor for Breg. In 2006, Breg paid commissions to OrthoPro of \$969,467. The OrthoPro distributor relationship with Breg predates Orthofix's acquisition of Breg in December of 2003 and commissions paid to OrthoPro are at a rate that the Company considers to be generally accepted in the industry.

Pro Ad, Inc.

Peggy Henley, the wife of Orthofix's former Americas President Gary Henley, is the owner of Pro Ad, Inc. ("Pro Ad"), which supplies marketing and promotional materials to Orthofix Inc. and Breg. In 2006, Orthofix Inc. and Breg, combined, paid to Pro Ad, approximately \$121,536 for these items.

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EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the members of management of the Company and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's proxy statement.

The Compensation Committee

Thomas J. Kester, *Chairman*

Guy J. Jordan

Walter P. von Wartburg

Stefan Widensohler

Compensation Discussion and Analysis

Overview

Our Compensation Committee, or the Committee, is responsible for all aspects of compensation for our executive officers and other key employees, including compensation policies and establishing and approving all elements of compensation. The Committee relies on certain senior executive officers to make recommendations on certain aspects of compensation as discussed below. The Committee considers and approves the compensation for the Chief Executive Officer. It is also responsible for making recommendations to the Board regarding the compensation of directors. The Committee acts under a written charter adopted by the Board. The Committee reviews its charter annually and recommends any changes to the Board. In 2006, the charter was updated to clarify the scope of the Committee's responsibility for determining the compensation of our executive officers and directors and to make certain additional changes the Board deemed to be advisable and in the best interests of the Company. This charter is available on our website at www.orthofix.com. In 2006, the Committee was composed of Messrs. Kester and Widensohler, Dr. Jordan and Dr. von Wartburg, each of whom was an independent, non-employee, non-affiliated, outside director during that time. Mr. Kester serves as Chairman of the Committee. The Committee furnished its report provided above.

Throughout this proxy statement, the individuals serving as our principal executive officer (Chief Executive Officer) and our principal financial officer (Chief Financial Officer) during the last completed fiscal year, our three other most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year and up to two additional individuals who would have been one of our three most highly compensated executive officers but for the fact that such executive officer was not serving as an executive officer on December 31, 2006 are referred collectively as the "named executive officers."

Role of Executive Officers

At the Committee's request, from time to time certain of our senior management presents compensation-related initiatives to the Committee. For instance, while the Committee approves all elements of compensation for executive officers, the Committee requests on an annual basis that the Chief Financial Officer aid it in fulfilling its duties by facilitating the gathering of information relating to potential bonus guidelines and goals under our annual incentive program as well as possible stock option grants. The Chief Financial Officer's recommendations are done in accordance with the compensation guidelines recommended by the Committee's outside compensation consultant,

Towers Perrin. This information is presented to the Chief Executive Officer, who considers the information (other than with respect to his compensation) and makes separate recommendations to the Committee with respect to salary and any increases in salary for the named executive officers. The Chief Executive Officer is also actively involved in compensation discussions with respect to other executive officers. The Committee then reviews the recommendations. Alan Milinazzo and Thomas Hein attend meetings of the Committee in their role as Chief Executive Officer and Chief Financial Officer, respectively. Raymond C. Kolls also attends meetings of the Committee in his role as Corporate Secretary and, when requested by the Committee, as General Counsel. To the extent required or advisable, these executive officers are excluded from any Committee discussions or votes regarding their compensation.

Compensation Consultant

The Committee has the authority under its charter to retain, at the Company's expense, outside compensation consultants to assist in evaluating compensation. The Committee also has the authority to terminate those engagements. In accordance with this authority and to aid the Committee in fulfilling its duties, the Committee engages Towers Perrin as its outside compensation consultant. In order to perform their tasks as requested by the Committee, certain of our senior management has shared access to much of the information compiled and provided to the Committee by the consultant.

Towers Perrin worked with the Committee over the past several years to develop our executive and director compensation philosophy, and Towers Perrin periodically conducts reviews of our executive officer and director compensation programs and long-term incentive practices at the request of the Committee. At the Committee's request, in 2006 Towers Perrin conducted an assessment of our top five executive compensation levels as compared to the competitive market to determine whether they remain consistent with our compensation philosophy discussed below. In connection with this assessment, Towers Perrin made comparisons to our peer group and considered the rights of executive officers under publicly-available disclosure regarding written employment agreements of those companies. Towers Perrin also compared our long-term incentive grant guidelines for all equity-eligible employees and directors to the competitive market so we could ensure they are aligned. As part of this process and at the request of the Committee, Towers Perrin conducted a competitive market analysis to determine competitive compensation levels for our directors.

Executive Compensation Philosophy

The Committee guides itself in large part by our executive compensation philosophy. This philosophy reflects a "pay-for-performance" outlook in consideration of our growth (whether internal or as a result of acquisitions) and our objectives of attracting, retaining and motivating executive officers and other key employees while increasing shareholder value. We must attract the right mix of executive officers for us to grow successfully. At the same time, we must retain employees in order to motivate them to help us achieve our goals. Finally, we must consider all these elements in the context of our ultimate objective of enhancing the value of the Company for our shareholders.

Under this philosophy, the Committee's goal is to fairly compensate executive officers with an emphasis on providing incentives that promote both our short- and long-term objectives. As described in more detail below, achievement of short-term objectives is rewarded through base salary and cash bonuses, while grants of stock options encourage executive officers to focus on our long-term goals. The Committee may choose to materially increase or decrease compensation based on the achievement of the above objectives and performance. While we have grown in the last few years, these core components remain the basis for our executive compensation philosophy.

Benchmarking

In 2006, the Committee engaged Towers Perrin to conduct compensation benchmarking surveys that provided summarized data on levels of base salary, annual incentive guidelines, and equity-based and other long-term incentives. These surveys also provided benchmark information on compensation practices such as the prevalence of types of compensation plans and the proportion of the types of pay components as part of the total compensation package for executive officers of similarly situated companies. Other publicly available information and input from Towers Perrin on other factors, such as recent market trends, supplemented these surveys. In conducting this benchmarking, Towers Perrin looked to a selection of peer companies. This peer group was reviewed by senior management and the Committee to ensure it represented the appropriate mix of annual gross revenues, shareholder return and market capitalization. This peer group was updated from the prior year based on our current size and anticipated growth. Our peer group consists of the following 15 medical device manufacturers and distributors, some of which we compete against:

