

Stockholm Stock Exchange

Stockholm, 20041018

Mr. Fabrice Demarigny
Secretary General
CESR

Consultation on CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004

As an initial remark, The Stockholm Stock Exchange (SSE) concludes, as in previous consultations, that recommendations tend to be too specific and detailed with many examples. The SSE believes that the risk with this type of regulation is that issuers will focus on the actual wording of the requirements but not the purpose of the requirements. In some areas, however, that the SSE views as essential, CESR recommendations are vague and not very thorough.

In addition to those general remarks, the SSE has the following comments as to some of the details in the proposal. The SSE generally agrees with questions where no answer is given.

III. Historical financial information

Selected financial information

Q30 The Stockholm Stock Exchange (SSE) supports the conceptual idea that companies can choose the financial information they want to present in order to best summarise the financial condition of the issuer. However, SSE introduced in its Exchange rules in September 2003 a rule stating that every report published by listed companies shall commence with an itemised report containing, at a minimum, the company's net turnover, earnings after tax and earnings per share. SSE would like to see that this information is made mandatory in the selected financial information segment in the prospectuses for all companies.

Operating and financial review

Q37 The SSE considers it appropriate to include key performance indicators in the OFR but the SSE believes it should be up to the company to choose the indicators that best summarises the company's past performance. For this reason the SSE does not find the requirement of a discussion in the context of drivers for sales, paragraph 33, suitable for all companies. Investment and research companies are examples of companies where this requirement would not be appropriate.

Capital resources

Q42 The recommendations regarding this subject, especially paragraph 39, are very detailed and not suitable for smaller companies. The SSE believes that paragraph 41 should state that when discussing the covenants, the terms and conditions of the covenants should also be disclosed.

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STOCKHOLM HELSINKI RIGA TALLINN VILNIUS

STOCKHOLMSBÖRSEN AB STOCKHOLM STOCK EXCHANGE, SE-105 78 Stockholm, SWEDEN
Tel. +46 8 405 60 00. Fax +46 8 10 81 10. Visiting Address: Tullvaktsvägen 15. Reg. No. 556383-9058. www.omxgroup.com

EFFICIENT SECURITIES TRANSACTIONS

Profit forecasts or estimates

Q50 Since the rules concerning profit forecasts are extensive, the SSE believes that there is a risk that companies might avoid giving profit forecasts in order to avoid the rules regarding profit forecasts and instead mention the future development of the company in terms of goals and objectives. Therefore the SSE believes that some guidance concerning how to distinguish between a goal and a profit forecast is necessary. It is the SSE's opinion that if a goal is defined in time, expressed in monetary terms (direct or indirect) and concerns a near future it is to be considered as a profit forecast.

Q51 The SSE is of the opinion that if examples are included there is a risk that companies tend to just look at the examples and thus interpret all other wordings as not being a profit forecast. SSE therefore believes that it might be better to refer to the purpose of the rule in a broader sense and not give direct examples.

Restatements of historical financial information

Q75 SSE feels that some kind of relaxation of the rules regarding the 3 year conversion of historical financial information into IFRS have to be applied in a transition period, i.e. 2005 and eventually also 2006. The reason is the late EU approval process of the standards and the many changes that has been added to the standards during the last year.

SSE believes that the bridge approach in paragraph 59 can be very useful when changing accounting standards and recommends that the wording is strengthened, i.e. that it is more than a recommendation that the bridge approach shall be used.

Pro forma financial information

Q98, 99 The SSE finds a threshold at 25 percent to be very high. A suggestion is to say that if at least three of any chosen indicators are affected by more than 10 per cent, a pro forma should be prepared.

The indicators should as much as possible be independent of the accounting system that is used. Number of employees is an example of an indicator that is independent of the accounting system that could be used for this purpose. If the indicators used are not independent they should be defined according to IAS/IFRS since this is the accounting system that the listed company will use after having gone through the listing process.

Working capital statements

Q134 The SSE has a similar requirement when a company applies for listing at the O-list and supports the need of the rule. The listing agreement of the SSE states that:

“A Company that does not possess documented earnings capacity must demonstrate in the prospectus that the Company possesses sufficient financial resources in order to be able to conduct the planned business for at least twelve months after the first day of listing.”

The SSE doubts that the extensive guidance, for example paragraph 122, in this section is needed.

Capitalisation and indebtedness

Q136 The SSE does not believe that the presentation form is needed and SSE is of the opinion that there could be a problem in defining short and long term for some of the requested information in the form.

IV. Non financial information items**1. Specialist issuers**

Q142 The SSE's general opinion is that no detailed recommendations are needed for specialist issuers. It is sufficient with the disclosure requirements. However, if CESR should decide to write detailed recommendations the SSE has made some comments on what we believe should be included.

Property companies

Q150, 151 A valuation report is not necessarily something that benefits the investor and therefore the SSE does not believe that this should be a requirement.

Q152 To the SSE it seems remarkable to fix the number of properties. The SSE believes that it is more important to focus on the most significant properties from a market value perspective.

Q153 SSE believes that a condensed report is sufficient. Since there are no "market values" (the market is too small) for many of the properties the report will only give an estimation of the values. The cost for the estimation of the market values will probably be greater than an investor's benefit from the information.

Q154 Yes, that must be acceptable. To conclude a total valuation for hundreds of properties within 60 days is almost impossible.

Q155 No. The cost of producing the report will be higher than the benefits. Those who will benefit the most from the reports are the valuation firms and there is also a risk that it will hinder property companies to go public.

Mineral companies

Q164 In the SSE's opinion, a valuation report is useful in this case. However, it is important that the content of the reports is comparable (between companies and countries) and understandable (not too complicated). There are already some existing codes regarding information from mining companies (Canadian and Australian) that the SSE believes fulfil these criteria.

Q165 According to the SSE the definitions in the recommendations must comply with an existing standard.

Q166 Yes, this information is even more important for exploration companies. The SSE cannot think of any reasons why they should be excluded.

Q167 Yes, since information from exploration (and mineral) companies regarding findings and reserves is extremely important for the stock price. Therefore it is important that the information requirements regarding these questions are stringent.

Scientific research based companies

Q177 Overall we agree with the proposed recommendations. One remark however is that an explanation of what “*an organisation with high standing*” means is needed. It is important that this kind of information is made easy to understand for both the issuer and an investor.

Start-up companies

Q187 The information under section 186 is important for all listed companies – not only for start-ups. The SSE does not think that any special rules are needed for start-up companies. The risk in a company does rarely depend on how recently it was founded. There are extremely risky old companies and vice versa.

Q188 The SSE agrees with the definition of a start-up but, as mentioned above, we do not believe that it is relevant to have specific requirements for start-up companies. The SSE believes that the information under section 186 is so important that it should be mandatory for all companies.

Q189 The problem with independent reports is that it is hard to guarantee the independence. It is also very hard to set a general rule stating when a report should be done and not. Therefore the SSE finds (iv) to be the best alternative.

Q190 The SSE agrees with the proposal.

Shipping companies

Q201 The SSE believes that the evaluation report should be required only for material vessels.

Q203 The valuation report should comply with local practice. If there are not any domestic rules the report should comply with any available international valuation standards for vessels.

Q204 It is the SSE’s opinion that if there has not been any dramatic change in the market the report can be older.

Q205 The SSE thinks that the requirement should be to produce a report for material vessels and not fix the number of vessels.

2. Clarification of items

Common information requirements

Q 210, 211 It is the SSE’s firm belief that where there are common information requirements according to the Prospectus Regulation with respect to equity, debt and derivative securities, the main rule must be that the same recommendations are applicable for all kinds of prospectuses. In some cases adaptations might be desirable, but this should only be acceptable in special cases, as exemptions from the main rule.

Property, Plant and Equipment

Q224 The proposed recommendations are in the SSE's view too detailed. In our opinion the issuer's cost of providing such detailed additional information will be higher than the benefit the investor gets from the information.

Compensation

Q 229, 230, 231 The SSE's current requirements on information regarding compensation go further than the proposed recommendations. It is the SSE's opinion that this is an important matter and therefore suggests that more information should be required. According to the SSE's rules the issuer shall provide information for each of the following:

- The chairman of the board
- Board members not employed by the company who receive special remuneration in addition to the fee received for board duties
- The group chief executive
- The managing director

regarding:

- The total amount of all remuneration and other benefits.
- All remuneration items which are not of minor importance.
- The fixed and variable components in remuneration, including the main principles applied for the calculation of variable remuneration.
- Holdings of financial instruments and other options or entitlements received during the year in connection with incentive programs linked to share prices, and the estimated market value on the date of allotment and the acquisition price.
- Holdings of financial instruments and other options or entitlements received during previous years in connection with incentive programs linked to share prices.
- The most important terms of agreements concerning future pensions.
- The most important terms of agreements concerning severance payments.
- In cases in which it is impossible to indicate a specific amount in a meaningful manner, the benefit in question shall be described in greater detail in order to permit assessment of its significance.

Arrangements for the involvement of employees

Q234 As with the previous item, current SSE rules are stricter than the proposed recommendations since this is, in our opinion, an important matter. It is therefore our suggestion that the recommendation should state that each and every outstanding incentive program based upon the value of shares should be described in detail. This includes, for example:

- A general description of the program stating the reasons therefore, including information concerning whether there is any form of entitlement to renegotiate the terms and conditions. In addition it should be stated whether the program is intended to be repeated in future years.
- The main terms and conditions, including exercise price, term and how many options are required to subscribe for a share.
- The total number of options covered by the program on the date of issue, the number of options subscribed for or expired during the year and the number of options outstanding.
- Which persons the program covers.
- The manner in which the program has been reported.

- Other costs that may be connected to the program, for example, this may relate to different forms of indirect costs in order to reduce the risk of the program causing the company significant costs.

Legal and arbitration proceedings

Q246 The SSE believes that if examples are included there is always a risk that companies tend to just look at the examples and in all situations where no example is directly applicable the companies will not regard this to be an important legal or arbitration proceeding. The SSE thinks that it might be better to just refer to the purpose of the rule in a broader sense and not give direct examples.

Option agreements

Q257 See above under Q234.

Material contracts

Q274 The SSE agrees with the recommendations but believes that some guidance on what constitutes a material contract is necessary.

3. Recommendations on issues not related to the schedules**Content of the documents mentioned in art. 4 of the Directive**

Q310 No. The SSE finds the wording in article 4 of the Prospectus Directive to be sufficient.

Q311 No. It is the SSE's opinion that special rules for exemptions should be avoided if there is not a very strong need to set a certain level.

Q312 No. It is the SSE's opinion that special rules for exemptions should be avoided if there is not a very strong need to set a certain level.

Q313 No. The SSE does not think that they are needed.

Yours sincerely,

Stockholm Stock Exchange Ltd

Torsten Örtengren
Vice President, Issuer Surveillance

Christina Ploom
Advisor, Issuer Surveillance