

OMX Surveillance Annual Report 2005

Introduction

One of the most important bases for successful and profit-bringing stock exchange activities is that the exchange enjoys a high degree of credibility at the market. This is very easy to forget in a situation like the current one, where the market trend is positive and the prices of shares are continuously increasing. The memory at the market, and sometimes also among the exchanges, is very short-lived, and experience shows that this is one of the reasons behind the disturbances and losses of confidence that tends to be a recurrent feature in the development of the securities markets.

The Surveillance function within the OMX exchanges (including enforcement of rules and the formal listing process) is to a large extent responsible for upholding the market's confidence in the exchanges by performing a credible, professional and integrated surveillance within OMX Exchanges' markets.

The main tasks for the Surveillance function have during 2005 been to

- a) monitor that the participants are following applicable rules and regulations
- b) if necessary, enforce them in order to create a level playing field for the market participants
- c) take care of specific listing actions (prospectuses, Listing Committee functions, requirements for listing of various instruments etc.) with respect to new instruments
- d) educate issuers regarding issuer rules
- e) create a high degree of service for issuers, members and advisors by giving advice and guidelines
- f) in co-operation with the Legal department draw up new rules regarding issuers
- g) in co-operation with the Trading Surveillance departments within the Norex exchanges and with other OMXE-units, develop the Norex Member Rules.

The OMX Surveillance function consists of three Surveillance Departments: Surveillance at Stockholm Stock Exchange, Surveillance at Copenhagen Stock Exchange and Surveillance at Helsinki Stock Exchange. The respective departments are organized in two groups or functions – Trading surveillance and Issuer Surveillance. In addition to this there are special persons who carry out surveillance activities at each of the three Baltic Exchanges. The surveillance activities are related both to the trading as such, the members' activities in different aspects, the listed companies' activities, other market participants' adherence to market practice and listing of financial instruments, mainly equities, bonds, other interest related instruments and warrants. In Copenhagen there are also special activities with respect to mutual funds and prospectuses.

Stockholm Stock Exchange

Listing and delisting

All nine listings of new company shares during the year took place on the O-list. Indutrade AB, Hemtex AB, TradeDoubler AB, Orexo AB and Hakon Invest AB were all listed after new issues or sales of existing shares. Wihlborgs Fastigheter AB, Gunnebo Industrier AB and Invik & Co AB were spin-offs from listed companies. Connecta AB changed its listing from another exchange.

Fifteen companies were delisted during the year, but several of those are still in the exchange environment since they merged with or were acquired by listed companies. Fabege AB was acquired by Wihlborgs Fastigheter AB, I.A.R. Systems AB and Turnit AB were acquired by NOCOM AB, Ainax AB was acquired by SCANIA AB and North Atlantic Resources AB was acquired by Lundin Mining Corporation. Gorthon lines merged with B&N Nordsjöfrakt AB, Maxim Pharmaceuticals Inc. merged with EpiCept Corporation and HQ Fonder AB merged with Hagströmer & Qviberg AB. TV4 AB and Karlshamns AB changed its listing to Nya Marknaden. Tivox AB was delisted when the company filed for insolvency. Song Networks AB, Sapa AB and Riddarhyttan AB was delisted after successful public offers.

The total number of listed companies by the end of the year was 270, which is a decrease by six companies in comparison to the year-end 2004. An analysis of the value by the year-end of new listed companies and the value of the delisted companies that do not remain at the exchange in another business group shows that the new listed companies value is higher than the value of the delisted companies.

Warrants

A total of 1 190 new warrants were listed during 2005 which is a decrease from 2004 when 1 605 (record) warrants were listed. During 2005 the number of delisted warrants was 1560 (1 236). 2005 was also the year when a new product, knock-out warrant, was introduced at the Swedish market. The issuer Handelsbanken listed a total of 213 knock-out warrants at Stockholm Stock Exchange.

Bonds

A total of 385 (375) new bonds were registered during 2005 of which 193 (125) on the SOX-list, 163 (226) on the Monthly list and 29 (24) on Bulletin Board and reporting. 22 (47) MTN-programs were approved during 2005.

Other financial instruments

In December a new type of instruments was listed at SSE. The instrument is a hybrid between a bond and a warrant and was issued by FöreningsSparbanken. A new submarket in SAXESS as well as a new list called "Other Fixed Income Products" was created to make sure that the instrument was handled correctly.

Transfer of companies to the Observation segment

As a warning signal to the stock market a company's shares can be temporary placed under special observation. A placing under observation shall only take place during a limited time, normally six months at the maximum.

During 2005, the Stockholm Stock Exchange transferred the shares of 15 companies to the Observation segment. Ten of the companies did not fulfill the listing requirement regarding shareholder distribution, one company was placed there as a consequence of the company's unstable financial situation, two companies as a consequence of a planned significant change in the companies line of business and two companies were placed under observation since they had applied for delisting of the companies' shares from the exchange.

Corporate actions and purchase and sale of own shares

28 new share issues were carried out during the last year, which is on a level with the previous year. The need for capital was most obvious among the biotechnology companies. Meda's share issue was the biggest and totaled MSEK 2.508. The number of splits and reversed splits added up to 13 and 6 respectively and that is a substantial increase compared to 2004. In addition to the general cash dividends, the redemption programs together with Telia's buy-back offer amounted to a substantial portion of the total transfer of value to the shareholders. Two buy-back offers and nine redemption programs, five of which were combined with a split, were carried out in total, which is a noticeable increase. Five companies were distributed to the shareholders and eight companies changed their name. The corporate actions resulted all in all for trading in 29 subscription rights, 25 paid subscription shares, five redemption rights, seven redemption shares and two sales rights. New share issues supplied the stock market with MSEK 6.612 whereas the buy-back offers and redemption programs transferred MSEK 36.554 to the shareholders.

Exchange notices and releases regarding disclosure of changes in holdings

In connection to listings and delistings regarding financial instruments, the Issuer Surveillance department has sent out 1 358 (1 210) exchange notices with reference to the instruments in question. Half of these notices were written in Swedish and the other half in English.

In order to facilitate the distribution of information regarding significant changes in holdings, the Issuer Surveillance department sends out releases regarding disclosures in holdings to the market. Throughout 2005 there were 578 (528) such releases sent out.

Issues regarding breach of rules by listed companies, members and others

The Stockholm Stock Exchange has during 2005 initiated 63 written issues regarding listed companies. 24 cases have been concluded with written criticism from the Exchange and four cases have been transferred to the Disciplinary Committee. The issues that resulted in written criticism concerned the following matters. Eleven companies have been criticized for having revealed price sensitive forward looking information in conjunction with interviews, telephone conferences or capital market days, four companies have been criticized for different matters regarding public offers, four companies have been criticized for having breached the rules concerning the board of directors of the company and the

remaining five companies have been criticized for different kinds of breaches regarding information that the companies had released to the market.

The Stockholm Stock Exchange has during 2005 prioritized surveillance of the rules concerning the disclosure of acquisitions and transfers of shares. Contacts have been taken with several market participants, members and non-members, where there have been suspicions of a breach of the rules. This work has resulted in three verdicts from the Disciplinary Committee (c.f. the section regarding the Disciplinary Committee), one case has been handed over to the Securities Counsel which has expressed criticism and the Exchange has in 19 additional cases expressed criticism or remarks.

In connection with the review of the quarterly reports from 2005 the Exchange has contacted 57 companies regarding different minor formal errors in the reports. The number of errors shows a declining trend towards the end of the year.

The Exchange has issued formal criticism towards members (banks and broker firms) on 16 occasions regarding 15 incidents during 2005. 7 local and 8 remote members have received such criticism. 8 investigations that were opened in situations where breaches of rules were suspected have subsequently been closed without any criticism being issued.

The majority of the incidents that have led to formal criticism have concerned trading at prices deemed not to reflect the current market value of the instruments in question. Most of these cases have taken place at the very end of a trading day and often also on the last trading day of a month.

In two cases as referred to above, the main reason why the criticism was issued was that the member did not question the orders received. In both of the cases, the orders were received and executed throughout the afternoon. In one of the cases, a dramatic price movement was caused in the course of such continuous execution and in the other case, the market impact that caused the criticism occurred during the closing call auction.

In three of the cases regarding orders placed in conflict with current market value, the criticism towards the member has been a direct result of the member's responsibility for orders transmitted to the Exchange by use of Automatic Order routing. If a single incident has been so significant that the members order filters could have been expected to respond to the orders received, such transmission can be enough for the member to be criticized. It has also been the case though, that members have been informed by the Exchange about questionable trading performed by its clients and that any repeat of such trading by the client in question has resulted in criticism towards the member, even if the price deviations of the orders has not been large enough to be captured by a filter. In such cases, the Exchange has demanded that the member takes responsibility for its clients and that it should deny market access for clients that it would not trust to fulfill such responsibility on its behalf.

Three instances where criticism has been issued have concerned cases where the members' trading systems have assigned limits to orders or generated market orders automatically. The subsequent trading have caused strong, sudden and short lasting price movements, revealing irregularities in the logics for assigning order limits in the trading systems in question. Specifically, the members involved have been criticized for providing trading

systems that has had no outer boundaries for the price movements it could potentially give rise to, without any manual intervention or validation.

Another part of the trading rules that has been applied when issuing criticism, has concerned the rules for trade reporting with respect to qualifications for reporting and timeliness. One member has been criticized for excessively reporting very large trades during continuous trading in one of the most liquid stocks traded on the Exchange. The double reporting of agency trades could have a misleading effect towards other participants and was considered serious in this case. Another case has concerned general failures to comply with the reporting rules on repeated occasions.

During the year, the focus on misleading activities in the order books, i.e. not only on executed trades, has increased significantly. Orders to trade that are placed in the order books for purposes other than actually trades can be considered manipulative and have a disturbing effect on the possibility to assess the price picture of the instruments involved. On one occasion, criticism has been issued towards a Member for entering very large orders during an opening call auction, only to remove all such orders a short time before the opening of the market. The orders in question had an effect on the publicly distributed equilibrium price of the order book and that could in turn be considered manipulative.

Two members have been criticized for their participation in a process during which the Exchange considers that price sensitive information has been irresponsibly and possibly unduly distributed. In that instance, the members were not criticized for participation in actual transactions undertaken, but for other matters that were relevant to the trading in certain instruments.

Finally, one member has been criticized for its procedures for certain automatic order routing. The member had implemented procedures that prevented the member from fulfilling its obligations to validate compliance with trading rules when transmitting orders to the Exchange.

In many of the cases referred to above, a report has also been sent to the FSA or the Financial Crimes Bureau regarding the activities of the client(s) of the Member. Last year 33 cases were handed over to Finansinspektionen and for 2005 the figure is 42.

Decisions by the Stockholm Stock Exchange's Disciplinary Committee

The role of Stockholm Stock Exchange's Disciplinary Committee is to consider suspicions regarding whether Exchange members, brokers or listed companies have breached the rules and regulations applying on the Exchange. If the Exchange suspects that a member, broker or listed company has acted in breach of the Exchange's rules and regulations, the matter is reported to the Disciplinary Committee. The Exchange investigates the suspicions and pursues the matter and the Disciplinary Committee issues a ruling regarding possible sanctions. The sanctions possible for listed companies are a warning, a fine or delisting. The fines that may be imposed range from one to 15 annual fees. The sanctions possible for Exchange members are a warning, a fine or debarment, while brokers may be warned or have their brokerage license rescinded. The Disciplinary Committee's Chairman and Deputy Chairman must be lawyers with experience of serving as judges. At least two of the other members of the Committee must have in-depth insight into the workings of the securities market.

The Disciplinary Committee has during 2005 decided upon nine issues. Four of those concerned listed companies. Intenia AB was fined SEK 192 000 (one annual fee) since the company had released information with a materially impact on the company's share price without disclosing it in the manner prescribed in the listing agreement. Karolin Machine Tool AB was fined SEK 384 000 (two annual fees) since it did not comply with the rules governing the disclosure of benefits for senior executives when preparing its annual report for 2003 and also disregarded other accounting regulations. Note AB was fined SEK 384 000 for having given price sensitive information on an analyst meeting regarding a forecast. Fastighets AB Balder/Enlight International was fined SEK 192 000 for having adjusted a forecast in the printed annual report without at the same time publishing it. They did not either inform about the change in the Q1 report.

Five issues concerned member firms of the Stockholm Stock Exchange. Two cases regarding members' trading activities have resulted in sanctions.

One of the sanctions was imposed on Fischer Partners Fondkommission AB for repeated breaches of the Norex Member Rules regarding execution of orders with strong, sudden and short lasting market impact. The trading in question had been conducted by use of automatic order routing and the actual incidents that led to the sanction have been briefly described above. Fischer was fined SEK 300 000.

The other sanction was imposed on an employee of Kaupthing Bank Sverige AB for an issue where the employee had advised and assisted two clients in completing a transaction with no commercial meaning. The transaction was reported as two trades to the Exchange and this constituted a breach of the exchange rules. The inappropriate advice and failure to comply with basic trading rules, as well as insufficient knowledge of such rules, led to the sanction.

J.P. Morgan Securities Ltd, Lehman Brothers International (Europe) and Citigroup Global Markets Limited were all warned by the Committee since they had not fulfilled the obligations stated in the NBK rules concerning the disclosure of acquisitions and transfers of shares.

To see the complete verdicts of the Disciplinary Committee, please visit the web page of the Stockholm Stock Exchange at www.omxgroup.com/stockholmsborsen/.

Trading halts

The Stockholm Stock Exchange shall according to the Exchange and Clearing Operations Act under some conditions decide upon a trading halt. Such condition could be a situation where the general public does not have access to equal information regarding a certain financial instrument or does not have access to equal information regarding an issuer. A decision regarding a trading halt should also be implemented under some special circumstances, which could be the case when a company is going to publish materially price sensitive information during continuous trading. A trading halt shall only be effective during a short period of time, normally only a few hours. Trading halts that have lasted for more than one day are rare.

During 2005, the Stockholm Stock Exchange halted the trading 13 times in shares listed on the Exchange.

Issues regarding suspected insider trading and market abuse, handed over to the FSA (Finansinspektionen) or to the Financial Crimes Bureau

During the year, 42 cases of suspected breaches of laws or regulations have been reported to the FSA and/or the Financial Crimes Bureau.

Most of the cases have been related to suspected market abuse and predominantly suspected illegal insider trading. 8 cases have concerned different forms of price manipulation, for example suspected so-called “window dressing” or “wash trading”.

A number of cases reported have reference to situations where a market participant has represented different legal entities with different tax statuses and where transactions have been completed supposedly aiming at shifting the basis for taxation between the tax subjects.

Education of board members, managers and auditors of listed companies

During 2005, more than 600 people attended seminars on the topic of exchange rules and insider rules. At the Stockholm Stock Exchange some of the listing requirements state that all the board members, the senior management and the auditors of the listed company must attend this training. The training became mandatory in July 2003 and since then more than 3 000 people have participated in the training seminars.

Other confidence building measures

A general trend is that increased resources are spent on monitoring trading members' activities in the order books, i.e. not only with respect to completed trades. Increased focus has also been given to the trading members' compliance with the public disclosure rules for large holdings and, in relevant situations, to the members' participation in such processes. This work resulted in three decisions from the Disciplinary Committee. One case was handed over to the Securities Council, who issued criticism about the breach of the rules. Further, the Exchange issued criticism or remarks in 19 cases.

The Exchange has also deepened its monitoring of market making activities for derivatives and responded to situations where levels of quoting seemed to have been changed at ends of months, year-ends or other significant times, whereas quoted prices for illiquid instruments may have been changed to give benefit to a market participant's own position. Some of these cases have also concerned order placing only and not necessarily completed trades.

In order to inform about its activities and to exchange experiences with its members, the Trading Surveillance group has arranged a common information session for its local members, focusing on Trading Rules and Trading Practices, followed by a number of visits at individual member firms. This is planned to continue during 2006 and to be expanded by meetings with remote members.

During the year, staff from the Issuer Surveillance group attended 15 annual general meetings of shareholder and arranged numerous meetings with warrant- and bond issuers, advisors and journalists. In conjunction with the FSA hearings were held for issuers and advisors on the recently implemented prospectus directive. In addition to this there has also been arrangements in form of general seminars and meetings for journalists, issuers and advisors regarding new issuer rules.

Corporate Governance

As a result of the launch of the Swedish Corporate Governance Code, The Stockholm Stock Exchange implemented new rules as of July 1 in the listing requirements and in the listing agreement. All Swedish companies whose shares are registered on the A-List and companies whose shares are registered on the O-List and have a market value exceeding SEK 3 billion must apply the Swedish Code.

Non-Swedish companies shall apply the Code of Corporate Governance that is generally applied in their country of origin or, if there is no such code, the Swedish Code of Corporate Governance.

By the term “apply” is meant that the company shall actively determine its approach to the new regulations in the Code and to report this on the company’s website in accordance with the “comply or explain” principle.

Presentations regarding the Exchange’s rules and corporate governance have been given at six seminars.

Accounting Issues

The Panel for Monitoring Financial Reports (“The Panel”) shall ensure that Swedish companies prepare their financial reports in accordance with applicable law or other regulations and in accordance with generally accepted accounting principles for stock market companies. During 2005 the Panel has published ten statements. Further information regarding the individual cases is available at www.redovisningsradet.se.

During 2005 all Swedish companies changed their accounting into IFRS (International Financial Reporting Standards). In connection with the transition the Stockholm Stock Exchange recommended the companies to disclose important information regarding the effects of the change in their annual reports. Almost all companies adopted this recommendation and gave relevant and useful information regarding the transition.

The Stockholm Stock Exchange has also during 2005 traditionally arranged the competition “The Best Financial Reporting”. Winner in the segment Large companies was Vattenfall AB and in the segment for Smaller companies the winner was Boss Media AB.

Helsinki Stock Exchange

Listing and delisting

Equities

The listing Committee has during 2005 decided to list nine companies. The shares of Neste Oil Oyj, AffectoGenimap Oyj and Alma Nova Oyj were listed on the Pre List and later on the Main List. The shares of KONE Oyj and Cargotec Oyj were listed on the Main List in consequence of Kone Oyj’s dividing into two new companies, KONE Oyj and Cargotec

Oyj. The shares of Saunalahti Group Oyj, Amanda Capital Oyj, Etteplan Oyj and eQ Oyj were transferred from the NM List to the Main List.

The listing committee decided on de-listing of three companies. The A- and B-shares of Chips Oyj were de-listed from the Main List. The shares of Turun Arvokiinteistöt Oyj and the A-shares of Plandent Oyj were delisted from the I List. Due to the dividing into two new companies, the shares of Kone Oyj were delisted from the Main List. In conjunction with the merger of Almanova Corporation and Alma Media Corporation, Almanova Corporation was renamed as Alma Media Corporation. The shares of merged Alma Media Corporation's series I shares and series II shares were delisted from the Main List.

The total number of listed companies by the end of the year 2005 was 137 (137).

Warrants

A total of 577 covered warrants were listed during 2005 which was an increase from the year before when 432 warrants were listed. The number of delisted warrants during 2005 was 550.

Bonds

A total of 75 (93) debt instruments were listed and 65 debt instruments were delisted. 24 (27) option rights (corporate warrants), 25 additional lots of option rights were listed and 26 option rights were delisted.

Transfer of companies to the Observation segment

The purpose of Observation segment is to alert the market to special facts and circumstances or actions pertaining to the subject issuer or security. The Observation segment is a subset of the official list.

During 2005, Helsinki Stock Exchange transferred the shares of four companies to the Observation segment. One company's shares were transferred to the Observation segment of the Main list and two companies' shares to the Observation segment of the I-list due to the fact that the companies had applied for delisting. One company's shares were transferred to the Observation Segment of the Main list due to the fact that there was a significant defect in the listing qualifications of the company and that the issuer had repeatedly breached the Rules of the Stock Exchange.

Corporate actions and acquisition of own shares

Surveillance made 338 (263) decisions to admit to trading additional lots of shares. 40 of these were related to directed issues, two regarded shares issued as merger considerations and one was regarding a share issue. The remaining 295 were related to shares subscribed with option rights or convertible bonds and conversion of share series. In addition, six splits and four reversed splits were processed.

In total 36 companies acquired their own shares during 2005. 35 companies acquired the shares via ordinary stock exchange trading and one company via a share repurchase program directed to all shareholders.

Exchange notices

The Helsinki Stock Exchange has during the year prepared and sent out 1174 stock exchange releases related to listing of new instruments, additional lots of shares and other

instruments, liquidity providing and changes in names and changes in trading or broker codes. Half of these notices were written in Finnish and the other half in English.

Issues regarding breach of rules by listed companies, members and others

The Helsinki Stock Exchange initiated 29 written requests for statements. Fourteen of them have resulted in written criticism from the Stock Exchange, six companies received a reprimand from the secretary of the Disciplinary Committee and three issues have been directed to the Disciplinary Committee. Those surveillance cases, that resulted in criticism from the Stock Exchange, have concerned the following issues.

Criticism issued by Surveillance

Surveillance criticized seven listed companies for not disclosing information without undue delay. Six companies received criticism regarding disclosure of the propositions made by the Board of Directors to the AGM and one company regarding the disclosure of a decision to commence acquisition of companies own shares. Two companies were criticized for not complying with the rule of simultaneous disclosure. One company disclosed information related to the financial statement of a joint venture before it was disclosed by stock exchange release and another company had commented information about its first quarter sales during the AGM without having published the information before the AGM had started. Three listed companies were criticized for disclosing insufficient information. Two of these companies did not disclose information about future prospects in accordance with the rules and one company disclosed price sensitive information, but on the basis of published information it was not possible to evaluate its impact on the financial situation and future outlook of the company. In two additional cases one company was asked to pay attention to its composition of the Board of Directors on the basis of its influence on the investor's trust in the company's management and the entire stock market. Another company was criticized for not taking adequate actions when a leak could be suspected from the company that was preparing a profit warning.

Decisions by the Helsinki Stock Exchange's Disciplinary Committee and by the Committee's secretary

The secretary of the Disciplinary Committee issued reprimands to six companies. All cases involved companies that had breached the rules of the Stock Exchange. These infringements were not that serious or repeated that they should have been handled by the Disciplinary Committee. Two cases were regarding disclosing information without undue delay. One regarding the disclosing of decisions made by the AGM a day after the AGM was ended and another disclosing the auditor's report including a qualified audit opinion several days after it was issued. Two companies were imposed reprimands for not complying with the rule of simultaneous disclosure. One company disclosed information including its financial statement on its web page and another company distributed price sensitive information first by email before publishing the information in stock exchange releases. One listed company received a reprimand due to insufficient information in its forward looking statement. The positive long-term forward looking statement was regarded to be correct but insufficient as the company was or should have been aware that its short-term financial development was in contradiction with the published information. In addition, one company was imposed a reprimand, firstly for publishing insufficient information and then for not complying with the rule of simultaneous disclosure by providing a journalist with more information before the additional information was released in a stock exchange release.

The Disciplinary Committee has issued a preliminary ruling and warning to Nokia Corporation for not disclosing a profit warning without undue delay. The committee also issued a warning and a disciplinary fine for TJ Group Corporation regarding an incomplete disclosure of a significant divestiture. One case concerning a suspected rule breach is still pending.

To see the Summaries of the Disciplinary Committee's market supervision decisions, please visit the web page of the Helsinki Stock Exchange at <http://www.fi.omxgroup.com>

Trading halts

According to the Securities Markets Act the Stock Exchange shall interrupt the trade in a security where it is necessary due to a procedure in violation of the provisions and regulations on the operations of the stock exchange, the stock exchange rules or proper practice or for another reason with material effect on the price formation of a security.

During 2005, the Helsinki Stock Exchange halted the trading six times. In two cases trading was halted due to the fact that price sensitive information had leaked out before it was published. In four cases the trading was halted on the company's request after the company had received information regarding a tender offer for its shares.

Issues regarding suspected insider trading and market abuse, handed over to FSA

The Helsinki Stock Exchange referred 15 matters of suspected insider trading or other market abuse to the FSA during 2005.

Education

The Surveillance group has provided education to new listed companies and other stakeholders such as attorneys at law firms. The Surveillance group has also participated in education of new traders and prepared and corrected their exams on questions regarding Finnish Securities Market legislation and Stock Exchange regulation.

Corporate Governance

A new Corporate Governance recommendation (CG-recommendation) entered into force in July 2004. The Surveillance has made followed the companies' compliance with the recommendation. A study made during autumn 2005 showed that out of 133 examined companies 80 complied with the recommendation without deviations, 23 had deviations that were explained, 29 had deviations that were not explained or had an incomplete CG-statement. In addition, one company announced that it did not intend to comply with the recommendation. The majority of these companies were guilty of minor negligence, which were discussed with the companies and, as a consequence, the companies have improved the information provided in their CG-statements. After Surveillance's contact with Issuers, it was concluded that at the beginning of January 2006 out of the examined listed companies 84 complied with the Recommendation without deviations and 34 companies had deviations that were explained in accordance with the "Comply or Explain" principle. A total of 11 companies had still deviations in complying with the Recommendation. As a consequence, Surveillance has issued criticism to four companies due to their major negligence in compliance with the recommendation. In addition, one company did not have a website.

Rules and regulations

Helsinki Stock Exchange has issued new regulations during 2005. The changes in the regulation were due to implementation of EU-directives into Finnish legislation. The

stabilization rules were replaced by EU Commission regulation. In addition changes were made to instructions on acquisition of own shares of a listed company and in Guidelines for Insiders. Also some additional changes were prepared regarding disclosure rules, which entered into force on January 16, 2006.

Copenhagen Stock Exchange

Listing and delisting

The Copenhagen Stock Exchange welcomed six new companies in 2005. The three truly new companies: Spar Nord Formueinvest, TopoTarget and TrygVesta raised proceeds of DKK 497 million, DKK 258.8 million and DKK 6,256 million via new issues and sale. The Swedish OMX, owner of the exchanges in Copenhagen, Stockholm, Helsinki, Riga, Tallinn and Vilnius, was listed in February and is also listed since before in Stockholm and Helsinki. Two other companies were added to the list of new companies in 2005; Potagua Kapital and Potagua FLS as a result of the splitting of the former Potagua. In 2005, the already listed companies raised capital via new issues amounting to just under DKK 3.5 billion as against DKK 11.1 billion in 2004. 15 companies were delisted from the Copenhagen Stock Exchange in 2005. Despite the outflow of companies in 2005 the market cap of the listed companies has increased from DKK 864.6 billion in 2004 to DKK 1,165.7 billion at end-2005; a value increase of 35 percent. The average market cap of a listed company increased by 42 percent to DKK 6.6 billion in 2005.

Bonds

In the fixed income market 17 new issuers entered Copenhagen Stock Exchange during 2005. 249 new ISINs were listed, 131 of which are mortgage bonds, 4 are government bonds, 18 are asset backed bonds and 96 are corporate bonds. Of the corporate bonds, 7 real estate bonds were listed in 2005. At the end of 2005, 2,257 ISINs were listed on the fixed income market at the Copenhagen Stock Exchange amounting to an outstanding amount of DKK 2,931 billion. At the end of 2004 2,232 ISINs were listed, amounting to an outstanding amount of DKK 2,706 billion.

Investment funds

19 new investment funds were listed in 2005, 9 new investment funds were admitted to the XtraMarked and 5 new funds were admitted to the XtraList. The value of listed investment certificates increased significantly to DKK 120.5 billion at the end of 2005 from DKK 73.5 billion at the end of 2004. Similarly the value of investment certificates listed on the XtraMarked increased from DKK 73.8 billion at the end of 2004 to DKK 111 billion at the end of 2005. On the XtraList the value of admitted investment funds increased from DKK 15.1 billion in 2004 to DKK 30 billion.

Transfer of companies to the Observation segment

22 companies were transferred to the observation segment in 2005. Of these 10 companies were under observation due to takeover bids, and the rest were transferred due to various issues such as incompliance with disclosure requirements, lost share capital and other issues.

Corporate actions and purchase and sale of own shares

During 2005 the Copenhagen Stock Exchange was notified about 129 cases of either purchase or sale of own shares by listed companies, where the holdings of own shares had crossed the 2% of the company's share capital. The Copenhagen Stock Exchange carried through a total of 117 listings of various types, mainly registered and not registered directed placements

Stock Exchange releases and notices regarding disclosure of changes in holding

315 announcements were reported to the Copenhagen Stock Exchange during 2005.

Issues regarding breaches of rules by listed companies, members and others

During 2005 Surveillance Denmark made 22 principal decisions regarding the behavior of listed companies. In ten instances the Copenhagen Stock Exchange reacted on issues concerning questionable disclosure of information to the market. As a consequence of this, the Exchange has emphasised that communication at analyst- and investor meetings shall be handled in such a way that there can be no doubt as to whether non-published, price-sensitive information has been passed on and that companies should not make statements that may be conceived as statements about non-published expectations. Furthermore the Copenhagen Stock Exchange has underlined that companies should carefully consider the information disclosed to individual equity analysts, investors or other stakeholders about the company's previously published expectations for turnover and financial results, directly as well as indirectly, as such information is price-sensitive and there is a risk that already published information may be considered as new information, though this is not the case. The Exchange has also stated to a company that it is of utmost importance that companies carefully consider the choice of words and manners of their communication with the market as misunderstandings may otherwise occur. Thus, it is important that company announcements may be read independently and that information about the same or related events is linked together in the announcements. The Exchange has also pointed out that price-sensitive information must always be disseminated in the form of a company announcement, irrespective that certain media have already been able to communicate the information in question in whole or in part. Furthermore the Exchange has highlighted pointed out that it was unfortunate that statements and participation in an interview had caused uncertainty about the situation of a company. The Exchange has stressed that it is of utmost importance that everybody has equal access to price-sensitive information and that publication via the Exchange always shall take place at least simultaneously with any other publication. In two instances the Exchange reprimanded two companies for not handling announcements of miscalculated net asset values correctly and highlighted that it is of utmost importance to the market and the market's confidence in listed companies that they meet the disclosure requirements and are able to provide precise and accurate information to the market. In two instances the Exchange reacted on non-publication of company announcements on the companies' websites. In one case the Exchange reprimanded the company for its failure to publish an announcement on the company's website immediately, and in the other case it requested the company to reorganise its website so as to comply with the Danish Securities Trading Act and thus publish the company's announcements on the website immediately. The Exchange also reacted on a matter whether an internal transfer of shares within a shareholder group would trigger mandatory bid, which turned out not to be the case in this particular situation. In another situation, the question of equal treatment of shareholders within the same share class was raised, because a bidder had published a mandatory bid for a listed company and had also made an agreement about buying a property on market conditions from the listed company. In this case the Exchange

concluded that, provided that it has been ensured that the individual shareholder does not get better terms than the remaining shareholders, the requirement for identical terms and the equality of treatment principle do not obstruct agreements between the offeror and a single shareholder. One company was reprimanded for having failed to publish an announcement at the very time it was known that the insolvency of a company, in which the listed company had invested, would have a negative impact on the listed company. In another case a listed company announced the result of a court ruling, which had negative effects on the company's shares, three hours after the court ruling. This was due to long case handling time and technical problems. It turned out that the company had begun the publication procedure approx. two hours after the outcome of the hearing was known. The Exchange did not reprimand the company, but asked the company to reconsider its procedures for publication of price-sensitive information.

In a situation where a three majority shareholders wanted to delist a company, because they were not entitled to or wanted to sell their shares to investors outside the group, the Exchange granted their request for delisting. The decision was made on the condition that the company ensured that the shareholders would be able to sell their shares at market price during the period of time up to the delisting from the Copenhagen Stock Exchange, and that the company would publish an announcement informing the market about the delisting, including in what position the shareholders of the company would be after the delisting from the Copenhagen Stock Exchange and the possibility of disposing of their shares in the company at market price until the delisting.

In another instance a listed company used the wording "fully subscribed" in an announcement regarding the closing of an issue with pre-emption rights, though the issue was only almost fully subscribed. The Exchange expressed disapproval of the use of the wording "fully subscribed" about an issue that was not actually fully subscribed in the announcement that was published with information on the outcome of the issue. In a situation where a majority shareholder had exercised his right to compulsory redemption of the remaining shares and wanted the company to stay listed, because the shareholder wanted to discuss the possibility of using a public listing on the Copenhagen Stock Exchange for other activities than the existing activities, the Exchange decided that the company could not stay listed. The reason behind the decision was the fact that there would be only one shareholder in the company and this was not regarded enough to justify a departure from the rule requiring delisting in the case of compulsory redemption.

Trading halts

The Copenhagen Stock Exchange decides on routine trading halts before announcements containing potentially price-sensitive information. Furthermore in some cases the Exchange initiates special trading halts in cases of expected announcements containing price-sensitive information.

Issues regarding suspected insider trading and market abuse, handed over to the FSA
Surveillance Denmark investigates listed companies in cases of suspicious insider dealing and market manipulation. The Exchange carries out on line market surveillance which might lead on to more thorough investigations, and in some cases the investigations are handed over to the Danish Financial Supervisory Authority for further provisions.

Education

In 2005 Surveillance Denmark carried out a number of courses in Disclosure Requirements for members of listed companies and for auditors. Besides these open courses a number of ad hoc activities and presentations for managers and board members in specific listed companies have been carried out during the year.

Furthermore, the Surveillance function has participated in a number of courses for new traders/dealers. These courses mainly cover the trading rules of the Copenhagen Stock Exchange and separate trading issues.

Other confidence building measures

Corporate Governance

In 2005 a new corporate governance code was agreed. The rules are implemented for annual reports published for financial years beginning on or after 1 January 2006. The rules state that Danish companies shall include a statement on how they address the Recommendations for corporate governance in their annual report. The companies shall adopt the “comply-or-explain” principle when preparing this statement.

Rules and regulations

On 1 April 2005 the new Effective Order on Market Abuse was implemented with new rules on disclosure requirements, insider rules, and price manipulation in accordance with the European Union Directive on Market Abuse. On 1 July 2005 the Effective Order on Prospectus for Admission of Securities to Listing or Trading came into effect in accordance with the European Commission Regulation implementing the prospectus Directive. As a consequence of these changes the Copenhagen Stock Exchange has adjusted the Rules governing Securities Listing on the Copenhagen Stock Exchange accordingly.

Accounting issues

In general the new accounting rules mean that listed companies must follow International Financial Reporting Standards (IFRS). In accordance with the Securities Trading Act the Securities Council is responsible for the monitoring of listed companies' compliance with the IFRS.

For further information, please contact:

Anders Acebo,
Senior vice president, head of OMX Surveillance
+ 46 8 405 7010 (general questions and issues related to the Stockholm Stock Exchange)

Janne Seppänen
Vice president, head of Surveillance, Helsinki
+ 358 9 6166 7382 (Helsinki Stock Exchange)

Erik Bruun Hansen
Vice president, head of Surveillance Copenhagen
+ 45 33 93 33 66 (Copenhagen Stock Exchange)