

ORTHOFIX INTERNATIONAL N V
Form PRE 14A
May 15, 2009

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.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Orthofix International N.V.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

Meeting Date:
June __, 2009
at __ (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 General Meeting”) on June __, 2009, at __ (local time) at Orthofix’s offices, located at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles.

This booklet includes the notice of Annual General 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,

Alan W. Milinazzo
President and Chief Executive Officer and Director

May __, 2009

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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 June __, 2009

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 General 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 General 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 General Meeting

Notice is hereby given that the Annual General Meeting will be held on June __, 2009 at __, local time, at Orthofix’s offices, located at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles.

Purpose of the Annual General 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, Jerry C. Benjamin, Charles W. Federico, Dr. Guy J. Jordan, Thomas J. Kester, Alan W. Milinazzo, Maria Sainz, Dr. 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 Amended and Restated 2004 Long-Term Incentive Plan. Shareholders will be asked to consider, and, if thought fit, approve a further amendment and restatement of the Company’s Amended and Restated 2004 Long-Term Incentive Plan. The Board of Directors recommends that shareholders vote FOR the proposal to approve the further amendment and restatement of the Company’s Amended and Restated 2004 Long-Term Incentive Plan.
3. Approval of Amendment No. 1 to the Amended and Restated Stock Purchase Plan. Shareholders will be asked to consider, and, if thought fit, approve Amendment No. 1 to the Company’s Amended and Restated Stock Purchase Plan. The Board of Directors recommends that shareholders vote FOR the proposal to amend the Company’s Amended and Restated Stock Purchase Plan.
4. Approval of Material Terms for Payment of Certain Incentive Compensation to Permit Section 162(m) Deductibility. Shareholders are asked to consider and vote upon a proposal to approve the material terms for the payment of incentive compensation to the Company’s most highly compensated executive officers under the Company’s annual incentive program. If the shareholders approve this proposal, the compensation paid pursuant to such material terms will be fully deductible by the Company under Section 162(m) of the Internal Revenue Code, as

amended. The Board of Directors unanimously recommends that the shareholders vote FOR approval of these material terms for payment of executive incentive compensation.

5. Approval of Financial Statements for the Year Ended December 31, 2008. 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, 2008. 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, 2008.

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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, 2009. 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 General Meeting or any adjournment thereof.

Please read a detailed description of proposals 1 through 6 stated above beginning on page 44 of the proxy statement.

Shareholders Entitled to Vote

All record holders of shares of Orthofix common stock at the close of business on May 6, 2009 have been sent this notice and will be entitled to vote at the Annual General 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, 2008 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 General Meeting.

By Order of the Board of Directors

Raymond C. Kolls
Corporate Secretary

May __, 2009

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PROXY STATEMENT FOR THE ORTHOFIX INTERNATIONAL N.V.
2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS

THIS PROXY STATEMENT AND THE ENCLOSED PROXY ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT MAY __, 2009.

ABOUT VOTING

Who can vote?

All record holders of shares of Orthofix common stock at the close of business on May 6, 2009 (the “Record Date”) have been sent this notice and will be entitled to vote at the Annual General 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 17,103,142 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 General Meeting. An absolute majority of the votes cast will be required in order to approve the proposals before the Annual General Meeting, except that 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. 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 General Meeting.

All shares of Orthofix common stock that are represented at the Annual General Meeting by properly executed proxies received prior to or at the Annual General Meeting and which are not validly revoked, will be voted at the Annual General 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 General 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 General 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 General Meeting. Attending the Annual General 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 General Meeting.

Voting is confidential

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

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, 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 Inc. is assisting us with the solicitation of proxies for a fee of \$8,000 plus out-of-pocket expenses.

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Obtaining an Annual Report on Form 10-K

We have filed our Annual Report on Form 10-K for the year ended December 31, 2008 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.
800 Boylston Street
39th Floor
The PRU Tower
Boston, MA 02199
Attention: Mr. Dan Yarbrough

You may also contact Mr. Dan Yarbrough at (617) 912-2900 or at danyarbrough@orthofix.com.

The voting results

We will publish the voting results from the Annual General Meeting in our Form 10-Q for the second quarter of 2009, which we currently expect to file with the SEC in August 2009. 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 General Meeting, voting or your ownership of Orthofix common stock, please contact Dan Yarbrough, Vice President, Investor Relations, at (617) 912-2900 or at danyarbrough@orthofix.com or Raymond C. Kolls, Senior Vice President, General Counsel and Corporate Secretary, at (704) 948-2600 or at raykolls@orthofix.com. For directions to the meeting please consult the Company's website at www.orthofix.com/investors/annuals.asp.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on June __, 2009.

- The 2009 Proxy Statement and the 2008 Annual Report to Shareholders are available at www.orthofix.com/investors/annuals.asp.

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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 LLC 82 Devonshire Street Boston, MA 02109	2,565,471(1)	15.0%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	1,385,075 (2)	8.1%
Snyder Capital Management, L.P. One Market Plaza Steuart Tower, Suit 1200 San Francisco, CA 94105	1,083,320 (3)	6.3%
Robert Gaines Cooper c/o Venner Capital SA Osprey House P.O. Box 862 Old Street St Helier Jersey JE4 2ZZ UK	905,773 (4)	5.3%

(1)Information obtained from Schedule 13G/A filed with the SEC by FMR LLC (“FMR”) on May 11, 2009. The Schedule 13G/A discloses that, of these shares, FMR has sole power to vote or direct the vote of 883,730 shares and sole power to dispose or to direct the disposition of 2,565,471 shares.

(2)Information obtained from Schedule 13G filed with the SEC by Wellington Management Company, LLP (“Wellington Management”) on February 17, 2009. The Schedule 13G discloses that, of these shares, Wellington Management has shared power to vote or direct the vote of 1,047,162 shares and shared power to dispose or to direct the disposition of 1,367,372 shares.

- (3) Information obtained from Schedule 13G filed with the SEC by Snyder Capital Management, L.P. and Snyder Capital Management Inc. (collectively “Snyder Capital”) on February 13, 2009. The Schedule 13G discloses that, of these shares, Snyder Capital has shared power to vote or direct the vote of 963,720 shares and shared power to dispose or to direct the disposition of 1,083,320 shares.
- (4) Information obtained from Schedule 13G filed with the SEC by Robert Gaines Cooper on May 2, 2008. The Schedule 13G discloses that Robert Gaines Cooper has shared power to vote or direct the vote of, and shared power to dispose or to direct the disposition of, all of these shares.

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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 of 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 17,103,142 shares of our common stock outstanding as of the Record Date. All directors and executive officers as a group beneficially owned 1,356,318 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	310,585 (1)	1.8 %
Alan W. Milinazzo	257,692 (2)	1.5 %
James F. Gero	174,705 (3)	1.0 %
Thomas M. Hein	160,500 (4)	*
Jerry C. Benjamin	102,949 (5)	*
Michael M. Finegan	71,534 (6)	*
Michael Simpson	65,034 (7)	*
Peter J. Hewett	63,467 (8)	*
Dr. Walter P. von Wartburg	33,667 (9)	*
Thomas J. Kester	31,667 (10)	*
Kenneth R. Weisshaar	28,167 (11)	*
Dr. Guy J. Jordan	27,667 (12)	*
Robert S. Vaters	9,100 (13)	*
Charles W. Federico	8,892 (14)	*
Maria Sainz	6,000 (15)	*
Oliver Burckhardt	—	*
Timothy Adams	—	*

All directors and executive officers as a group (17 persons)	1,356,318	7.5	%
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* Represents less than one percent.

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- (1) Reflects 2,506 shares owned directly, 88,080 shares owned indirectly and 219,999 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (2) Reflects 26,025 shares owned indirectly and 231,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (3) Reflects 122,504 shares owned directly and 52,201 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (4) Reflects 3,900 shares owned directly and 156,600 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of December 31, 2008.
- (5) Reflects 69,282 shares owned directly and 33,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (6) Reflects 71,534 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (7) Reflects 65,034 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (8) Reflects 59,800 shares owned directly and 3,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (9) Reflects 33,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (10) Reflects 4,000 shares owned directly and 27,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (11) Reflects 500 shares owned directly and 27,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (12) Reflects 27,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (13) Reflects 9,100 shares owned directly.
- (14) Reflects 4,325 shares owned directly, 900 shares owned indirectly and 3,667 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (15) Reflects 6,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

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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, 2008 all Section 16(a) filing requirements applicable to the Reporting Persons were complied with, except that one Form 3 for each of Messrs. Luigi Ferrari and Michael Simpson, and one Form 4 with respect to one transaction each for each of Messrs. Oliver Burckhardt, Luigi Ferrari and Michael Finegan were filed late.

INFORMATION ABOUT DIRECTORS

The Board of Directors and Committees of the Board

The Board of Directors currently has ten members, though one of our current directors, Peter J. Hewett, is retiring from the Board effective at the Annual General Meeting, and the Board has resolved to set the size of the Board at nine members effective at the Annual General Meeting. The directors are elected at each Annual General Meeting 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 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 2008 Annual General Meeting of Shareholders. Our Articles of Association currently provide that the Board shall consist of not less than six and no more than fifteen directors, the exact number to be determined by resolution of the Board.

Our Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met 11 times during 2008 (four of which meetings were two-day in-person meetings, one of which was a one-day in-person meeting and six of which were telephonic meetings). The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each Director attended more than 75% of the aggregate of all meetings of the Board of Directors and the Committees on which he or she served during 2008, except that (i) although he attended each of the five in-person meetings of the Board, Mr. von Wartburg was unable to attend three of the six telephonic meetings of the Board during the year, and (ii) Ms. Sainz was unable to attend one of the three telephonic meetings of the Compensation Committee held after her appointment to such committee on August 19, 2008.

Of the nine directors standing for election at the Annual General Meeting, the Board has determined that Messrs. Benjamin, Kester and Weisshaar, Ms. Sainz, 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 44.

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, oversight of the Company's internal auditors, 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. In addition, the Committee is responsible

for assisting the Board in fulfilling its fiduciary obligations for overseeing, monitoring and evaluating the effectiveness of the Company's Corporate Compliance and Ethics Program. The committee also meets privately, outside the presence of Orthofix management, with our independent registered public accounting firm. The Audit Committee's Report for 2008 is printed below at page 61.

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

The Audit Committee met 13 times during 2008 (five of which meetings were in-person meetings and eight of which were telephonic meetings).

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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 each of 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 establishing compensation policies and determining, approving and overseeing the total compensation packages for our executive officers and other key employees, including all elements of compensation.

The Compensation Committee administers our Amended and Restated 2004 Long-Term Incentive Plan, as amended (the “2004 LTIP”), the primary equity incentive plan under which we make equity-related awards, and the Orthofix International N.V. Amended and Restated Stock Purchase Plan (the “SPP”), an equity plan under which most of our employees and directors are eligible to purchase Company stock. The Compensation Committee also administers prior plans that continue to have outstanding awards, but under which we no longer grant awards. See “Executive Compensation – Compensation Discussion and Analysis – Elements of Executive Compensation – Long-Term Equity-Based Incentives” for information on these plans.

The Compensation Committee met 14 times during 2008 (five of which were in-person meetings and nine of which were telephonic meetings).

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.

Mr. Kester, Dr. Jordan, Ms. Sainz and Dr. von Wartburg currently serve as members of the Compensation Committee. All members served during the entire 2008 calendar year, except for Ms. Sainz, who joined the committee on August 19, 2008 after her election to the Board at the 2008 annual general meeting of shareholders. All persons who served on the Compensation Committee in 2008 satisfied, and all persons currently serving on the Compensation Committee satisfy, 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 Exchange Act. 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.

No interlocking relationship, as defined in the Exchange Act, exists between the Board or Committee and the board of directors or compensation committee of any other entity.

The Nominating and Governance Committee

The Nominating and Governance Committee assists the Board in identifying qualified individuals to become Board members, recommends to the Board nominees for election at each annual general meeting of shareholders, develops and recommends to the Board the Company’s corporate governance principles and guidelines, and evaluates potential candidates for executive positions as appropriate. The Nominating and Governance Committee is also responsible for periodically reviewing plans regarding succession of senior management.

The Nominating and Governance Committee met four times in 2008 (all of which were in-person meetings).

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, 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.

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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 Conduct and Ethics applies to our directors, officers and employees worldwide, including our Chief Executive Officer and Chief Financial Officer. A copy of our Code of Conduct and 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., 800 Boylston Street, 39th Floor, The PRU Tower, Boston, MA 02199.

Mr. Gero reviews all correspondence addressed to the Board of Directors and 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.

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, research and development, commercialization, sales, distribution, leadership, 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, it looks 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 send notice to the Board c/o Dr. Guy J. Jordan, Chairman of the Nominating and Governance Committee, Orthofix International N.V., 800 Boylston Street, 39th Floor, The PRU Tower, Boston, MA 02199. 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, the Nominating and Governance Committee will determine whether to contact the candidate to 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.

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The Nominating and Governance Committee has not received any nominations for director from shareholders for the 2009 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. Our policy is that the Audit Committee will review and approve all related party transactions that meet the minimum threshold for disclosure under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest).

Transactions involving Charles W. Federico

Gregory Federico, son of Mr. 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 2008, Breg paid commissions to OrthoPro of approximately \$1,326,000. 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.

Matthew Federico, son of Mr. Federico, is employed by Breg and was paid approximately \$116,000 by Breg during 2008.

Transactions involving Robert Gaines-Cooper

Robert Gaines-Cooper was a member of the Company's Board of Directors until December 2006 and is a significant shareholder of the Company.

On March 17, 2008, our Breg division sold its pain care product assets to LMA North America, a Delaware corporation and LMA Medical & Innovations Limited, an entity organized under the laws of the Republic of Seychelles. These entities are subsidiaries of LMA International N.V., a Netherlands Antilles company. LMA paid approximately \$6.0 million to Breg at closing and agreed to an additional \$1 million future payment that is contingent upon sales levels being maintained post-closing. Mr. Gaines-Cooper is Chairman of LMA International N.V.

The Company also has commercial relationships with several entities that the Company understands are wholly or partially owned by LMA. In some cases, Mr. Gaines-Cooper may have a direct or indirect equity interest in such entities. For example, two of the Company's subsidiaries have product distribution agreements with LMA-controlled entities, and in 2008 paid a total of \$10.3 million to purchase LMA product pursuant to these distribution agreements.

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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
Dr. Guy J. Jordan
Maria Sainz
Dr. Walter P. von Wartburg

Compensation Discussion and Analysis

Overview

Our Compensation Committee, or the Committee, discharges the responsibilities of the Board relating to all compensation of the Company's executive officers, including equity-based compensation. The Committee is responsible for establishing and evaluating compensation policies and determining, approving and evaluating employee compensation, including the total compensation packages for our executive officers and other key employees and compensation under the Company's equity incentive plans and other Company compensation policies and programs. The Committee specifically considers and approves the compensation for the Chief Executive Officer and other named executive officers. It is also responsible for making recommendations to the Board regarding the compensation of directors. The Committee relies on some senior executive officers to make recommendations on certain aspects of compensation as discussed below. The Committee acts under a written charter adopted by the Board. The Committee reviews its charter annually and recommends any changes to the Board. The Committee last amended its charter in December 2008. The charter is available on our website at www.orthofix.com. From January 1, 2008 to August 19, 2008, the Committee consisted of Mr. Kester, Dr. Jordan and Dr. von Wartburg. Since August 19, 2008, Ms. Sainz has also served on the Committee. During 2008, each member of the Committee was an independent, non-employee, non-affiliated, outside director while he served on the Committee. Mr. Kester serves as Chairman of the Committee. The Committee furnished its report provided above.

Throughout this proxy statement, all individuals who have served as our principal executive officer ("Chief Executive Officer") or our principal financial officer ("Chief Financial Officer") during the last completed fiscal year, together with our three other most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year (in addition to persons who served as Chief Executive Officer or Chief Financial Officer during the year), as well as Mr. Burckhardt (who left the Company in 2008 but would have met the foregoing compensation threshold had he still been employed by the Company at December 31, 2008), 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 the Committee 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 or restricted stock grants. The Chief Financial Officer's recommendations are prepared in accordance with the market-based compensation guidelines developed by the Committee's outside compensation consultant, Towers Perrin, and approved by the Committee. 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 Committee then reviews the recommendations. The Chief Executive Officer is also actively involved in compensation discussions with respect to other executive officers. The Chief Executive Officer and Chief Financial Officer attend meetings of the Committee in such roles from time to time. In addition, Raymond C. Kolls regularly attends meetings of the Committee in his role as Secretary to the Committee 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.

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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 has engaged Towers Perrin since 2004 as its outside compensation consultant.

In its role as compensation consultant, Towers Perrin has worked with the Committee to develop our executive and director compensation philosophy, and Towers Perrin periodically conducts reviews and updates of our executive officer and director compensation programs and long-term incentive practices at the request of the Committee. For instance, at the Committee's request, in 2006 and again in 2008, 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, each time, Towers Perrin made comparisons to our then-current peer group and considered the compensation, rights and benefits of executive officers of those peer group companies based upon publicly-available disclosure regarding the compensation arrangements at those companies. Towers Perrin also compared our long-term incentive grant guidelines for all equity-eligible employees and directors to the competitive market to enable the Committee to determine if current equity grant levels are aligned with our compensation philosophy. As part of this process and at the request of the Committee, Towers Perrin also conducted a competitive market analysis of outside director pay practices and levels such that the Committee could determine if our current outside director compensation program was aligned with the competitive market.

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. In addition, the Company's management engages Towers Perrin on an ad hoc limited basis, and with the Committee's permission, in connection with certain human capital-related projects. In 2007, 2008 and 2009, the Committee engaged Towers Perrin to assist it with conducting an analysis of the impact of certain amendments to the 2004 LTIP. Specifically, in 2009, Towers Perrin provided analysis and support in conjunction with Orthofix's determination of how many additional shares to authorize under the proposed amendment and restatement of the 2004 LTIP. In addition, Towers Perrin was also retained in 2008 by the Compensation Committee to provide decision quality data related to the Committee's review and realignment of Orthofix's compensation peer group and develop competitive compensation data for the top two tiers of management at Orthofix utilizing this peer group such that the Committee could make compensation related-decisions regarding Orthofix's named executive officers. Towers Perrin was also retained by the Committee to develop specific retention model alternatives and recommendations and prepare communication materials to send to the Company's employees regarding its initial grants of restricted stock under the 2004 LTIP.

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, including from businesses larger than ours, for us to grow successfully. At the same time, we must retain employees in order to motivate them to help us achieve our goals, especially as we grow. 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 balance the promotion of 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 performance and the achievement of the above objectives. While we have grown in the last few years, these core components remain the basis for our executive compensation philosophy as we continue to grow.

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Benchmarking

Decisions related to executive compensation program design and pay levels are informed, in part, by the practices and pay levels of comparable peer organizations. In early 2008, the Committee engaged Towers Perrin to conduct an executive compensation analysis that provided summarized data on market competitive levels of base salary, annual incentive opportunities and long-term incentive grants. This analysis updated competitive market data developed in 2006 and 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 this information. In conducting this benchmarking, Towers Perrin utilized a selection of peer companies, which was reviewed by the Committee to ensure that it represented organizations of the appropriate size and complexity based upon key financial factors such as annual gross revenues, shareholder return and market capitalization. In January 2008, the Committee approved the peer group below containing sixteen medical technology and device manufacturers and distributors, some of which we compete against for executive talent.

- Advanced Medical Optics, Inc.
- Arrow International, Inc.
- ArthroCare Corporation
- CONMED Corporation
- Cooper Companies, Inc.
- Edwards Lifesciences Corporation
- Haemonetics Corporation
- Integra LifeSciences Holding Corporation
- Invacare Corporation
- Kinetic Concepts, Inc.
- Millipore Corporation
- NuVasive, Inc.
- Pediatrix Medical Group, Inc.
- Resmed, Inc.
- Respironics, Inc.
- STERIS Corporation

Elements of Executive Compensation

Overview

Our compensation program for executive officers and other key employees consists of three primary elements:

- annual salary;
- performance-based incentives in the form of annual cash bonuses; and
- long-term equity-based incentives, generally in the form of stock options granted under the 2004 LTIP.

The Committee determines annually what portion of an executive officer’s compensation should be in the form of salary, potential annual performance-based cash bonuses and stock option-based compensation. The Committee believes an appropriate mix of these elements, commensurate with our compensation philosophy, will ensure that our compensation objectives are achieved. See “Executive Compensation Philosophy” below for more information on the

Committee's guidelines for each element of executive compensation. As part of its decision making process, the Committee reviews information setting forth all components of the compensation and benefits received by our named executive officers. This information includes a specific review of dollar amounts for salary, bonus, perquisites and long-term incentive compensation in the form of stock options.

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With respect to incentive compensation, the (i) setting of performance goals for the attainment of cash bonuses and the determination of awards thereunder and (ii) determination of the number and type of annual equity-based compensation awards are typically done at different times during the year. The Committee believes that the separation of the timing of these grants and awards provides for increased incentives for the recipients. These incentives are based on financial objectives that are important to the Company, including income attainment and sales attainment. To a lesser extent, individual performance is also taken into account. The consideration of individual performance enables the Committee to differentiate among executive officers and emphasize the link between personal performance and compensation. We do not currently provide stock appreciation rights or other incentive compensation, but in 2007 we began granting restricted stock to non-executive officers only, in addition to or in lieu of stock option grants. Under the 2004 LTIP, the Company may grant restricted stock to named executive officers and other key employees in the future.

Certain executive officers are eligible to participate in the Orthofix Deferred Compensation Plan, whereby such eligible participants may elect to defer a portion of their earnings each year. Executive officers are also eligible to participate in our SPP. We also provide our executive officers and directors with certain limited perquisites discussed below.

Executive Compensation Philosophy