

THE SWEDISH COMPANIES ACT (SFS 2005:551)

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Companies Act

(SFS 2005:551)

As amended by SFS 2005:836.

Chapter 1. Introductory provisions

Contents of the Act

Section 1 This Act contains provisions regarding companies limited by shares. The provisions relate to:

- the formation of companies (Chapter 2);
- articles of association (Chapter 3);
- the shares (Chapter 4);
- share registers (Chapter 5);
- share certificates (Chapter 6);
- general meetings (Chapter 7);
- the company's management (Chapter 8);
- audits (Chapter 9);
- general and special examinations (Chapter 10);
- increase in share capital, issuance of new shares, raising of certain money loans, etc. (Chapter 11);
- bonus issues (Chapter 12);
- new issues of shares (Chapter 13);
- issues of warrants with attendant subscription for new shares (Chapter 14);
- issues of convertible instruments with attendant conversion into new shares (Chapter 15);
- certain private placements, etc. (Chapter 16);
- value transfers from the company (Chapter 17);
- distribution of profits (Chapter 18);
- acquisition of own shares, etc. (Chapter 19);
- reduction of the share capital and the statutory reserve (Chapter 20);
- loans from the company to shareholders, etc. (Chapter 21);
- redemption of minority shares (Chapter 22);
- company mergers (Chapter 23);
- company demergers (Chapter 24);
- liquidation and insolvent liquidation (Chapter 25);
- change in company category (Chapter 26);
- registration (Chapter 27);
- the company's name (Chapter 28);
- damages (Chapter 29);
- penalties and conditional fines (Chapter 30);
- appeals (Chapter 31); and
- companies with special limitation on dividends (Chapter 32). (*SFS 2005:812*).

Private and public companies

Section 2 A company shall be a private company or a public company.

A private company may be a company with special limitation on dividends pursuant to the provisions of Chapter 32.

Unless otherwise prescribed, this Act shall apply to all companies limited by shares. (*SFS 2005:812*).

The shareholders' liability for the company's obligations

Section 3 The shareholders of a company shall bear no personal liability for the company's obligations.

Notwithstanding the provisions of the first paragraph, a shareholder of a company through which members of the Swedish Bar Association engage in the practice of law shall be jointly and severally liable with the company for such obligations to clients as the company assumes during the period in which he or she owns shares in the company. Such liability shall not, however, extend to obligations incurred in engagements which the shareholder does not handle personally or is not otherwise responsible for.

Chapter 25, section 19 contains provisions regarding the personal liability of shareholders in connection with a liquidation obligation due to capital deficiency.

Share capital

Section 4 A company shall have a share capital. The share capital shall be determined in the company's accounting currency. Chapter 4, section 6 of the Accounting Act (*SFS 1999:1078*) provides that the accounting currency may be either Swedish kronor or euro.

Section 5 Where the share capital is determined in kronor, it shall amount to not less than SEK 100,000.

Where the share capital is determined in euro and has been determined in euro since the company was formed, it shall be not less than the amount in euro which corresponded to SEK 100,000 pursuant to the exchange rate established by the European Central Bank at that time. Where the share capital has previously been determined in kronor, it shall be not less than the amount in euro which corresponded to SEK 100,000 at the time of the change in accounting currency.

With respect to public companies, section 14 shall apply in lieu of the first and second paragraphs.

Section 6 Where the share capital is divided into several shares, each share shall represent an equal portion of the share capital. Each share's portion of the share capital constitutes the share's quotient value.

Prohibition on sale of shares, etc. in private companies

Section 7 A private company or a shareholder in such a company may not, through advertising, attempt to sell shares or subscription rights in the company or debentures or warrants issued by the company.

Nor may a private company or a shareholder in such a company otherwise attempt to sell securities referred to in the first paragraph by offering such securities for

subscription or sale to more than 200 persons. The aforesaid shall not, however, apply where the offer is directed solely to a group of persons who have previously given notice of interest in such offers and where no more than 200 trading units are offered.

The prohibitions in the first and second paragraphs shall not apply to offers which relate to transfers to not more than ten purchasers. Nor shall the prohibitions apply to companies with special limitation on dividends. (*SFS 2005:812*).

Section 8 Such securities as referred to in section 7 may not, for such time as the company is private, be the subject of trading on a Swedish or foreign exchange or any other organised marketplace.

Guide to definitions and explanations

Section 9 Provisions regarding the meaning of the following concepts, terms and expressions are found in the sections enumerated below:

absorption:	Chapter 23, section 1;
non-cash consideration:	Chapter 2, section 6;
CSD company:	section 10
CSD clause:	section 10;
change in accounting currency:	Chapter 3, section 8;
demerger:	Chapter 24, section 1;
demerger consideration:	Chapter 24, section 2;
subsidiary:	section 11;
issue resolution:	Chapter 11, section 2;
issue certificate:	Chapter 11, section 4;
bonus share:	Chapter 11, section 4;
bonus share right:	Chapter 11, section 4;
bonus share rights certificate:	Chapter 11, section 4;
bonus issue:	Chapter 12, section 1;
merger:	Chapter 23, section 1;
merger consideration:	Chapter 23, section 2;
pre-emption right:	Chapter 4, section 3;
right of first refusal clause:	Chapter 4, section 18;
post-sale purchase rights clause:	Chapter 4, section 27;
redemption clause:	Chapter 20, section 31;
interim certificate:	Chapter 6, section 9;
consolidation:	Chapter 23, section 1;
group:	section 11;
conversion:	Chapter 11, section 4;
convertible instrument:	Chapter 11, section 4;
quotient value:	section 6;
general examiner:	Chapter 10, section 1;
redemption rights certificate:	Chapter 22, section 13;
maximum share capital:	Chapter 3, section 1;
minimum share capital:	Chapter 3, section 1;
parent company:	section 11;
conversion clause:	Chapter 4, section 6;
consent clause:	Chapter 4, section 8;
founder:	Chapter 2, section 1;
memorandum of association:	Chapter 2, section 5;
agent for service of process:	Chapter 8, section 40;
special company signatory:	Chapter 8, section 37;
special examiner:	Chapter 10, section 21;

warrant:	Chapter 11, section 4;
warrant certificate:	Chapter 11, section 4;
subscription right:	Chapter 11, section 4;
subscription rights certificate:	Chapter 11, section 4;
annual general meeting:	Chapter 7, section 10.

The concept of CSD company

Section 10 A CSD company is a company the articles of association of which contain a clause stating that the company's shares shall be registered in a CSD (central securities depository) register pursuant to the Financial Instruments (Accounts) Act (*SFS 1998:1479*) (*CSD clause*).

The concepts of parent company, subsidiary and group

Section 11 A company is a parent company and another legal person is a subsidiary, where the company:

1. holds more than one-half of the voting rights of all shares or interests in the legal person;
2. owns shares or interests in the legal person and, as a consequence of an agreement with other owners of such legal person, controls more than one-half of the voting rights of all shares or interests in the legal person;
3. owns shares or interests in the legal person and is entitled to appoint or remove more than one-half of the members of its board of directors or equivalent management body; or owns shares or interests in the legal person and is entitled to exercise a sole controlling influence thereover as a consequence of an agreement with the legal person or as a consequence of provisions of the legal person's articles of association, partnership agreement or comparable statutes.

In addition, a legal person is a subsidiary of a parent company where another subsidiary of the parent company or the parent company together with one or more other subsidiaries or several other subsidiaries jointly:

1. possess more than one-half of the voting rights of all shares or interests in the legal person;
2. own shares or interests in the legal person and, as a consequence of an agreement with other owners thereof, control more than one-half of the voting rights of all shares or interests; or
3. own shares or interests in the legal person and is entitled to appoint or remove more than one-half of the members of its board of directors or equivalent management body.

Where a subsidiary owns shares or interests in a legal person and is entitled to exercise a sole controlling influence over the legal person as a consequence of an agreement with the legal person or as a consequence of provisions of its articles of association, partnership agreement or comparable

statutes, such legal person is also a subsidiary of the parent company.

A parent company and its subsidiaries together constitute a group of companies.

The term "group company" as used in this Act means companies in the same group.

Section 12 In the circumstances referred to in section 11, first paragraph, points 1-3 and second paragraph, such rights as vest in any person acting in his or her own name but on behalf of another natural or legal person shall be deemed to vest in such person.

When determining the number of votes in a subsidiary, consideration shall not be given to any shares and interests in the subsidiary which are held by the subsidiary itself or by its subsidiaries. The aforesaid shall also apply to shares and interests which are held by a person acting in its own name but on behalf of the subsidiary or the subsidiary's subsidiary.

Electronic signatures

Section 13 A document which must be signed pursuant to this Act may, unless otherwise stated, be signed using an advanced electronic signature pursuant to the Qualified Electronic Signatures Act (*SFS 2000:832*).

Special provisions regarding public companies

Section 14 Where the share capital of a public company is determined in kronor, it shall amount to not less than SEK 500,000.

Where the share capital of a public company is determined in euro and has been determined in euro since the company was formed, it shall be not less than the amount in euro which corresponded to SEK 500,000 pursuant to the exchange rate established by the European Central Bank at that time. Where the share capital has previously been determined in kronor, it shall be not less than the amount in euro which corresponded to SEK 500,000 at the time of the change in accounting currency.

Chapter 2. Formation of a company

Founders

Section 1 A company is formed by one or more founders. A founder must be:

1. a natural person domiciled within the European Economic Area;
2. a Swedish legal person; or
3. a legal person which has been formed pursuant to the laws of a state within the European Economic Area and which has its registered office, its head office or its principal place of business within the Area.

A partnership or equivalent legal person which has been formed pursuant to the laws of a state within the European Economic Area may, however, be a founder only where each partner with unlimited liability is domiciled within the Area.

The Swedish Companies Registration Office may, in a particular case, allow a person other than as referred to in the first and second paragraphs to be a founder.

Section 2 Minors, bankrupts, or persons for whom a guardian has been appointed pursuant to Chapter 11, section 7 of the Code on Parents, Guardians and Children may not be founders. *Section 6* of the Trading Prohibition Act (*SFS 1986:436*) contains a similar provision in respect of person on whom a ban on trading has been imposed.

Measures to be taken upon the formation of a company

Section 3 Upon the formation of a company, the following measures shall be taken:

1. The founders shall prepare a draft memorandum of association pursuant to the provisions of sections 5-10;
2. One or more founders shall subscribe for all shares in the company pursuant to the provisions of section 12;
3. The shares shall be paid for pursuant to the provisions of sections 15-19;
4. The founders shall prepare, date and sign the memorandum of association;
5. The board of directors shall apply for registration of the company pursuant to the provisions of sections 22 and 23.

The time at which the company is deemed formed

Section 4 The company shall be deemed formed when the memorandum of association has been signed by all founders.

Sections 24 and 25 provide that the formation of a company shall lapse where registration does not take place within a particular period of time and that legal capacity shall vest in the company only upon registration of the company.

The memorandum of association

Contents of the memorandum of association

Section 5 In the memorandum of association, the founders shall state:

1. the amount to be paid for each share (the subscription price); and
2. the full name, personal ID number or, in the absence thereof, the date of birth and postal address of members of the board of directors and auditors and, where appropriate, alternate members of the board of directors, alternate auditors and general examiners.

Where appropriate, it shall also be stated whether:

1. subscription for a share may take place subject to a right or obligation to pay for the share in property other than cash;
2. subscription for a share may take place subject to a right or obligation of the company to take over property in exchange

3. for compensation other than shares;
4. subscription for a share may take place subject to other terms and conditions;
5. the company shall reimburse costs incurred in the formation of the company; and
6. any person shall otherwise obtain special rights or benefits from the company.

Such a provision as referred to in the second paragraph shall be reproduced in its entirety in the memorandum of association.

The subscription price pursuant to the first paragraph, point 1 may not be less than the quotient value of the share.

Section 6 Only property which is, or may be assumed to be, of value for the operations of the company may constitute such property as referred to in section 5, second paragraph, points 1 and 2 (*non-cash consideration*). An undertaking to perform work or provide services may not be equated with non-cash consideration. The value of non-cash consideration may not be set higher than the actual value to the company.

Section 7 The memorandum of association shall contain a description of the circumstances which may be of significance for an assessment of the provisions referred to in section 5, second paragraph and for an assessment of the value of non-cash consideration. The description shall state the manner in which the value of the non-cash consideration has been determined and the legal and economic circumstances taken into account in conjunction with the valuation. The following information shall be stated specifically:

1. the name, personal ID number or company number and domicile of the person referred to in a provision;
2. the value of the non-cash consideration which is expected to be reported in the balance sheet; and
3. the number of shares in the company or other compensation to be provided in exchange for the non-cash consideration.

Section 8 The memorandum of association shall contain information regarding the maximum estimated amount of the costs for the company's formation which, pursuant to the memorandum of association, are to be paid by the company. However, information regarding the costs need not be provided where, other than public fees and customary costs for the preparation of the memorandum of association and similar work, no costs are incurred with respect to the company's formation.

Section 28 shall apply to public companies.

Section 9 Where a written agreement has been executed regarding such a provision as referred to in section 5, second paragraph, the agreement or a copy of the agreement shall be appended to the memorandum of association or a reference to the agreement shall be made in the memorandum of association together with information as to where the agreement is available for the share subscribers. The content of any

oral agreement shall be reproduced in its entirety in the memorandum of association.

Where a business is contributed or taken over, the provisions of the first paragraph regarding written agreements shall also apply to the balance sheets and the profit and loss accounts of the business for the two most recent financial years of the business. Information shall be provided in the memorandum of association regarding the business' profits or losses during the period thereafter. Where balance sheets and profit and loss accounts have not been prepared for the business, information shall be provided in the memorandum of association regarding the business' profits or losses during the aforementioned financial years.

Section 10 The memorandum of association shall include articles of association. Provisions regarding the content of the articles of association are set forth in Chapter 3.

The effect of erroneous reporting of non-cash consideration, etc.

Section 11 In the event of non-compliance with section 5, third paragraph or sections 7 or 9 with respect to a particular provision in the memorandum of association, such provision shall be invalid as against the company.

Share subscription

Subscription for shares

Section 12 Subscription for shares shall take place in the memorandum of association. Share subscription effected in any other manner may only be enforceable where the company has been registered without the share subscriber having notified the Swedish Companies Registration Office of the error prior thereto.

The share subscription shall be binding on the subscriber when the memorandum of association has been signed by all founders.

Effect of subscription for shares on different terms

Section 13 Where a share has been subscribed for on terms which do not accord with the memorandum of association, the subscriber shall not be able to invoke such terms.

Effect of non-fulfilment of terms for share subscription

Section 14 Following registration of the company, a share subscriber may not claim, as grounds for invalidity of the share subscription, that any of the terms of the memorandum of association has not been fulfilled.

Payment for shares

Minimum payment for a share

Section 15 The payment for a share may not be less than the share's quotient value.

Where a share has been subscribed for subject to terms that contravene the first paragraph, an amount corresponding to the share's quotient value shall nevertheless be paid.

Method of payment for the shares

Section 16 Shares shall be paid for with cash or, where a provision thereon is set forth in the memorandum of association, with non-cash consideration.

Payment in cash

Section 17 Payment in cash shall take place through deposit on a separate account opened by the founders for such purpose at a bank, credit market undertaking or equivalent foreign credit institution in a state within the European Economic Area. Amounts deposited on the account may not be withdrawn until the entire amount to be paid in cash has been deposited on the account and the memorandum of association has been signed by all founders.

Payment with non-cash consideration

Section 18 Payment with non-cash consideration shall take place through separation of the non-cash consideration for inclusion in the company's assets.

Section 19 Where the shares are paid for with non-cash consideration or where, pursuant to the terms of the memorandum of association, the company is to perform obligations following formation, an auditor shall provide a written, signed statement in respect of the payment. The statement shall evince that:

1. all non-cash consideration has been conveyed to the company;
- the non-cash consideration is, or may be assumed to be, of benefit for the company's operations; and
1. the non-cash consideration has not been reported in the memorandum of association at a higher value than the actual value for the company.

In the statement, the auditor shall describe the non-cash consideration and state the method used in the valuation. Any special difficulties associated with the estimation of the value of the property shall be noted. The statement shall also evince that obligations which, pursuant to the terms of the memorandum of association, are to be performed by the company following the formation have been reported and valued in accordance with generally accepted accounting principles.

An auditor as referred to in the first paragraph shall be an authorised public accountant or approved public accountant or a registered accounting firm.

Effect of payment as against the shareholder's creditors

Section 20 Payment made in the manner stated in sections 17 or 18 shall be reserved to the company, as against the shareholder's creditors, when the memorandum of association has been signed by all founders.

Set-off, etc.

Section 21 A debt resulting from share subscription may not be set-off against a claim against the company.

Upon transfer of a share which is not fully paid up, the transferee shall be jointly and severally liable for the payment together with the transferor, as soon as he or she has applied for registration in the share register.

Registration of the company

Registration application

Section 22 The board of directors shall apply for registration of the company in the Companies Register within six months of the signing of the memorandum of association.

Registration requirements

Section 23 The company may be registered only where:

1. the total of the minimum amounts which are to be paid for the subscribed shares (the company's share capital) pursuant to section 5, fourth paragraph corresponds to the share capital stated in the articles of association or amounts to not less than the minimum share capital;
2. full and acceptable payment has been made for all subscribed shares;
3. a certificate is produced from such a credit institution as referred to in section 17 regarding payments in cash;
4. an auditor's statement pursuant to section 19 is produced regarding such non-cash consideration and such obligations for the company as stated in the memorandum of association; and
5. the formation of the company has otherwise taken place pursuant to this Act and other statutory instrument.

Effect of non-registration

Section 24 The formation of a company shall lapse where:

1. no application for registration of the company has been made within the prescribed period of time; or
2. the Swedish Companies Registration Office, through a decision which has become final, has cancelled such a registration matter or has refused registration.

Where the formation of the company has lapsed or where the share subscription is not binding for any other reason, the amounts paid for subscribed shares as well as accrued income thereon, less costs incurred as a consequence of measures taken pursuant to section 25, third sentence, shall be repaid immediately. The aforesaid shall also apply with respect to non-cash consideration. The founders and, commencing the date on which all founders have

signed the memorandum of association, the members of the board of directors, shall be jointly and severally liable for such repayment.

Legal acts taken prior to registration of the company

Section 25 Until the company has been registered, it cannot acquire rights or assume obligations. Nor may it bring proceedings before any court of law or other public authority. The board of directors may, on behalf of the company, bring proceedings which concern the formation of the company and take other measures in order to collect payment for subscribed shares or other promised contributions.

Section 26 Where an obligation arises as a consequence of any measure taken in the company's name prior to registration, the persons who have participated in the measure or in the decision thereon shall be jointly and severally liable in respect of the obligation. Upon registration of the company, the liability shall pass to the company, provided the obligation follows from the memorandum of association or arose after the company was formed.

Section 27 The following shall apply where contracts have been concluded on behalf of the company prior to registration. A contracting party who was unaware that the company was not registered may withdraw from the contract until such time as the company has been registered. Unless otherwise agreed, a contracting party which was aware that the company was not registered may withdraw from the contract only where the formation of the company has lapsed pursuant to section 24.

Special provisions regarding public companies

Information in the memorandum of association regarding costs for the formation of the company

Section 28 Where a public company is formed, the memorandum of association shall contain information regarding all costs associated with the formation of the company.

Deferred non-cash consideration

Section 29 Where a public company, within two years from registration in the Companies Register, enters into an agreement with a founder or a shareholder pursuant to which the company acquires property in exchange for consideration which corresponds to not less than one- tenth of the share capital, the board of directors shall, within six months, submit the agreement to the general meeting for approval. The aforesaid shall not apply, however, where the acquisition takes place on a Swedish or foreign exchange, an authorised marketplace or any other regulated market or as part of the company's day- to-day business operations.

Section 30 The following documents shall be appended to the board of directors' proposal for approval of such an agreement as referred to in section 29:

1. a report, signed by the board of directors, of

the circumstances which may be of significance for an assessment of the value of the property and of the agreement in general, prepared pursuant to sections 7 and 9;

a statement with respect to the report pursuant to point 1, signed by an authorised public accountant, an approved public accountant or a registered accounting firm, containing such information as referred to in section 19.

The agreement, together with the board of administration report and the auditor's statement, shall be available to shareholders at the company's offices during a period of not less than one week prior to the general meeting at which the decision shall be taken.

Section 31 A resolution by the general meeting to approve such an agreement as referred to in section 29 shall be immediately reported for registration in the Companies Register.

Chapter 3. Articles of association

Content of the articles of association

Mandatory information

Section 1 The articles of association of a company shall state:

1. the name of the company;
2. the location in Sweden of the registered office of the company;
3. the objects of the company,;
4. the share capital or, where such may be determined at lower or higher amount without an alteration of the articles of association, the minimum share capital and maximum share capital, whereupon the minimum share capital shall be not less than one- fourth of the maximum share capital;
5. the number of shares or, where a minimum share capital and a maximum share capital are stated in the articles of association, a corresponding minimum and maximum number of shares;
6. the number, or the minimum and maximum number, of members of the board of directors;
7. the number, or the minimum and maximum number, of alternate directors, where such shall be appointed;
8. the number, or the minimum and maximum number, of auditors;
9. the procedure for convening general meetings; and
10. the period of time to be covered by the company's financial year.

Where the number of board members and alternate board members is stated pursuant to first paragraph, points 6 and 7, employee representatives appointed pursuant to the Private Sector Employees (Board Representation) Act (*SFS 1987:1245*) shall not be included.

In addition, section 11 shall apply to public companies.

Information regarding accounting currency

Section 2 Where the company has euro as its accounting currency, such fact shall be stated in the articles of association. In such case, the articles of association shall also state that the share capital shall be determined in euro.

Information regarding the company's objects

Section 3 Where the company's operations, in whole or in part, shall have an object other than the generation of profits for distribution to the shareholders, such fact shall be stated in the articles of association. In such case, information shall also be provided regarding the manner in which the company's profits and retained assets shall be applied upon liquidation of the company.

Alterations of the articles of association

Entitlement to decide upon alterations of the articles of association

Section 4 Alterations of the articles of association shall be resolved upon by the general meeting. Provisions governing resolutions of the general meeting are set forth in Chapter 7.

Notification and execution of resolutions regarding alterations of the articles of association

Section 5 A resolution regarding alterations of the articles of association shall be reported immediately for registration in the Companies Register and, other than in cases referred to in Chapter 27, section 8, may not be effected prior to registration.

The Government's consent to alterations of the articles of association

Section 6 Where, pursuant to any Act or any other statutory instrument or following consent by the Government, a provision has been incorporated into the articles of association pursuant to which another provision in the articles of association may not be altered without the Government having granted consent thereto, the first-mentioned provision may also not be altered without the Government's consent.

Pledgees' consent to deletion of CSD clause from the articles of association

Section 7 A resolution to alter the articles of association entailing deletion of a CSD clause shall be valid only where all parties holding security interests in the company's shares have given their written consent to the resolution.

Specific provisions upon change in accounting currency

Section 8 A resolution to insert or amend such a provision in the articles of association as referred to in section 2 (resolution regarding *change in accounting currency*) shall be effective commencing the financial

year which begins after the resolution regarding the alteration of the articles of association has been registered.

Section 9 Where the company has adopted a resolution regarding a change in accounting currency, alterations of the information in the articles of association regarding share capital or minimum share capital and maximum share capital shall be deferred until the first ordinary general meeting held after the resolution regarding change in accounting currency has entered into effect.

Section 10 Where the Swedish Companies Registration Office has registered a resolution regarding change in accounting currency, the Office shall, upon the commencement of the immediately following financial year, translate the registered share capital into the new currency. The translation shall be made pursuant to the exchange rate determined by the European Central Bank on the last Swedish banking day of the preceding financial year.

The board of directors shall, not later than the first ordinary general meeting held after the resolution has entered into effect, produce proposals for necessary consequential alterations of the provisions of the articles of association regarding the amount of the share capital.

Specific provisions regarding public companies

Information regarding company category

Section 11 A public company whose name does not include the word "publikt" shall, in the articles of association, state the designation, ("publ"), after the name.

Chapter 4. The shares

Classes of shares

Equality principle

Section 1 All shares shall carry equal rights in the company, unless otherwise provided in sections 2-5.

Provisions regarding different classes of shares

Section 2 The articles of association may prescribe that there shall be shares of different classes or the right to issue such shares. Such a provision shall contain information regarding:

1. the differences between the classes of shares; and
2. the number or portion of shares of each class.

Information pursuant to the first paragraph, point 2 may state the maximum and the minimum number or the maximum and the minimum portion of shares of a particular class.

Provisions regarding pre-emption rights in conjunction with new issues of shares or issues of warrants or convertible instruments

Section 3 Where a provision pursuant to section 2 entails that the shares shall carry different rights to the

company's assets or profits or that the shares shall carry different voting rights, the provision shall state the pre-emption rights which vest in the shareholders in conjunction with any new issue of shares or warrants or convertible instruments which does not take place against payment in the form of non-cash consideration.

A provision regarding pre-emption rights pursuant to the first paragraph shall entail:

1. that the shareholders shall hold pre-emption rights in proportion to their share of the company's capital; or
2. that one old share shall carry pre-emption rights to a new share of the same class, that shares which are not subscribed for by the shareholders with a primary entitlement shall be offered to all shareholders and that, unless the entire number of shares subscribed for pursuant to the latter offer can be issued, the shares shall be allotted between the subscribers in proportion to the number of shares they own and, where such is not possible, through the drawing of lots.

A provision pursuant to the second paragraph, point 2 may be incorporated in the articles of association only where the differences between the shares are of the type stated in the first paragraph.

Provisions regarding entitlement to bonus shares

Section 4 Where a provision pursuant to section 2 entails that the shares in the company shall not carry equal rights in the company's assets or profits, the articles of association shall also state the right which vests in the shareholders to new shares in the event of an increase in share capital through a bonus issue.

Differences in voting rights

Section 5 No share may carry voting rights which are more than ten times greater than the voting rights of any other share.

Conversion clause

Section 6 A clause may be incorporated in the articles of association pursuant to which a share of a particular class may, under certain stated conditions and in a manner stated in detail, be converted to shares of another stated class (*conversion clause*).

Where a share is converted, such fact shall be immediately reported for registration in the Companies Register.

A conversion is effected when it has been registered in the Companies Register and entered in the share register or, where the company is a CSD company, in the CSD register.

Transferability of shares

Section 7 Shares may be freely transferred and acquired, unless otherwise provided by such a clause in the articles of association as stated in sections 8, 18 or 27 or any other act.

Where the articles of association contain several clauses that restrict the transfer of shares, such clauses shall be stated separately.

Consent clause

Purport of a consent clause

Section 8 The articles of association of a company which is not a CSD company may include a clause pursuant to which one or more shares may be transferred to a new owner only subject to the company's consent (*consent clause*).

Content of a consent clause

Section 9 A consent clause shall state:

1. whether the general meeting or the board of directors shall consider a request for consent;
 2. the types of transfers that require the company's consent;
 3. whether the company shall be entitled to grant or refuse consent with respect to a smaller number of shares than the number covered by the request for consent;
 4. the terms for acquisition by another transferee pursuant to section 12;
- the period of time, which shall be not less than one month and not more than three months from the date of a due application pursuant to section 11, within which the company shall issue a decision on the issue of consent;
1. the period of time, which shall be not less than one month and not more than two months from the date on which the company issued a notice pursuant to section 13, within which proceedings pursuant to section 14 must be brought; and
 2. the period of time, which shall not exceed one month from the date on which the price for the shares was determined, within which payment shall be made for shares acquired by another transferee pursuant to section 12.

A provision pursuant to the first paragraph, point 4 need not contain any information regarding the price for the shares upon an acquisition pursuant to section 12. In the absence of such information, the price shall be determined such that it corresponds to the price which can be expected upon a sale under normal conditions.

Applicability of consent clause to attached shares

Section 10 A consent clause shall not prevent the transfer of attached shares or shares that are included in an estate in bankruptcy or insolvent liquidation.

Application for consent

Section 11 Any person who intends to transfer a share covered by a consent clause shall apply to the company's board of directors for consent prior to the transfer.

The application shall state the identity of the contemplated transferee. Where the transferor wishes

the company to designate another transferee in the event consent to the transfer is refused, such shall be stated in the application. In such case, the transferor shall, at the same time, state all the terms governing the transfer.

The company's decision regarding consent

Section 12 Where the company refuses to grant consent to the transfer, the company shall state the reasons therefor. Where so requested by the transferor, in the decision to refuse consent the company shall also designate another transferee who is prepared to acquire the shares.

Where the company fails to designate another transferee notwithstanding a request therefor by the transferor, consent may not be refused.

Where the company fails to take any decision on the issue of consent within the period of time stated in the consent clause pursuant to section 9, first paragraph, point 5, the company shall be deemed to have granted its consent to the transfer.

Section 13 The company's decision on the issue of consent shall be sent to the transferor at the address stated by the transferor in the matter or, where no address information has been provided, to the address entered in the share register.

Where the company's decision has been taken by the board of directors and entails that consent is granted, a copy of the decision shall also be sent to all shareholders with a known postal address.

Proceedings regarding consent

Section 14 A shareholder who is dissatisfied with the company's decision to grant or refuse consent or with the terms governing an acquisition pursuant to section 12 may bring proceedings within the period of time stated in the consent clause. The aforesaid shall also apply in cases referred to in section 12, third paragraph.

The articles of association may prescribe that a dispute shall be determined by arbitrators. Such a provision shall have the same force as an arbitration agreement.

Adjustment

Section 15 Where the application of a provision pursuant to section 9, first paragraph, point 4 regarding the terms governing the acquisition of shares results in any unwarranted advantage or disadvantage for any party, such terms may be adjusted.

Effect of a decision regarding consent

Section 16 The company's consent to a transfer shall be valid for a period of six months from the date that the company sent notice of its decision to the transferor or, in a case as referred to in section 12, third paragraph, from the expiry of the period stated in the consent clause pursuant to section 9, first paragraph, point 5. Where the terms governing a transfer have been stated in an application for consent,

the consent shall apply only where the transfer takes place on terms which are not more beneficial to the transferee than the terms stated in the application.

Transfer in contravention of a consent clause

Section 17 A transfer of shares in contravention of a consent clause is invalid. The aforesaid shall apply to a transfer in contravention of section 16.

Right of first refusal clause

Purport of a right of first refusal clause

Section 18 The articles of association of a company which is not a CSD company may include a clause pursuant to which a shareholder or other party shall be invited to purchase a share before it is transferred to a new owner (*right of first refusal clause*).

Content of a right of first refusal clause

Section 19 A right of first refusal clause shall state:

1. the type of transfers covered by the clause;
2. whether a right of first refusal offer may be exercised in respect of a smaller number of shares than the shares covered by the offer;
3. the holders of first refusal rights, and the order *inter se* in which they shall be invited to purchase or the manner in which rights of first refusal are allocated between them;
4. terms governing a purchase pursuant to rights of first refusal;
5. the period of time, which shall be not less than one month and not more than two months from the date of a due notification pursuant to section 20, within which demands to exercise such rights of first refusal must be presented to the company;
6. the period of time, which shall be not less than one month and not more than two months from the date of a due notification pursuant to section 21, within which proceedings pursuant to section 22 must be brought; and
7. the period of time, which shall not exceed one month from the date on which the price is determined, within which payment must be made for shares purchased pursuant to rights of first refusal.

A provision pursuant to the first paragraph, point 4 need not contain information regarding the price for the shares. In the absence of such information, the price shall be determined in such a manner that it corresponds to the price that may be expected upon a sale under normal conditions.

Notification of transfer of shares covered by a right of first refusal clause

Section 20 Any party who intends to transfer a share which, pursuant to the articles of association, must be offered for purchase pursuant to rights of first refusal shall, prior to the transfer, notify such fact to the company's board of the directors. In the

notification, the shareholder shall state the terms which he or she imposes in respect of a purchase pursuant to rights of first refusal.

When notification has been given pursuant to the first paragraph, such shall be immediately noted in the share register together with the date of the notification.

The company shall provide notice of the offer to each first refusal rights holder with a known postal address.

Exercise of rights of first refusal, etc.

Section 21 Any person wishing to exercise rights of first refusal shall give notice thereof to the company's board of directors. Such notice shall be immediately noted in the share register together with the date of the notice.

Proceedings regarding rights of first refusal

Section 22 Where the shareholder and the person that has requested to purchase pursuant to rights of first refusal fail to agree upon the purchase, the person that has requested to purchase may commence proceedings within the period of time stated in the right of first refusal clause.

The articles of association may prescribe that a dispute pursuant to the first paragraph shall be determined by one or more arbitrators. Such a provision shall have the same force as an arbitration agreement.

Any person who commences proceedings pursuant to the first paragraph shall immediately notify the company's board of directors thereof. Such notice shall be immediately noted in the share register together with the date of the notice.

Certificate regarding annotations in the share register

Section 23 The company shall, upon request by a shareholder, issue a certificate regarding such annotations pursuant to section 20, second paragraph, section 21 and section 22, third paragraph as relate to the shareholder's shares.

Adjustment

Section 24 Where the application of a provision pursuant to section 19, first paragraph, point 4 regarding the terms governing a purchase pursuant to rights of first refusal would result in an unwarranted advantage or disadvantage to any party, the terms may be adjusted.

Effect of non-realisation of a purchase pursuant to rights of first refusal

Section 25 Where shares have been offered for sale pursuant to section 20 without a purchase pursuant to rights of first refusal being realised, the shareholder shall be entitled to transfer the shares without a new offer. Such right shall apply, however, only during a period of six months from the expiry of the period stated in the right of first refusal clause pursuant to section 19, first paragraph, points 5 or 7 or, in the

event of a dispute regarding the purchase, from the expiry of the period for proceedings pursuant to section 22 or the date on which it was finally determined that the person demanding to purchase did not hold rights of first refusal. Such a transfer may not take place on terms which are more beneficial to the transferee than the terms stated by the shareholder in his notice pursuant to section 20.

Transfer in contravention of a right of first refusal clause

Section 26 A transfer of shares in contravention of a right of first refusal clause is invalid. The aforementioned shall also apply to a transfer in contravention of section 25.

Post-sale purchase right clause

Purport of a right of post-sale purchase right clause

Section 27 The articles of association may include a clause pursuant to which a shareholder or other person shall be entitled to purchase a share which has been transferred to a new owner (*post-sale purchase right clause*).

Content of a right of post-sale purchase right clause

Section 28 A post-sale purchase right clause shall state:

1. the type of transfers covered by the clause;
2. whether an offer regarding a post-sale purchase right may be exercised in respect of a smaller number of shares than the shares covered by the offer;
3. the holders of post-sale purchase rights, and the order *inter se* in which they shall be invited to purchase the shares or the manner in which the post-sale purchase rights are allocated between them;
4. terms governing the purchase;
5. the period of time, which shall be not less than one month and not more than two months from the date of a due notification pursuant to section 30, first paragraph, within which demands to exercise such purchase rights must be presented to the company;
6. the period of time, which shall be not less than one month and not more than two months from the date on which a demand to purchase was presented to the company, within which proceedings pursuant to section 33 must be brought; and
7. the period of time, which shall not exceed one month from the date on which the purchase sum is determined, within which payment must be made for purchased shares.

A provision pursuant to the first paragraph, point 4 need not contain information regarding the price for the shares. In the absence of such information, the price shall be determined in such a manner that it corresponds to the price that may be expected upon a sale under normal conditions.

Applicability of post-sale purchase right clause in the event of death

Section 29 In the event of the death of a shareholder whose shares are subject to a post-sale purchase right clause which is applicable upon transfer of title through inheritance, testamentary disposition or division of marital property, and where the shares are not transferred to a new owner within one year from the date of death, the clause shall apply vis-à-vis the decedent's estate.

Notice of acquisition of shares which are subject to post-sale purchase rights

Section 30 Any person who acquires shares which, pursuant to the articles of association, must be offered for purchase pursuant to post-sale purchase rights shall notify such fact to the company's board of directors immediately after the acquisition. The notice shall contain information regarding the payment made for the shares and the terms imposed by the transferee for purchase pursuant to post-sale purchase rights.

Where shares in a CSD company which are subject to post-sale purchase rights are transferred to a new owner, the central securities depository shall notify the board of directors of the transfer in conjunction with the examination of the inclusion of the new owner in the share register. The company shall notify the new owner regarding the notification obligation pursuant to the first paragraph.

Notification pursuant to the first paragraph shall also be made upon the entry into force of an obligation regarding post-sale purchase rights pursuant to section 29.

Section 31 Where notice has been given pursuant to section 30, such shall be immediately noted by the company together with the date of the notice. Companies which are not CSD companies shall make the annotation in the share register. CSD companies shall, instead, make the annotation in a separate register. Such register shall be governed by the provisions governing share registers set forth in Chapter 5, sections 2 and 3.

The company shall provide notice of the offer to purchase to every post-sale purchase rights holder with a known postal address.

Exercise of purchase rights, etc.

Section 32 A party wishing to exercise purchase rights shall give notice thereof to the company's board of directors. Such notice shall be immediately noted together the date of the notice. The annotation shall be made in the manner stated in section 31, first paragraph.

Proceedings regarding post-sale purchase rights

Section 33 Where the transferee and the person that has demanded to purchase the shares fail to agree on the purchase, the person that has demanded to purchase may commence proceedings within the

period of time stated in the post-sale purchase rights clause.

The articles of association may prescribe that a dispute pursuant to the first paragraph shall be decided by one or more arbitrators. Such a provision shall have the same force as an arbitration agreement.

Adjustment

Section 34 Where the application of a provision pursuant to section 28, first paragraph, point 4 regarding the terms governing a purchase would result in an unwarranted advantage or disadvantage to any party, the terms may be adjusted.

Exercise of rights during the post-sale purchase rights period, etc.

Section 35 Any person who has acquired a share subject to an obligation regarding post-sale purchase rights may not be entered in the share register until it is clear that the purchase rights have not been exercised. During the period of time from the acquisition until such time that the definitive owner is entered in the share register (the post-sale purchase rights period), the transferee may nevertheless exercise a shareholder's rights vis-à-vis the company, to the extent set forth in the second paragraph.

During the post-sale purchase rights period, the transferee shall be entitled to dividends and pre-emption rights to subscribe for new shares, warrants or convertible instruments. The articles of association may prescribe that the transferor or the transferee shall be entitled to exercise voting rights and rights associated therewith with respect to the shares during such period of time.

Where the purchase right is exercised, the rights and obligations which have arisen through subscription for new shares, warrants or convertible instruments during the post-sale purchase rights period shall vest in the person that exercises the purchase right.

Section 36 A transferor who exercises voting rights in respect of shares by virtue of a provision in the articles of association pursuant to section 35, second paragraph, second sentence shall be responsible for the decisions in which he or she participates in the same manner as a shareholder.

Exercise of rights connected to the shares

The connection between share rights and the share register, etc.

Section 37 A shareholder may not exercise vis-à-vis the company the rights which vest through the shares until he or she is entered in the share register. However, for companies which have issued share certificates, the rights referred to in section 38 may be exercised notwithstanding that the shareholder is not entered in the share register.

Where a share is subject to post-sale purchase rights pursuant to section 27, the exercise of the rights shall be governed by the provisions of section 35.

Exercise of certain economic rights in companies which are not CSD companies

Section 38 In a company which is not a CSD company, a shareholder or any other person who presents or submits a share certificate, a coupon, or any other specific certificate which has been issued by the company shall, subject to the limitation set forth in section 41, third sentence, be assumed to be authorised to:

1. receive bonus share certificates or new shares in the event of bonus issues;
2. receive subscription rights certificates or exercise pre-emption rights in conjunction with new issues of shares or issues of warrants or convertible instruments;
3. receive dividends;
4. receive payment in connection with a reduction of the share capital for repayment to the shareholders; and
5. receive payment in connection with a distribution of assets in the event of the company's liquidation.

Exercise of certain economic rights in CSD companies

Section 39 In a CSD company, a shareholder or nominee who, on the record date, is entered in the share register and entered in a CSD register pursuant to Chapter 4 of the Financial Instruments (Accounts) Act (SFS 1998:1479) shall, subject to the limitation set forth in section 41, third sentence, be assumed to be authorised to:

1. receive new shares in the event of bonus issues;
2. receive subscription rights in conjunction with new issues of shares or issues of warrants or convertible instruments;
3. receive dividends;
4. receive payment in connection with a reduction of the share capital for repayment to the shareholders; and
5. receive payment in connection with a distribution of assets in the event of the company's liquidation.

Section 40 A person who is entered in a CSD register pursuant to Chapter 4, section 18, first paragraph, points 6-8 of the Financial Instruments (Accounts) Act (SFS 1998:1479) shall, in lieu of the shareholder, be assumed to be authorised to exercise the rights referred to in section 39.

Distribution or payment to wrong recipient

Section 41 Notwithstanding that the recipient of securities or payment pursuant to sections 38, 39 or 40 was not the correct recipient, the company shall nevertheless be deemed to have performed its obligation. The aforesaid shall not apply, however, where the company or, with respect to a CSD company, the central securities depository, knew or should have known that it was the wrong recipient. Nor shall the

aforesaid apply where the recipient was a minor or a person for whom a guardian has been appointed pursuant to the Code on Parents, Guardians and Children with the task of managing the recipient's shares.

Where a share has several owners

Section 42 Where a share has several owners, such owners may only exercise the shareholder's rights vis-à-vis the company through a joint representative.

Testamentary right of use, etc.

Section 43 The provisions of this Act regarding shareholders' rights to represent shares shall apply, in addition to a person who has acquired title to a share:

1. to a person who, through testamentary disposition, has been granted the right to use a share together with the right to represent the share; and
2. to a person who, through a testamentary disposition, has been granted the right to income from a share which is under special management together with the right to represent the share.

Shares held by the company itself

Section 44 A share which is held by the company itself shall not result in any entitlement to dividends or repayment in connection with a reduction of the share capital or the statutory reserve.

Section 45 A share which is held by the company itself or by its subsidiary shall not be included where, in this Act or the articles of association, consent by owners of a certain portion of the shares is required for a valid resolution or the exercise of powers. Nor shall such a share be included upon application of provisions of this Act or the articles of association which require that any person or persons shall hold a certain portion of the share capital or voting capital in the company.

Chapter 5. Share register

Common provisions

Obligation to maintain a share register

Section 1 A company shall have a share register. The share register shall contain any and all information regarding shares and shareholders as prescribed in this Act. The purpose of the share register shall be:

1. to constitute a basis for exercise of shareholders' rights vis-à-vis the company; and
2. to provide the company, shareholders and others with information in order to assess the ownership structure of the company.

The structure of the share register

Section 2 The share register shall be maintained using automated processing. In a company which is not a CSD company, the share register may also be

maintained in a bound book or in a secure loose-leaf or card system.

Archiving

Section 3 The share register shall be maintained for such time as the company is in existence and for a period of not less than ten years after dissolution of the company.

Where the share register is maintained in ordinary readable form, it shall be stored in its original form. Where the company switches to maintenance of the share register using automated processing, the old share register shall be stored for a period of not less than ten years after information regarding all of the company's shares has been entered in the new share register.

Where the share register is maintained using automated processing, information which has been deleted from the share register shall be stored for a period of not less than ten years. The information shall be stored in ordinary readable form or in any other form which may be read, listened to or otherwise understood only through use of technical devices.

Section 4 The Personal Data Act (*SFS 1998:204*) sets forth provisions governing the processing of personal data in share registers that are maintained using automated processing. The company is the controller of personal data with respect to the processing of personal data involved in the maintenance of the share register. In CSD companies, after a CSD register has been prepared, the central securities depository shall, instead, be the controller of personal data.

The provisions of the Personal Data Act concerning rectification and damages shall apply to the processing of personal data in share registers and to other processing of personal data pursuant to this Act.

A company which is not a CSD company

Content of the share register

Section 5 The share register of a company which is not a CSD company shall contain information regarding:

1. each share's number;
2. the shareholders' names and personal ID numbers, company numbers or other identification numbers as well as postal address;
3. the class to which each share belongs, where there are different classes of shares in the company;
4. whether share certificates have been issued; and
5. where appropriate, that the share is subject to a clause pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31.

The shares shall be entered in numerical order.

Section 6 In those cases referred to in Chapter 4, section 43, both the shareholder and the rights holder

shall be entered in the share register with information regarding name and personal ID number, company number or other identification number as well as postal address. In addition, the share register shall contain an annotation regarding the provisions governing the right. Upon proof that the right has changed or lapsed, such fact shall be noted.

Where a guardian appointed pursuant to Chapter 11, section 3, first paragraph, point 5 of the Code on Parents, Guardians and Children manages shares on behalf of a future shareholder, the future shareholder shall, upon application by the guardian, be entered as owner in the share register, together with a notation regarding the appointment and the reason therefor.

Where shares are included in an investment fund pursuant to the Investment Funds Act (*SFS 2004:46*), the name of the management company which manages the fund shall be entered in the share register as shareholder in lieu of the holders of units in the fund. In conjunction therewith, the fund's designation shall also be noted.

Responsibility for the share register

Section 7 In a company which is not a CSD company, the board of directors shall be responsible for ensuring that the share register is maintained, stored, and made available pursuant to this Act.

Preparation of the share register

Section 8 The share register shall be prepared as soon as all founders have signed the memorandum of association. Information regarding subscribed shares shall be entered immediately in the share register.

Chapter 12, section 10, Chapter 13, section 18, Chapter 14, section 36, Chapter 15, section 37 and Chapter 20, section 21 contain provisions governing changes in the share register in connection with any increase or decrease in the share capital.

Changes in the share register

Section 9 When any person presents a share certificate and, pursuant to Chapter 6, section 8 or otherwise provides proof of his or her acquisition, the board of directors or the person authorised by the board of directors shall immediately enter such person as a shareholder in the share register. Where the last transfer on the share certificate is endorsed in blank, the name of the transferee shall be recorded on the share certificate before he or she is entered in the share register. It shall be noted on the share certificate that the shareholder has been entered in the share register on a specifically stated date.

Where a shareholder or other authorised person gives notice that a circumstance stated in the share register has changed in any manner other than as referred to in the first paragraph, such change shall be noted immediately.

Entries and notations in the share register shall be dated unless the date of the entry or annotation is evident from other available material.

Provisions regarding notations in the share register of notices regarding rights of first refusal and post-sale purchase rights are set forth in Chapter 4, sections 20-22, 31 and 32.

Public nature of the share register

Section 10 In a company which is not a CSD company, the share register shall be available at the offices of the company for all persons who wish to review it. Where the share register is maintained using automated processing, the company shall afford every person who so requests an opportunity to review a current printout or other current presentation from the share register at the company's offices.

CSD companies

Content of the share register

Section 11 The share register of a CSD company shall contain information regarding:

1. each shareholder's name and personal ID number, company number or other identification number as well as postal address;
2. the number of shares held by each shareholder;
3. the number of shares of different classes held by each shareholder, where the company has shares of different classes; and
4. where appropriate, the fact that the shares are subject to a clause pursuant to Chapter 4, sections 6 or 27 or Chapter 20, section 31.

The provisions of section 6 shall also apply to CSD companies.

Responsibility for the share register, etc.

Section 12 Where a CSD clause is included in the articles of association at the time of formation of a company, sections 7-9 shall apply until such time as the company has been registered in the Companies Register and a CSD register has been prepared. Where such a clause is inserted by means of alteration of the articles of association, sections 7-9 shall apply until such time as the clause has been registered in the Companies Register and a CSD register has been prepared.

When the CSD register has been prepared, the central securities depository shall:

1. maintain and store the share register;
2. examine matters concerning the entry of shareholders in the share register;
3. be responsible for printouts from the share register; and
4. prepare share registers as per the record date.

The board of directors shall ensure that an agreement is reached with a central securities depository.

Entry of shareholders in the share register

Section 13 Unless otherwise stated in this Act, any person who has been registered as a shareholder on a

CSD account pursuant to the Financial Instruments (Accounts) Act (*SFS 1998:1479*) shall be immediately entered in the share register.

Entry of nominees in the share register

Section 14 Where a shareholder in a CSD company surrenders his or her shares to another person for management, upon request by the shareholder such person (the nominee) may be entered in the share register in lieu of the shareholder. The aforesaid requires, however, that the nominee:

1. has received consent from the central securities depository to be registered as nominee; and
2. fulfils the conditions governing the entry of owners in the share register.

In the case referred to in the first paragraph, it shall be noted in the share register that the share is held on behalf of another person. The same information in respect of nominees as required in respect of shareholders pursuant to section 11 shall be entered in the share register.

The Financial Instruments (Accounts) Act (*SFS 1998:1479*) contains provisions regarding:

1. consent pursuant to the first paragraph;
2. the nominee's obligations; and
3. the obligation of the company and the central securities depository to provide a compilation of information from nominees regarding shareholders with more than 500 nominee-registered shares.

Voting rights registration

Section 15 Where a person who owns nominee-registered shares wishes to participate at a general meeting, he or she shall be temporarily entered in the share register, upon request by the nominee. After the time referred to in Chapter 7, section 28, third paragraph, the shareholder shall be deleted from the share register.

Transfer of information from older share registers

Section 16 Where a CSD clause has been adopted through an alteration of the articles of association and a share certificate issued prior thereto has not been presented pursuant to Chapter 4, section 6 of the Financial Instruments (Accounts) Act (*SFS 1998:1479*), information regarding the share which is contained in the older share register may be transferred to the share register which is maintained by the central securities depository. In connection with the transfer, it shall be stated that the share register has not been presented. Where the information is not transferred, the older share register shall continue to constitute the share register in respect of the share.

Section 17 The owner of a share to whom a share certificate has been issued before the company became a CSD company may not, with respect to dividends or issues resolved upon thereafter, participate in dividends, exercise shareholders' pre-emption rights to subscribe for new shares, warrants or convertible

instruments or, in the event of bonus issues, to receive new shares, before:

1. an annotation has been made on a CSD account pursuant to Chapter 4, section 6 of the Financial Instruments (Accounts) Act (SFS 1998:1479); and
2. the shareholder has been entered in the share register which is maintained by the central securities depository.

Section 18 Where five years have elapsed since registration of the CSD clause and no person has been entered as the owner or nominee of a share which is entered in the share register maintained by the central securities depository, the company may caution the owner of the share to register with the central securities depository. The caution shall contain information that the right to the share will be forfeited in the event no application is made. The caution shall be published in Post- och Inrikes Tidningar and in the local newspaper or newspapers determined by the board of directors.

Where an application for registration is not submitted within one year from the date of the caution, the company may sell the share through a securities institution. Proceeds from the sale of the share shall accrue to the company; however, the former owner of the share shall be entitled to receive an equivalent sum less deductions for costs incurred in connection with the caution and the sale, provided the share certificate is surrendered. The surrendered share certificate shall be destroyed.

Public nature of the share register

Section 19 In a CSD company, a printout or other presentation from the share register shall be available at the offices of the company and at the central securities depository for all persons who wish to review it. In such a printout or presentation, the shareholders and nominees shall be listed in alphabetical order. The printout or presentation may not be more than three months old.

Each and every person who so requests shall be entitled, against payment of compensation for the costs, to receive a current printout from the share register or part thereof.

A shareholder shall not be included in a printout or presentation pursuant to this section where his or her shareholding does not exceed 500 shares. However, where a shareholder owns all shares in the company, his or her shareholding shall at all times be reported.

Chapter 6. Share certificates

Companies which are not CSD companies

The company's obligation to issue share certificates

Section 1 Upon request by a shareholder of a company which is not a CSD company, the company shall issue share certificates in respect of his or her shares.

Information in share certificates

Section 2 A share certificate shall state:

1. the company's name, company number and company category;
2. the shareholder's name and personal ID number, company number or other identification number;
3. the number of shares to which the certificate relates;
4. the class of shares, where there may be different classes of shares pursuant to the articles of association;
5. clauses pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31, where the shares are covered by such a clause; and
6. the date of issuance of the share certificate.

In cases referred to in Chapter 5, section 6, third paragraph, the share certificate shall, in lieu of the holders of fund units, state the management company which manages the fund, as well as the fund's designation.

Information referred to in the first paragraph, point 5 may be stated in abbreviated form. The forms of abbreviation shall be determined by the Government.

Signing of share certificates

Section 3 A share certificate shall be signed by the board of directors or by a securities institution pursuant to authorisation by the board of directors. Signatures may be reproduced by printing or any other similar method. The provisions of Chapter 1, section 13 shall not apply.

Issuance of share certificates

Section 4 A share certificate may be released only to the shareholder noted on the share certificate pursuant to section 2, first paragraph, point 2. The following is also required in order for a share certificate to be released:

1. the shareholder is entered in the share register as the owner of the shares to which the certificate relates;
2. the shares have been paid for;
3. the company has been registered, where subscription for the shares took place in conjunction with the formation of the company;
4. registration has taken place pursuant to Chapter 12, section 10 or Chapter 13, section 27, where the shares have been issued through a bonus issue or new issue of shares; and
5. registration has taken place pursuant to Chapter 14, section 43 or Chapter 15, section 38 where the shares have been issued through subscription upon exercise of options or through conversion.

Notations on the share certificate

Section 5 Where appropriate, an annotation may be made on a share certificate that the shareholder has:

1. exercised his or her right to new shares in conjunction with a bonus issue;
2. exercised his or her pre-emption right to participate in a new issue of shares or an issue of warrants or convertible instruments;
3. received payment in connection with a reduction in the share capital or redemption of shares that has otherwise taken place; and
4. received payment in connection with a distribution of the company's assets upon liquidation of the company.

Where a share has been retired without repayment, such fact shall be noted on the share certificate as soon as possible.

The provisions of the first paragraph, points 1-3 shall not apply where coupons attached to the share certificates shall be used as issue certificates or surrendered in conjunction with an application for redemption.

Chapter 5, section 9 provides that an annotation shall be made on a share certificate that the shareholder has been entered in the share register.

Replacement of share certificates

Section 6 Share certificates may be replaced by one or more other share certificates. In such case, the older share certificate and the coupons attached to the share certificate shall be destroyed.

A share certificate which is issued in lieu of another share certificate in connection with replacement pursuant to the first paragraph or in connection with cancellation pursuant to the Cancellation of Lost Documents Act (*SFS 1927:85*) shall contain information that it replaces an earlier share certificate.

Withholding of dividends or issue certificates

Section 7 A company may withhold dividends and issue certificates which relate to a share until such time as the share certificate has been surrendered for annotation or for replacement, where:

1. an annotation shall be made on the share certificate pursuant to this Act; or
2. the share certificate shall be replaced since the shares to which the share certificate relates are to be converted into shares of a different class.

Transfer and pledging of share certificates, etc.

Section 8 Where share certificates are transferred or pledged, the provisions of sections 13, 14 and 22 of the Promissory Notes Act (*SFS 1936:81*) regarding promissory notes payable to a specific person or to order shall apply. The holder of a share certificate who, pursuant to the company's notation on the certificate, is entered as owner in the share register shall thereupon be equated with persons who, pursuant to section 13, second paragraph of the afore-

said Act, are presumed to be entitled to enforce the promissory note.

Provisions governing dividend coupons are set forth in sections 24 and 25 of the Promissory Notes Act.

Interim certificates

Section 9 Before a share certificate is issued, the company may issue a certificate evidencing the right to one or more shares (*interim certificate*). The certificate shall be made out to a specific person. He or she shall be entered in the share register as the owner of the shares referred to in the certificate. The certificate shall contain a clause pursuant to which share certificates shall be released only upon surrender of the certificate.

Where requested by the shareholder, payment for the shares to which the interim certificate relates shall be noted on the certificate. Repayments shall also be noted on the certificate. In other respects, the provisions of this Act regarding share certificates shall apply, where appropriate, to interim certificates.

CSD companies

Section 10 Chapter 4, section 5 of the Financial Instruments (Accounts) Act (*SFS 1998:1479*) provides that share certificates or interim certificates may not be issued in respect of shares in CSD companies.

Chapter 7. General meetings

Exercise of shareholders' right of decision-making in the company

Section 1 The right of the shareholders to take decisions regarding the affairs of the company is exercised at general meetings.

The right to participate as a shareholder at general meetings

Section 2 The right to participate at general meetings shall vest in any shareholder who, on the day of the general meeting, is entered in the share register. For CSD companies, the right to participate at general meetings shall, instead, vest in any person who is listed as a shareholder in such a printout or other presentation of the share register as referred to in section 28, third paragraph.

The articles of association may prescribe that, in order to participate at a general meeting, a shareholder must notify the company thereof not later than the date specified in the notice to attend the general meeting. Such a date may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the general meeting.

Chapter 4, section 35 contains specific provisions regarding the right to vote shares which are subject to a post-sale purchase rights clause.

Proxies at general meetings

Section 3 A shareholder who is not personally present at the general meeting may exercise his or her rights at the meeting through a proxy in possession of a written proxy form signed and dated by the shareholder.

A proxy shall be valid for a period not exceeding one year from the date of issuance.

Collection of proxy forms at the company's expense

Section 4 The company may not bear the expense of collecting proxies. The articles of association may, however, prescribe that the board of directors may collect proxies at the company's expense pursuant to the procedure stated in the second paragraph.

Where the articles of association contain such a provision as referred to in the first paragraph, the board of directors may, in connection with notice to attend a general meeting, provide the shareholders with a proxy form. The form shall be capable of use to empower a person stated in the form to represent a shareholder at the general meeting on the issues stated in the form. It shall contain presented proposed resolutions as well as two alternative answers with the headings, "Yes" and "No", which shall be presented in equal fashion. The form shall state that the shareholder may not instruct the proxy in any manner other than by marking one of the stated answer alternatives and that the answer may not be conditional. The form shall also state the day by which the proxy form must be received by the proxy and the procedure by which the shareholder may revoke the proxy. The proxy may not be a member of the board of directors or managing director of the company.

Where a shareholder who issues a proxy through the use of such a form as stated in the second paragraph has stated special instructions or conditions on the form, the proxy shall be invalid.

Advisors at general meetings

Section 5 A shareholder or a proxy may be accompanied by not more than two advisors at a general meeting. Advisors may express themselves at a general meeting.

The articles of association may prescribe that a shareholder may be accompanied by advisors at a general meeting only where he or she has given the company notice of the number of advisors in the manner stated in section 2, second paragraph.

Presence of third parties at general meetings

Section 6 The general meeting may decide that a person who is not a shareholder shall be entitled to be present or otherwise follow the proceedings at a general meeting. Such a resolution shall only be valid where supported by all shareholders present at the general meeting.

The articles of association may prescribe that a person who is not a shareholder shall be entitled to be present or otherwise follow the proceedings at the general meeting notwithstanding that such a resolution as referred to in the first paragraph has not been adopted.

With respect to public companies, section 55 shall apply in lieu of the first paragraph, second sentence.

The status of treasury shares at general meetings

Section 7 A share which is held by the company or a subsidiary may not be represented at general meetings.

Shareholders' voting rights

Section 8 A shareholder may vote all the shares owned or represented by him, unless otherwise prescribed in the articles of association.

Section 9 Where two or more public pension funds pursuant to the National Pension Insurance Funds (AP Funds) Act (*SFS 2000:192*) and the Sixth AP Fund Act (*SFS 2000:193*) manage shares in the company, each fund may individually exercise the voting rights for the shares managed by the fund.

Ordinary general meetings

Section 10 Within six months of the expiry of each financial year, the shareholders shall hold an ordinary general meeting at which the board of directors shall present the annual report and auditor's report and, for a parent company which is obliged to prepare group accounts, the group accounts and the auditor's report for the group (*annual general meeting*).

Section 11 Resolutions regarding the following matters shall be adopted at annual general meetings:

1. adoption of the profit and loss account and balance sheet and, for a parent company which is obliged to prepare group accounts, the consolidated profit and loss account and consolidated balance sheet;
2. allocation of the company's profits or losses as set forth in the adopted balance sheet;
3. discharge from liability for members of the board of directors and the managing director; and
4. other matters to be addressed by the general meeting pursuant to this Act or the articles of association.

Section 12 The articles of association may prescribe that the shareholders shall, each year, hold one or more additional ordinary general meetings.

Extraordinary general meetings

Section 13 Where the board of directors believes that reason exists to hold a general meeting prior to the next ordinary general meeting, it shall convene an extraordinary general meeting.

The board of directors shall also convene an extraordinary general meeting where an auditor of the company or owners of not less than one-tenth of all

shares in the company demand in writing that such a meeting be convened to address a specified matter. In such case, notice to attend the meeting shall be issued within two weeks of receipt by the company of the demand therefor.

Continued general meeting

Section 14 At a general meeting, a resolution may be adopted to continue the meeting on a later date.

A resolution on a matter specified in section 11, points 1-3 shall be postponed until a continued general meeting where the general meeting adopts a resolution thereon or where owners of not less than one-tenth of all shares in the company so request. Such a general meeting shall be held not less than four weeks and not more than eight weeks thereafter. Additional postponements are not permitted.

Where a resolution as specified in section 11, points 1 or 2 shall be postponed until a continued general meeting, the board of directors shall submit notice thereof for registration in the Companies Register. Notice shall be given within four weeks of the decision to continue the general meeting.

Location of general meetings

Section 15 General meetings shall be held in the locality in which the company maintains its registered office. The articles of association may, however, prescribe that the meeting shall or may be held at another designated locality in Sweden.

Where extraordinary circumstances so require, the general meeting may be held at a locality other than as specified in the first paragraph.

The shareholders' right to propose business at the general meeting

Section 16 A shareholder who wishes to have a matter addressed at a general meeting shall submit a written request therefor to the board of directors.

The matter shall be addressed at the general meeting, provided the request was received by the board of directors:

1. not later than one week prior to the earliest date pursuant to sections 18-20 on which notice to attend the general meeting may be issued; or
2. after the date specified in point 1, but in due time for the matter to be included in the notice to attend the general meeting.

Convening general meetings

Section 17 The board of directors convenes general meetings.

Where a general meeting which shall be held pursuant to this Act, the articles of association, or a resolution adopted by a general meeting is not convened in the prescribed manner, the County Administrative Board shall, following notification, convene the general meeting immediately in the manner prescribed in sections 18- 24. Notification

may be made by a member of the board of directors, the managing director, an auditor or a shareholder. The company shall bear the costs for convening the meeting.

Time for convening general meetings

Ordinary general meetings

Section 18 Notice to attend an ordinary general meeting shall be issued not earlier than six weeks and not later than four weeks prior to the general meeting.

The articles of association may prescribe that notice to attend an ordinary general meeting may be issued later than the time stated in the first paragraph, however not later than two weeks prior to the meeting.

The provisions of the second paragraph shall not apply to public companies.

Extraordinary general meetings at which alterations of the articles of association are to be addressed

Section 19 Notice to attend an extraordinary general meeting at which the issue of alterations of the articles of association is to be addressed shall be issued not earlier than six weeks and not later than four weeks prior to the meeting.

The articles of association may prescribe that notice to attend such a general meeting as referred to in the first paragraph may be issued later than the time stated therein, however, not later than two weeks prior to the meeting.

The provisions of the second paragraph shall not apply to public companies.

Other extraordinary general meetings

Section 20 Notice to attend an extraordinary general meeting other than such as referred to in section 19 shall be issued not earlier than six weeks and not later than two weeks prior to the meeting.

Continued general meetings

Section 21 Where a continued general meeting is to be held four weeks or later calculated from the first day of the general meeting, a separate notice to attend the continued general meeting shall be issued. In such case, the provisions of sections 19 and 20 regarding the date for notice to attend extraordinary general meetings shall apply.

Notice where a resolution is to be adopted at two general meetings

Section 22 Where, pursuant to the articles of association, a resolution of the general meeting must be adopted at two general meetings in order to be valid, notice to attend the second general meeting may not be issued until the first general meeting has been held. In the notice to attend the second general meeting, the board of directors shall state the resolution adopted by the first general meeting.

Mode of convening general meetings

Section 23 The shareholders shall be given notice to attend a general meeting in the manner prescribed in the articles of association. Notice shall also be sent by post to every shareholder whose postal address is known to the company, where:

1. an ordinary general meeting is to be held at a time other than as prescribed in the articles of association; or
2. the general meeting shall:
 - address a matter regarding such an alteration of the articles of association as referred to in sections 43-45;
 - decide whether the company shall go into liquidation;
 - review the liquidator's final report; or
 - address the issue of whether the liquidation of the company shall cease.

With respect to public companies, the provisions of section 56 shall also apply.

Content of notices to attend

Section 24 The notice to attend shall contain a proposed agenda for the general meeting. In the proposed agenda, the board of directors shall clearly state the matters to be addressed at the general meeting. The matters shall be numbered.

The main content of each proposal submitted shall be stated, unless the proposal involves a matter of minor significance to the company. Where a matter relates to an alteration of the articles of association, the main contents of the proposed alteration shall always be stated.

Where the shareholders shall be entitled to exercise voting rights at a general meeting pursuant to such a proxy as referred to in section 4, second paragraph, the notice to attend shall state the manner in which such proxy form may be obtained.

Special provisions regarding the content of a notice to attend are set forth in:

Section 2 of this Chapter (participation at general meetings);

Chapter 13, sections 10, 33 and 36 (new issue of shares);

Chapter 14, sections 12, 26 and 29 (issue of warrants);

Chapter 15, sections 12, 31 and 34 (issue of convertible instruments);

Chapter 16, sections 3-5 and 7 (certain private placement issues, etc.);

Chapter 18, section 8 (distribution of profits);

Chapter 19, sections 26 and 35 (acquisition or transfer of the company's own shares);

Chapter 20, section 16 (reduction of the share capital); and

Chapter 25, section 5 (liquidation).

Provision of documents prior to the annual general meeting

Section 25 The board of directors shall make the accounting documents and auditor's report or copies of such documents available at the company for the shareholders during a period of not less than two weeks immediately prior to the annual general meeting. Copies of the documents shall be sent immediately, at no cost to the recipient, to any shareholder who so requests and states his postal address.

The documents shall be presented to the general meeting.

Errors in notices to attend, etc.

Section 26 Where a provision of this Act or the articles of association concerning notice to attend a general meeting or the provision of documents has been breached in any matter, the general meeting may not adopt a resolution on the matter without the consent of the shareholders affected by the breach. However, even without such consent, the general meeting may decide upon a matter which was not included in the notice to attend, provided the matter, pursuant to the articles of association, must be addressed at the general meeting or is directly caused by another matter which must be decided upon. The general meeting may also resolve that an extraordinary general meeting shall be convened to address the matter.

Opening of the general meeting

Section 27 The general meeting shall be opened by the chairman of the board of directors or any person appointed by the board of directors. However, where the articles of association have prescribed the identity of the person who shall act as chairman of the meeting, the general meeting shall always be opened by such person.

Availability of share register

Section 28 At the general meeting, the content of the share register shall be made available to the shareholders pursuant to the provisions of the second or third paragraph.

In a company which is not a CSD company, the entire share register shall be made available. Where the share register is maintained through automated processing, a printout or other presentation of the entire share register shall be made available. The presentation shall relate to the circumstances on the day of the general meeting.

In a CSD company, a printout or other presentation of the entire share register shall be made available. Such presentation shall relate to the circumstances five weekdays prior to the general meeting. The articles of association may prescribe that the presentation shall relate to the circumstances at a later time.

Voting register

Section 29 At the general meeting, a list shall be prepared of shareholders, proxies and advisors present (voting register). The voting register shall state the number of shares and votes represented at the general meeting by each shareholder and proxy. The voting register shall be prepared by the chairman of the meeting, provided the chairman has been elected by the general meeting on the first ballot. In other cases, the voting register shall be prepared by the person who opened the meeting.

The voting register must be approved by the general meeting. The voting register shall be valid until such time as the general meeting has resolved otherwise..

In the event the general meeting is postponed to a day later than the immediately following weekday, a new voting register shall be prepared.

Procedure for the election of the chairman of the general meeting

Section 30 The chairman of the general meeting shall be appointed by the meeting, unless otherwise prescribed in the articles of association.

Agenda

Section 31 The proposed agenda which is appended to the notice to attend the meeting shall be presented to the general meeting for approval. The numbering of the matters may not be changed.

The board of directors and managing director's duty to provide information

Information which must be provided

Section 32 Upon request by any shareholder and where the board of directors believes that such may take place without significant harm to the company, the board of directors and managing director shall provide information at the general meeting in respect of the following:

1. any circumstances which may affect the assessment of a matter on the agenda; and
2. any circumstances which may affect the assessment of the company's financial position.

In a company which is included in a group, the duty to provide information shall apply also to the company's relationship to other group companies. Where the company is a parent company, the duty to provide information shall also apply to the group accounts and such circumstances regarding subsidiaries as specified in the first paragraph.

With respect to public companies, section 57 shall also apply.

Section 33 Where information which has been requested pursuant to section 32 may only be provided on the basis of information which is not available at the general meeting, such information shall be made available to the shareholders in writing at the company's offices within two weeks thereafter and

shall be sent to any shareholder who requests such information.

Information which may result in significant harm to the company

Section 34 Where the board of directors determines that information which has been requested pursuant to section 32 cannot be disclosed to the shareholders without significant harm to the company, the shareholder who requested such information shall be notified thereof immediately.

Where requested by the shareholder within two weeks from the notification pursuant to the first paragraph, the board of directors shall provide the information to the company's auditor. The information shall be provided to the auditor within two weeks of the shareholder's request.

Section 35 In the case referred to in section 34, the auditor shall, within two weeks after the requested information has been provided to him or her, submit a written statement to the board of directors. The statement shall set forth whether, in the auditor's opinion, the information should have resulted in any change to the auditor's report or, where appropriate, the auditor's report for the group, or otherwise gives rise to criticism. In such a case, the change or criticism shall be set forth in the statement.

The board of directors shall make the auditor's statement available to the shareholders at the company's offices and shall send a copy thereof to any shareholder who requests the information.

Shareholders' right to information in companies with not more than ten shareholders

Section 36 In a company with not more than ten shareholders, in addition to the provisions set forth in sections 32-35, each shareholder and proxy or advisor retained by such person shall be afforded an opportunity to review accounts and other documents which relate to the company's operations, to the extent necessary for the shareholder to be able to assess the company's financial position and results or a particular matter which is to be addressed at the general meeting.

The board of directors and the managing director shall also, upon request, assist the shareholder with any investigation necessary for the above-stated purpose and provide necessary copies, where such can be done without unreasonable cost or inconvenience.

The provisions of the first and second paragraphs shall not apply where disclosure to the shareholder of information regarding the company's operations would result in a tangible risk of serious harm to the company.

Voting

Section 37 Voting shall take place upon request by any of the shareholders.

Section 38 Voting which relates to decisions other than elections shall be open, unless the general meeting resolves to hold a ballot.

In the event of a tied vote and where the chairman has a casting vote pursuant to section 40, he or she shall be obliged to disclose the position he or she supports.

Section 39 Elections shall be held through open voting. However, a ballot shall be held where so requested by any person entitled to vote.

With respect to public companies, section 58 shall apply in lieu of the first paragraph, second sentence.

Majority requirement in conjunction with decisions other than elections

Section 40 In matters which do not relate to elections, resolutions shall be adopted by the general meeting by a simple majority of the votes cast. In the event of a tied vote, the chairman shall have the casting vote.

The first paragraph shall not apply where otherwise prescribed by this Act or prescribed by the articles of association. However, in cases referred to in sections 42-45 of this Chapter, Chapter 13, section 2, Chapter 14, section 2, Chapter 15, section 2, Chapter 16, section 8, Chapter 19, sections 18 and 33, Chapter 20, section 5, Chapter 23, section 17, Chapter 24, section 19 and Chapter 26, sections 1 and 6, the articles of association may only prescribe conditions which are more extensive than those set forth in the above-stated provisions.

With respect to public companies, section 59 shall also apply.

Majority requirement in elections

Section 41 In an election, the person who receives the most votes shall be deemed elected. In the event of a tied vote, the election shall be determined by the drawing of lots, unless the general meeting decides prior to the election that a new vote shall be held in the event of a tied vote.

The first paragraph shall not apply where otherwise prescribed in the articles of association. The articles of association may not, however, prescribe that a valid election requires more votes than stated in the first paragraph.

Majority requirement for resolutions to alter the articles of association

Section 42 Unless otherwise prescribed in sections 43-45, a resolution regarding alteration of the articles of association shall be valid where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the general meeting.

Section 43 Resolutions on the following matters regarding alterations of the articles of association shall be valid only where supported by all of the shareholders present at the general meeting where such together represent not less than nine-tenths of all shares in the company, namely where the resolution, with respect to already issued shares, entails:

1. a reduction of the shareholders' rights to the

- company's profits or other assets through a provision pursuant to Chapter 3, section 3;
2. restrictions on the right to transfer or acquire shares in the company through a clause pursuant to Chapter 4, sections 8, 18 or 27; or
3. changes in the legal relationship between shares.

Section 44 Resolutions on the following matters regarding alterations of the articles of association shall be valid only where supported by shareholders with not less than two-thirds of the votes cast and nine-tenths of the shares represented at the general meeting, namely where the resolution entails that:

1. the number of shares in respect of which shareholders may vote at the general meeting shall be limited;
2. the net profit for the financial year, following deductions to cover losses brought forward, shall partly be allocated to a restricted reserve; or
3. utilisation of the company's profits or retained assets upon dissolution of the company shall be limited in a manner other than as set forth in section 43, point 1 or sub-paragraph 2 of this section.

Section 45 In the following cases, a resolution regarding such an alteration of the articles of association as referred to in sections 43 and 44 shall, notwithstanding the provisions therein, be valid where supported by shareholders with not less than two-thirds of both the votes cast and the shares represented at the general meeting, namely where:

1. such alteration prejudicially affects the rights carried by only a certain share or shares and all the owners of such shares who are present at the meeting and who together represent not less than nine-tenths of all shares whose rights are prejudicially affected consent to the alteration; or
2. such alteration prejudicially affects only the rights of an entire class of shares and the owners of one-half of all shares of such class and nine-tenths of the shares of such class represented at the meeting consent to the alteration.

Conflicts of interest

Section 46 A shareholder may not, in person or through a proxy, vote in respect of the following matters:

1. legal proceedings against him or her;
2. his or her discharge from liability in damages or other obligations towards the company; or
3. legal proceedings or a discharge as referred to in points 1 and 2 in respect of another person, where the shareholder in question possesses a material interest which may conflict with the interests of the company.

The provisions of the first paragraph in respect of shareholders shall also apply to shareholders' proxies.

General restrictions on the right of decision-making of the general meeting

Section 47 The general meeting may not adopt any resolution which is likely to provide an undue advantage to a shareholder or another person to the disadvantage of the company or another shareholder.

Minutes of general meetings

Section 48 The chairman shall ensure that minutes are kept at the general meeting.

The minutes shall record the date and place of the general meeting as well as any resolutions adopted by the general meeting. Where a resolution has been adopted through voting, the minutes shall record the motions presented and the results of the voting. The voting register shall be incorporated in, or appended to, the minutes.

The minutes shall be signed by the keeper of the minutes. The minutes shall be attested by the chairman of the meeting, where the chairman has not kept the minutes, and by at least one person appointed by the general meeting to attest the minutes. Where the company's board of directors consists of a single director who owns all of the shares in the company, the minutes need not be attested.

Section 49 The minutes shall be available to the shareholders at the offices of the company not later than two weeks after the general meeting. A copy of the minutes shall be sent to those shareholders who so request and who state their postal address.

The minutes shall be stored in a secure manner.

Proceedings against resolutions adopted at general meetings

Section 50 In the event a resolution of a general meeting has not been adopted in due order or otherwise contravenes this Act, the applicable annual reports legislation or the articles of association, a shareholder, the board of directors, a member of the board of directors or the managing director may bring proceedings against the company before a court of general jurisdiction in order to set aside or amend the resolution. Such proceedings may also be brought by a person whom the board of directors has unduly refused to enter as a shareholder in the share register.

Section 51 Proceedings pursuant to section 50 must be commenced within three months from the date of the resolution. Where proceedings are not commenced within such period, the right to commence such proceedings shall be forfeited.

Proceedings may be commenced at a time later than set forth in the first paragraph, provided:

1. the resolution is such that it cannot be adopted notwithstanding the unanimous consent of all shareholders;
2. consent to the resolution is required of all or certain shareholders and no such consent has been granted; or
3. notice to attend the general meeting has not

been given or significant parts of the provisions governing notice to attend the general meeting have not been complied with.

The provisions of the second paragraph in respect of the time for commencement of proceedings shall not apply in circumstances referred to in Chapter 23, section 36, first paragraph and Chapter 24, section 30, first paragraph.

Section 52 Where a resolution of the general meeting is set aside or amended through a judgment, the judgment shall also apply to the shareholders who did not join in the proceedings.

The court may amend the general meeting's resolution only where it is possible to determine the content which the resolution should duly have had.

Proceedings by the board of directors against the company

Section 53 Where the board of directors wishes to commence proceedings against the company, a general meeting shall be convened for the election of a representative to act on behalf of the company in the proceedings. Service of process shall be made on the representative so elected.

Arbitration proceedings

Section 54 A clause in the articles of association to the effect that a dispute between the company and the board of directors, a member of the board of directors, the managing director, a liquidator or a shareholder shall be determined by one or more arbitrators shall have the same force as an arbitration agreement.

Where the board of directors makes a request for arbitration against the company, section 53 shall apply. With respect to proceedings pursuant to section 50 which are brought by the board of directors against a resolution adopted by the general meeting, locus standi shall not be forfeited pursuant to section 51, first paragraph provided the board of directors, within the period of time stated therein, has convened a general meeting pursuant to section 53.

With respect to public companies, section 60 shall also apply.

Special provisions regarding public companies

Presence of third parties at general meetings

Section 55 In a public company, a resolution pursuant to section 6, first paragraph shall be adopted in compliance with the provisions of section 40, first paragraph.

Mode of notice to attend general meetings

Section 56 In a public company, in addition to the provisions of section 23, notice to attend a general meeting shall always take place through an announcement in Post- och Inrikes Tidningar and not less than one national daily newspaper stated in the articles of association.

The board of directors and managing director's duty to provide information

Section 57 In a public company, the board of directors and the managing director shall be obliged to provide information pursuant to section 32, first paragraph, point 2 only at a general meeting at which the annual report or, where applicable, the group accounts are addressed.

Voting

Section 58 In a public company, voting with respect to elections shall take place by ballot only where the general meeting resolves thereon.

Majority requirement

Section 59 With respect to resolutions to remove a member of the board of directors appointed by the general meeting, the articles of association of a public company may not contain provisions which are more extensive than those stated in section 40, first paragraph.

Responsibility for compensation to arbitrators

Section 60 Where the company is a public company, in the event of arbitration pursuant to section 54, the company shall be responsible for the compensation to the arbitrators. Upon special cause, the arbitrators may, however, upon request by the company order that the company's opposing party in the proceedings shall, in whole or in part, compensate the company for its costs.

Chapter 8. Management of the company

The board of directors

Section 1 A company shall have a board of directors comprising one or more members. Chapter 3, section 1, first paragraph provides that the number of members of the board of directors or the minimum or maximum number of board members shall be stated in the articles of association.

With respect to public companies, section 46 shall also apply.

Section 2 Provisions governing employee representatives on the board of directors are set forth in the Private Sector Employees (Board Representation) Act (*SFS 1987:1245*). Unless otherwise stated in that Act or prescribed in this Act, upon the application of this Act employee representatives shall be equated with members of the board of directors.

Alternate members of the board of directors

Section 3 Alternates may be appointed for board members. Where the board of directors has less than three members, there shall be at least one alternate. Chapter 3, section 1, first paragraph provides that the number of alternate members or the minimum or maximum number of alternate members shall be stated in the articles of association.

The provisions of this Act regarding members of the board of directors shall apply, where relevant, also to alternate members.

Duties of the board of directors

Principal duties

Section 4 The board of directors is responsible for the organisation of the company and the management of the company's affairs.

The board of directors shall regularly assess the company's financial position and, where the company is the parent company in a group, the group's financial position.

The board of directors shall ensure that the company's organisation is structured in such a manner that accounting, management of funds, and the company's finances in general are monitored in a satisfactory manner.

Where certain duties are delegated to one or more members of the board of directors or to other persons, the board of directors shall act with care and regularly monitor that the delegation can be maintained.

Instructions regarding reporting to the board of directors

Section 5 The board of directors shall issue written instructions regarding when and the manner in which such information as is required for the board of directors' assessment pursuant to section 4, second paragraph shall be compiled and reported to the board of directors. However, instructions need not be issued where, taking into consideration the company's limited size and operations, such instructions would be irrelevant to the reporting to the board of directors.

Rules of procedure

Section 6 The board of directors shall each year adopt written rules of procedures governing its work. The rules of procedures shall set forth the manner in which the work, where applicable, shall be allocated among the members of the board of directors, the frequency of meetings of the board of directors, and the extent to which alternate members shall participate in the work of the board of directors and receive notice to attend meetings of the board of directors.

The provisions of the first paragraph shall not apply where the company's board of directors comprises a sole member.

Instructions regarding allocation of work between company organs

Section 7 The board of directors shall, in written instructions, state the allocation of work between the board of directors, on the one hand, and the managing director and other organs established by the board of directors, on the other.

Manner of appointment of the board of directors

Section 8 The board of directors shall be appointed by the general meeting. The articles of association

may prescribe that one or more members of the board of directors shall be appointed in another manner. The right to appoint members of the board of directors may not be delegated to the board of directors or to a member of the board of directors.

With respect to public companies, sections 47 and 48 shall also apply.

Residency requirement

Section 9 Not less than one-half of the members of the board of directors shall be resident within the European Economic Area, unless otherwise permitted in an individual case by the Swedish Companies Registration Office.

Impediments to serving as a board member

Section 10 A legal person may not be a member of the board of directors.

Section 11 A minor or a bankrupt or a person for whom a guardian has been appointed pursuant to Chapter 11, section 7 of the Code on Parents, Guardians and Children may not serve as a member of a board of directors. The aforesaid shall also apply to a person subject to a ban on trading pursuant to section 6 of the Trading Prohibition Act (SFS 1986:436).

Section 12 A person who does not intend to participate in the activities incumbent on the board of directors pursuant to this Act may not, without acceptable reason, be appointed to the board of directors.

Term of office of members of the board of directors

Section 13 An appointment as a member of the board of directors shall apply until the close of the first annual general meeting held after the year in which the board member was appointed. However, changes in the composition of the board of directors shall only take effect commencing the date on which notification of the change has been received by the Swedish Companies Registration Office or from such later date as stated in the decision on which the notification is based.

The articles of association may prescribe that an appointment as board member shall apply for a longer period of time than stated in the first paragraph, first sentence. The appointment shall, however, terminate not later than the close of the annual general meeting which is held in the fourth financial year after the financial year in which the board member was appointed.

Early resignation of a member of the board of directors

Section 14 An appointment as board member shall terminate prematurely where the board member or the party which appointed him or her gives notice that the appointment shall terminate. Notice shall be given to the board of directors. Where a board member not

elected by the general meeting wishes to resign, notice shall also be given to the party which has appointed him or her.

The provisions of section 13, first paragraph, second sentence shall govern the effect of the resignation of a member of the board of directors.

Section 15 Where a board member's appointment terminates prematurely or where the provisions of section 11 prevent him or her from serving as a member of the board of directors and there is no alternate member available to replace him or her, the other members of the board of directors shall take measures to appoint a new member of the board of directors for the remainder of the term. Such measures need not, however, be taken where the outgoing board member was an employee representative. Where the board member is to be elected by the general meeting, the election may be deferred until the next annual general meeting, provided the board of directors is quorate with the remaining members and alternate members.

Court decisions regarding a replacement for a member of the board of directors

Section 16 In the event a member of the board of directors who, pursuant to the articles of association, is to be appointed in a manner other than by election by the general meeting, is not appointed, a court of general jurisdiction shall appoint a replacement pursuant to an application. An application may be submitted by a member of the board of directors, a shareholder, a creditor, or any other person whose rights may be dependent on there being some person who can represent the company.

The chairman of the board of directors

Section 17 Where a board of directors consists of more than one member, one of the members shall serve as chairman. The chairman shall preside over the work of the board of directors and monitor that the board performs the duties set forth in sections 4-7.

Unless otherwise prescribed in the articles of association or resolved upon by the general meeting, the board of directors shall elect its chairman. In the event of a tied vote, the election shall be determined through the drawing of lots.

With respect to public companies, section 49 shall also apply.

Meetings of the board of directors

Section 18 The chairman of the board of directors shall ensure that meetings are held when necessary. Meetings of the board of directors shall always be convened where so requested by a board member or the managing director.

Section 19 The managing director shall be entitled to be present and speak at meetings of the board of directors, unless otherwise decided by the board of directors in any specific case.

Section 20 Where a member of the board of directors is unable to attend a meeting and there is an

alternate to serve in his or her stead, such alternate member shall be afforded the opportunity to do so.

Alternate members for employee representatives who have been appointed pursuant to the Private Sector Employees (Board Representation) Act (*SFS 1987:1245*) shall at all times receive information and be afforded an opportunity to participate in the business of the board of directors in the same manner as members of the board of directors.

Quorum of the board of directors

Section 21 The board of directors is quorate where more than one-half of the total number of board members or a higher number as prescribed in the articles of association is present. When determining whether the board is quorate, board members who have a conflict of interest as specified in section 23 shall not be deemed to be present.

Resolutions may not be adopted in a matter unless all the board members, where possible, have:

1. been afforded an opportunity to participate in the handling of the matter; and
2. received satisfactory information in order to reach a decision in the matter.

Majority requirement in conjunction with board decisions

Section 22 Unless the articles of association prescribe a specific voting majority, resolutions of the board of directors shall be adopted by a simple majority of the members present. In the event of a tied vote, the chairman shall have the casting vote. However, where not all the members of the board are present, those members who vote in favour of a resolution must constitute more than one-third of the total number of board members, unless otherwise prescribed in the articles of association.

Conflicts of interest of members of the board of directors

Section 23 A member of the board of directors may not participate in a matter regarding:

an agreement between the board member and the company;

1. an agreement between the company and a third party, where the board member in question has a material interest which may conflict with the interests of the company; or
2. an agreement between the company and a legal person which the board member is entitled to represent, whether alone or together with another person.

The provisions of the first paragraph shall not apply where the board member owns all of the shares in the company, whether directly or indirectly through a legal person. Nor shall the provisions of the first paragraph, point 3 apply where the party contracting with the company is an undertaking in the same group or in a group of undertakings of a corresponding nature.

Litigation or other legal proceedings shall be equated with agreements referred to in the first paragraph.

Minutes of meetings of the board of directors

Section 24 Minutes shall be taken at meetings of the board of directors. A notation shall be made in the minutes of the resolutions adopted by the board of directors.

The minutes shall be signed by the keeper of the minutes. They shall be attested by the chairman of the board of directors, in the event the chairman did not take the minutes. Where the board of directors comprises several members, the minutes shall also be attested by a member designated by the board of directors.

The members of the board of directors and the managing director are entitled to have dissenting opinions recorded in the minutes.

Section 25 Where a company has a sole shareholder, all agreements between the shareholder and the company which do not relate to day-to-day business transactions subject to customary terms and conditions shall be recorded in, or appended to, the minutes of the meeting of the board of directors.

Section 26 Minutes of meetings of the board of directors shall be maintained in numerical order and stored in a satisfactory manner.

Managing director

Section 27 The board of directors may appoint a managing director to perform the duties stated in section 29.

With respect to public companies, section 50 shall also apply.

Deputy managing director

Section 28 Where the company has a managing director, the board of directors may appoint one or more deputy managing directors. The provisions of this Act regarding managing directors shall apply, where relevant, also to deputy managing directors.

Where the board of directors has appointed several deputy managing directors, the board of directors shall issue written instructions regarding the order, *inter se*, in which the deputy managing directors shall act in the managing director's stead.

Duties of the managing director

Section 29 The managing director shall attend to the day-to-day management of the company pursuant to guidelines and instructions issued by the board of directors.

In addition, the managing director may, without authorisation by the board of directors, take measures which, in light of the scope and nature of the company's operations, are of an unusual nature or of great significance, provided a decision by the board of directors cannot be awaited without significant prejudice to the company's operations. In such cases,

the board of directors shall be notified as soon as possible of any measures taken.

The managing director shall take any measures necessary to ensure that the company's accounts are maintained pursuant to law and that the management of funds is conducted in a sound manner.

Residency requirement for the managing director

Section 30 The managing director shall be resident within the European Economic Area, unless otherwise permitted in any individual case by the Swedish Companies Registration Office.

Disqualification from serving as managing director

Section 31 A minor or a bankrupt or a person for whom a guardian has been appointed pursuant to Chapter 11, section 7 of the Code on Parents, Guardians and Children may not serve as managing director. The aforesaid shall also apply to a person subject to a ban on trading pursuant to section 6 of the Trading Prohibition Act (SFS 1986:436).

Section 32 A person who does not intend to participate in such activities as are incumbent on the managing director pursuant to this Act may not be appointed as managing director.

Term of office of the managing director

Section 33 A decision to appoint a managing director of a company as well as a decision regarding the managing director's resignation or removal shall take effect from the date on which notification regarding registration is received by the Swedish Companies Registration Office or such later date as stated in the decision.

Managing director's conflict of interests

Section 34 A managing director may not participate in a matter regarding:

1. an agreement between the managing director and the company;
2. an agreement between the company and a third party, where the managing director in question has a material interest which may conflict with the interests of the company; or
3. an agreement between the company and a legal person which the managing director is entitled to represent, whether alone or together with another person.

The provisions of the first paragraph shall not apply where the managing director owns all of the shares in the company, whether directly or indirectly through a legal person. Nor shall the provisions of the first paragraph, point 3 apply where the party contracting with the company is an undertaking in the same group or in a group of undertakings of a corresponding nature.

Litigation or other legal proceedings shall be equated with such agreements as referred to in the first paragraph.

The board of directors as the company's representative

Section 35 The board of directors represents the company and signs its name.

Documents which, pursuant to this Act, must be signed by the board of directors shall be signed by not less than one-half of the total number of board members.

The managing director as representative of the company

Section 36 The managing director may at all times represent the company and sign its name regarding duties which he or she is obliged to carry out pursuant to section 29.

Special company signatory

Section 37 The board of directors may authorise a board member, the managing director or any other person to represent the company and sign its name (*special company signatory*).

At least one of the persons authorised to represent the company and sign its name shall be resident within the European Economic Area, unless the Swedish Companies Registration Office otherwise permits in a particular case. The provisions of sections 31, 32 and 34 shall otherwise apply to an authorised signatory who is not a board member or managing director.

The board of directors may at any time revoke authorisation referred to in the first paragraph.

The articles of association may prescribe that the board of directors may not grant such authorisation as referred to in the first paragraph or that such authorisation may be granted only subject to specified conditions.

Section 38 Authorisation as referred to in section 37 or a revocation of such authorisation shall be effective from the date on which notification of the authorisation or revocation is received by the Swedish Companies Registration Office or such later date as stated in the authorisation or the decision regarding revocation.

Restrictions on the authority of authorised signatories

Section 39 The board of directors may prescribe that the right to represent the company and sign its name may be exercised only by two or more persons acting jointly. No other restrictions on an authorised signatory's right to sign the company's name may be registered.

Agent for service of process

Section 40 In the event the company has no authorised representative who is resident in Sweden, the board of directors shall authorise a person who is resident in Sweden to act as agent for service of process on behalf of the company (*special agent for service of process*). Such authorisation may not be

granted to any person who is a minor or for whom a guardian has been appointed pursuant to *Chapter 11, section 7* of the Code on Parents, Guardians and Children.

General restrictions on the authority of representatives of the company

Section 41 The board of directors or any other representative of the company may not perform legal acts or any other measures which are likely to provide an undue advantage to a shareholder or another person to the disadvantage of the company or any other shareholder.

Nor may a representative of the company comply with instructions from the general meeting or any other company organ where such instruction is void as being in violation of this Act, the applicable annual reports legislation or the articles of association.

Ultra vires acts

Section 42 In the event the board of directors or a special company signatory has performed a legal act on behalf of the company and thereupon acted in violation of the provisions of this Act regarding the authority of company organs, such legal act shall not be enforceable against the company. The aforesaid shall also apply where a managing director, in the performance of a legal act, has exceeded his or her authority pursuant to section 29 and the company proves that the other party realised or should have realised that such authority was exceeded.

Nor shall a legal act be enforceable against the company where the board of directors, the managing director, or a special company signatory has exceeded its, his or her authority and the company proves that the other party realised or should have realised that such authority was exceeded. The aforesaid shall not apply, however, where the board of directors or the managing director has violated a provision regarding the objects of the company or other provisions set forth in the articles of association or other regulations contained in the articles of association or issued by another company organ.

Registration

Section 43 The company shall give notice of the following information for registration in the Companies Register:

1. the company's postal address;
2. the names of persons appointed as board members, alternate board members, the chairman of the board of directors, managing director, deputy managing director and special agent for service of process;
3. the names of persons who are authorised to sign the company name and the manner in which the company name may be signed.

The notification shall contain information regarding the postal addresses of the persons stated in the first paragraph, points 2 and 3. In the event the postal

address differs from the person's domicile, the domicile shall also be stated. In addition, the notification shall contain information regarding the personal identification numbers of the persons specified or, in the absence of such numbers, the dates of birth. Where a member or an alternate member of the board of directors has been appointed pursuant to the Private Sector Employees (Board Representation) Act (*SFS 1987:1245*), notice thereof shall be stated.

A person to whom the notification applies shall also be entitled to submit a notification pursuant to the first paragraph. A person who has been appointed to such a position as referred to in the first paragraph, point 2 shall also be entitled to give notice of the resignation of his or her predecessor.

Section 44 Notification pursuant to section 43 shall be given the first time when an application for registration of the company has been made pursuant to Chapter 2, section 22 and thereafter immediately following each change in a circumstance which has been, or must be, notified for registration.

Notification of shareholdings

Section 45 A member of the board of directors and a managing director shall, upon assuming office, notify the company of their holdings of shares in the company and in other companies within the same group, unless such has taken place prior thereto. Changes in the shareholding shall be notified within one month. The notified information shall be entered in the share register.

The provisions of the first paragraph shall not apply insofar as the board member or the managing director is subject to a notification obligation pursuant to the Notification Obligation (Holdings of Financial Instruments) Act (*SFS 2000:1087*).

Special provisions regarding public companies

Number of members of the board of directors

Section 46 In a public company, the board of directors shall comprise not less than three members.

The party appointing board members

Section 47 In a public company, more than one-half of the members of the board of directors shall be appointed by the general meeting.

Information prior to board elections

Section 48 In a public company, prior to a board election the chairman of the board of directors shall provide the general meeting with information regarding the positions in other companies held by the person to whom the election relates.

Special provisions regarding the chairman of the board of directors

Section 49 In a public company, the chairman of the board of directors may not be the managing director of the company.

Managing director

Section 50 In a public company, there shall at all times be a managing director who shall perform the duties stated in section 29.

Chapter 9. Audits

Number of auditors

Section 1 A company shall have at least one auditor. Chapter 3, section 1, first paragraph prescribes that the number of auditors or the minimum or maximum number of auditors shall be stated in the articles of association.

Alternate auditors

Section 2 One or more alternates may be appointed for an auditor.

The provisions of this Act regarding auditors shall apply, where relevant, also to alternate auditors.

The auditor's duties

Section 3 The auditor shall examine the company's annual report and accounts as well as the management by the board of directors and the managing director. The audit shall be as detailed and extensive as required by generally accepted auditing standards.

Where the company is a parent company, the auditor shall also examine the group accounts, where such have been prepared, as well as the relationship *inter se* of group companies.

Section 4 The auditor shall comply with any instructions issued by the general meeting, provided such do not violate any applicable law, the articles of association, or generally accepted auditing standards.

Section 5 The auditor shall submit an auditor's report to the general meeting after each financial year. Provisions regarding the content of the report and the time at which such shall be submitted to the board of directors are set forth in sections 28-36.

Where the company is a parent company which is obliged to prepare group accounts, the auditor shall also provide an auditor's report for the group pursuant to the provisions of section 38.

Section 6 In conjunction with the audit, the auditor shall provide the board of directors and the managing director with any criticisms and observations required by generally accepted auditing standards. Provisions regarding criticisms are set forth in section 39.

Provision of information, etc.

Section 7 The board of directors and the managing director shall afford the auditor the opportunity to conduct the audit to the extent the auditor deems necessary. They shall provide any information or assistance requested by the auditor.

The board of directors, the managing director and the auditor of a subsidiary shall have the same obligations towards the auditor of the parent company.

Procedure for the appointment of an auditor

Section 8 An auditor shall be elected by the general meeting.

However, where the company shall have several auditors, the articles of association may prescribe that one or more of them, but not all, shall be appointed in a manner other than through election at the general meeting.

In a company as referred to in section 2, point 4 of the Audit (State Activities) Act (SFS 2002:1022), the National Audit Office may appoint one or more auditors to participate in the audit together with other auditors.

Sections 9, 25 and 26 contain provisions regarding the appointment of an auditor in certain cases by the County Administrative Board.

Minority shareholders' auditor

Section 9 A shareholder may propose that an auditor appointed by the County Administrative Board shall participate in the audit together with other auditors.

The proposal shall be submitted to a general meeting at which the election of auditors is to take place or at which a proposal set forth in the notice to attend the general meeting is to be addressed. Where the proposal is supported by owners of at least one-tenth of all shares in the company or at least one-third of the shares represented at the meeting and any shareholder so requests from the County Administrative Board, the County Administrative Board shall appoint an auditor.

Prior to appointing an auditor, the County Administrative Board shall afford the board of directors of the company an opportunity to comment. The decision shall relate to the period of time up to and including the next annual general meeting.

Grounds for disqualification

Section 10 Persons who are bankrupt or subject to a ban on trading or for whom a guardian has been appointed pursuant to *Chapter 11, section 7* of the Code on Parents, Guardians and Children may not service as auditors.

Competence requirement

Section 11 An auditor shall possess the knowledge and experience of accounting and finance which, taking into account the nature and scope of the company's operations, are required for the performance of the engagement.

Section 12 Only an authorised public accountant or approved public accountant may serve as auditor.

Provisions regarding authorised public accountants and approved public accounts are set forth in the Accountants Act (*SFS 2001:883*).

Section 13 At least one of the auditors appointed by the general meeting shall be an authorised public accountant or approved public accountant with an examination of professional competence, where:

- the net value of the assets according to adopted balance sheets for the two most recent financial years exceeds an amount equivalent to 1,000 times the price base amount pursuant to the National Insurance Act (*SFS 1962:381*) applicable at the end of each financial year;
1. the average number of employees of the company during the two most recent financial years has exceeded 200; or
 2. the company's shares, warrants or debentures are listed on an exchange, an authorised marketplace or other regulated market.

Section 14 The provisions of section 13 shall also apply to a parent company in a group where:

1. the net value of the assets of group undertakings according to adopted consolidated balance sheets for the two most recent financial years exceeds the limit stated in section 13, point 1;
2. the average number of group employees of group undertakings during the two most recent financial years has exceeded 200; or
3. the parent company does not prepare any group accounts and the net value of the assets of group undertakings, according to adopted balance sheets for the group undertakings' two most recent financial years, exceeds on the parent company's balance sheet date, the amount stated in section 13, point 1.

Section 15 The Swedish Companies Registration Office may, in respect of a company which is covered by the provisions of section 13, points 1 or 2 or section 14, decide that the company may appoint a specific approved public accountant instead of an authorised public accountant or an approved public accountant with an examination of professional competence. Such a decision shall be valid for a period of not more than five years.

Section 16 In companies other than those specified in sections 13 and 14, an authorised public accountant or an approved public accountant with an examination of professional competence shall be appointed as auditor where owners of at least one-tenth of all shares in the company so demand at the general meeting at which the election of auditors is to take place.

Conflicts of interest

Section 17 A person may not be an auditor where he or she:

1. owns shares in the company or another company within the same group;
2. is a member of the board of directors or managing director of the company or its subsidiary or assists in the company's accounting or funds management or the company's monitoring thereof;
3. is employed by, or otherwise holds a subordinate or dependent position to, the company or any person specified in point 2;

4. is employed in the same undertaking as a person who professionally assists the company in maintaining its books of prime entry or funds management or the company's monitoring thereof;
5. is married to or cohabitates with, or is a sibling or relative in directly ascending or descending relation of, a person specified in point 2;
6. is related by marriage to a person specified in point 2 in directly ascending or descending relation or such that either person is married to a sibling of the other; or
7. is indebted to the company or another company within the same group or has incurred an obligation for which such company has provided security.

A person who, pursuant to the first paragraph, is not authorised to serve as an auditor of a parent company may also not serve as an auditor of its subsidiary.

Section 18 An auditor may not, in the performance of an audit, retain the services of a person who is not qualified to be an auditor pursuant to section 17. Where, however, the company or its parent company has employees whose sole or primary duties are to attend to the internal audit, the auditor may rely on such employees in conjunction with the audit to the extent compatible with generally accepted auditing standards.

Accounting firms

Section 19 A registered accounting firm may also be appointed as auditor.

Provisions in respect of persons who may serve as auditor-in-charge for the audit when an accounting firm is appointed as auditor as well as notification obligations are set forth in section 17 of the Accountants Act (*SFS 2001:883*). The following provisions of this Chapter shall apply to the auditor-in-charge:

- Sections 17 and 18 regarding conflicts of interest;
- Section 40 regarding presence at general meetings;
- and
- Sections 47 and 48 regarding registration.

Auditors of subsidiaries

Section 20 At least one of the auditors of a subsidiary should also be an auditor of the parent company.

Term of office of the auditor

Section 21 The appointment as auditor shall apply until the close of the general meeting which is held during the fourth financial year after the election of the auditor.

Where the same auditor is reappointed upon expiry of the period pursuant to the first paragraph, the party appointing the auditor may determine that the appointment shall apply until the close of the annual general

meeting held during the third financial year after the appointment of the auditor.

In those cases referred to in section 24, a new auditor may be appointed for the remainder of the term of office of the previous auditor.

Early resignation

Section 22 An appointment as auditor shall terminate prematurely where the auditor or the party which appointed the auditor gives notice that the appointment shall terminate. Notice shall be given to the board of directors. Where an auditor who was not elected at the general meeting wishes to resign, the auditor shall also give notice thereof to the party that appointed him or her.

Section 23 An auditor whose appointment terminates prematurely shall immediately give notice thereof for registration in the Companies Register. He or she shall submit a copy of the notice to the company's board of directors.

The auditor shall, in such notice, provide a report of his or her findings during the course of the audit carried out by him or her during the part of the current financial year covered by the appointment. The provisions of section 33, second paragraph, and sections 34 and 35 regarding auditors' reports shall apply to the notice.

Section 24 Where an auditor's appointment terminates prematurely or where the provisions of sections 10-17 or the provisions of the articles of association prevent him or her from serving as auditor and where no alternate auditor has been appointed, the board of directors shall cause a new auditor to be appointed.

Appointment of auditors by the County Administrative Board

Section 25 Following an application, the County Administrative Board shall appoint an auditor where:

1. an authorised public accountant or approved public accountant has not been appointed pursuant to sections 12-15;
2. the auditor is not qualified pursuant to sections 10 or 17 and there is no qualified alternate auditor; or
3. a provision of the articles of association regarding the number of auditors or the auditor's qualifications has not been complied with.

An application pursuant to the first paragraph may be filed by any person. The board of directors is obliged to submit an application unless a new auditor is appointed as soon as possible through a party which, pursuant to section 8, is entitled to appoint an auditor.

Section 26 Where, notwithstanding a request pursuant to section 16, the general meeting has failed to appoint an authorised public accountant or an approved public accountant with an examination of professional competence and where any shareholder

files a request with the County Administrative Board within one month from the date of the general meeting, the County Administrative Board shall appoint such an auditor.

Section 27 The County Administrative Board shall afford the company's board of directors an opportunity to express its views before the County Administrative Board takes a decision in a matter pursuant to sections 25 or 26. The appointment shall be for a term of office until another auditor has been appointed in the prescribed manner.

In conjunction with an appointment pursuant to section 25, first paragraph, point 2, the County Administrative Board shall dismiss the unqualified auditor.

The auditor's report

Section 28 The auditor's report shall be presented to the company's board of directors not later than three weeks prior to the annual general meeting.

In the annual report, the auditor shall provide a reference to the auditor's report.

Section 29 The introduction to the auditor's report shall contain information concerning:

1. the company's name and company number;
2. the financial period covered by the auditor's report; and
3. the system or systems of standards for reporting applied by the company.

The auditor's report must be signed by the auditor and contain information regarding the day on which the audit was completed.

Section 30 The auditor's report shall state the audit system or systems of standards applied by the auditor.

Where applicable, the auditor's report shall also state:

1. whether the auditor's opinion as regards a matter addressed in the auditor's report differs from that of the board of directors or another auditor;
2. whether the focus or scope of the audit is limited; or
3. whether the auditor considers that he or she lacks a sufficient basis to make any statement pursuant to sections 31- 33.

Section 31 The auditor's report shall contain a statement concerning whether the annual report has been prepared in accordance with the applicable annual reports legislation. The statement shall specifically state:

1. whether the annual report provides a true and fair representation of the company's results and financial position; and
- whether the administration report is consistent with the other parts of the annual report.

Where the annual report does not contain such information as must be provided pursuant to the applicable annual reports legislation, the auditor shall state such fact and, where possible, provide any necessary information in his or her report.

Section 32 The auditor's report shall contain statements regarding whether:

1. the general meeting should adopt the balance sheet and the profit and loss account;
2. the general meeting should resolve to allocate the company's profits or losses according to the proposal in the administration report; and
3. the board of directors and the managing director, where applicable, have prepared a schedule pursuant to Chapter 21, section 10 regarding certain loans and security.

In the event the auditor is of the opinion that the balance sheet or the profit and loss account should not be adopted, he or she shall enter such a notation in the annual report.

Section 33 The auditor's report shall contain a statement concerning whether the members of the board of directors and the managing director should be granted discharge from liability vis-à-vis the company.

Where the auditor, in the course of his or her audit, becomes aware of any acts or omissions by any member of the board of directors or the managing director which may give rise to liability, such fact shall be noted in the auditor's report. The aforesaid shall also apply where the auditor, in the course of the audit, finds that a member of the board of directors or the managing director has otherwise acted in contravention of this Act, the applicable annual reports legislation, or the articles of association.

Section 34 In the auditor's report, the auditor shall note whether he or she has found that the company has failed to perform its obligations:

1. to make deductions for taxes pursuant to the Tax Payments Act (SFS 1997:483);
2. to apply for registration pursuant to Chapter 3, section 2 of the Tax Payments Act;
3. to file tax returns pursuant to Chapter 10, sections 9, 9a or 10 of the Tax Payments Act; or
4. to make timely payment of taxes and fees as specified in Chapter 1, sections 1 and 2 of the Tax Payments Act.

Section 35 In addition to the information prescribed in sections 29-34, an auditor may also include in the auditor's report information which he or she believes should be brought to the attention of the shareholders. In the event the annual report contains details which are material to such information, the auditor shall refer to the details.

Section 36 Where a previous auditor has provided notification pursuant to section 23, a copy of the notification shall be appended to the auditor's report.

Section 37 The auditor shall immediately submit a copy of the auditor's report to the Swedish Tax Agency in the event the auditor's report contains:

1. notations pursuant to section 33, second paragraph; or
2. declarations that:
 - the annual report has not been prepared

pursuant to the applicable annual reports legislation;

- such information as must be provided pursuant to the applicable annual reports legislation has not been provided;
- the members of the board of directors or the managing director should not be granted discharge from liability vis-à-vis the company; or
- the company has failed to perform an obligation as referred to in section 34, points 1-3.

Auditor's report for the group

Section 38 With respect to the auditor's report for the group, section 28, first paragraph regarding the time for the submission of the auditor's report as well as section 29, first paragraph, point 2 and second paragraph, sections 30 and 31, section 32, first paragraph, point 1, and sections 35 and 36 regarding the contents of the auditor's report shall apply.

The introduction to the auditor's report for the group shall contain information regarding the parent company's name and company number as well as the system or systems of standards for group accounts that the parent company has applied.

In the group accounts, a reference shall be made to the auditor's report for the group. In the event the auditor is of the opinion that the consolidated balance sheet or the consolidated profit and loss account should not be adopted, such fact shall also be noted in the group accounts.

Criticisms

Section 39 Where the auditor has presented a criticism to the board of directors or the managing director, such fact shall be noted in minutes or in another document. The document shall be submitted to the board of directors and stored by the company in a secure manner.

The board of directors shall address the criticism at a meeting of the board of directors. The meeting shall be held within four weeks of the date of the submission of the criticism. In the event the criticism is presented not later than the time of the submission of the auditor's report to the company, a board meeting shall always be held prior to the general meeting at which the auditor's report is presented.

Presence of the auditor at the general meeting

Section 40 The auditor shall be entitled to be present at general meetings. He or she shall be obliged to be present where such may be deemed necessary in light of the matters to be addressed.

The auditor's duty of confidentiality

Section 41 The auditor may not, without due authorisation, disclose to an individual shareholder or any third party such information concerning the company's affairs as learned by the auditor in the

performance of his or her duties, where such disclosure may damage the company.

Measures upon suspicion of criminal acts

Section 42 An auditor shall take the measures stated in sections 43 and 44 where he or she finds that cause exists to suspect that a member of the board of directors or the managing director, within the scope of the company's business, has committed a crime pursuant to any of the following provisions:

1. *Chapter 9, sections 1, 3, 6 a and 9, Chapter 10, sections 1, 3, 4 and 5, Chapter 11, sections 1, 2, 4 and 5, Chapter 17, section 7 and Chapter 20, section 2 of the Penal Code; and*
2. *sections 2, 4, 5 and 10 of the Tax Crimes Act (SFS 1971:69).*

Section 43 An auditor who finds that cause exists to suspect the commission of a crime as referred to in section 42 shall, without unreasonable delay, notify the board of directors of his or her observations. However, where the auditor finds that suspicion of the commission of a crime should cause him or her to provide information pursuant to section 9 of the Measures against Money Laundering Act (SFS 1993:768), the time limit specified in section 11, second paragraph of the aforesaid Act shall be complied with.

However, no notification need be given where it may be assumed that the board of directors would not take any preventative measures as a consequence of the notification or where, for any other reason, notification appears to be meaningless or to conflict with the purpose of the notification obligation.

Section 44 Not later than four weeks after the board of directors has been notified pursuant to section 43, first paragraph, the auditor shall resign from his or her appointment. Upon notification thereof by the auditor pursuant to section 23, he or she shall, in a separate document to a prosecutor, report his or her suspicion and state the circumstances on which such suspicion is based.

The provisions of the first paragraph regarding resignation and notification shall not apply where:

1. the economic damage from the suspected crime has been compensated and other detrimental consequences of the action have been remedied;
2. the suspected crime has already been reported to the police or prosecutor; or
3. the suspected crime is of minor significance.

In those cases referred to in section 43, second paragraph, where a complaint in respect of the suspected crime has not already been submitted to the police or prosecutor the auditor shall, without unreasonable delay, resign from his or her position and submit such a document as referred to in the first paragraph.

An auditor's duty to provide information to the

general meeting

Section 45 The auditor is obliged to provide the general meeting with any information requested by the general meeting, insofar as such provision does cause material damage to the company.

An auditor's duty to provide information to co-auditors, etc.

Section 46 An auditor shall be obliged to provide a co-auditor, a new auditor, a general examiner, a special examiner and, where the company has been placed into insolvent liquidation, the liquidator, with any information required regarding the company's affairs.

In addition, an auditor shall be obliged, upon request, to provide information regarding the company's affairs to the chief investigating officer in a criminal investigation.

An auditor of a company governed by Chapter 1, section 9 of the Secrecy Act (SFS 1980:100) shall also be obliged, upon request, to provide information regarding the company's affairs to the elected auditors of the municipality or county council.

An auditor of a company in which the State owns all shares shall be obliged, upon request, to provide information regarding the company's affairs to the National Audit Office.

Registration

Section 47 The company shall submit for registration in the Companies Register the name of any person appointed as auditor.

The notification shall contain details of the auditor's postal address. Where the postal address differs from the auditor's domicile, the domicile shall also be stated. In addition, the notification shall contain information regarding the auditor's personal ID number or, in the absence thereof, date of birth. Where the auditor is a registered accounting firm, the notification shall also contain information regarding the firm's registration number and the auditor-in-charge for the audit.

The person to whom the notification relates shall also be entitled to submit an application.

Section 48 An application pursuant to section 47 shall be made for the first time when the company has been notified for registration pursuant Chapter 2, section 22 and thereafter immediately following the occurrence of any change in a circumstance which has been notified or must be notified for registration.

Chapter 10. General and special examinations

General examinations

When a general examiner may be appointed

Section 1 Unless otherwise prescribed in the articles of association, one or more persons (*general*

examiners) may be appointed by a company to conduct such an examination as stated in section 3.

The provisions of this Act regarding auditors shall not apply to general examiners.

Alternate general examiners

Section 2 One or more alternate general examiners may be appointed for each general examiner. The provisions of this Act regarding general examiners shall apply, where relevant, also to alternate general examiners.

Duties of a general examiner

Section 3 The general examiner shall examine whether the company's operations have been conducted in an expedient and, from a financial perspective, satisfactory manner and whether the company's internal controls are sufficient. The examination shall be as detailed and extensive as required by customary practice for this type of examination.

Section 4 The general examiner shall comply with any instructions issued by the general meeting, provided such do not contravene applicable law, the articles of association, or customary practice.

Section 5 The general examiner shall submit an examination report to the general meeting after each financial year. Provisions regarding the content of the report and the time at which such must be submitted to the board of directors are set forth in section 13.

Section 6 The general examiner may not sign such an auditor's report as referred to in Chapter 9, section 5.

Provision of information, etc.

Section 7 The board of directors and the managing director shall afford the general examiner the opportunity to conduct the examination to the extent the general examiner deems necessary. They shall provide any information or assistance as requested by the general examiner.

The board of directors, the managing director, the auditor and the general examiner of a subsidiary shall bear the same obligations towards the general examiner of the parent company.

Procedure for appointment of a general examiner

Section 8 Unless otherwise prescribed in the articles of association, a general examiner shall be appointed by the general meeting.

Grounds for disqualification

Section 9 A person who is a minor or bankrupt or is the subject of a ban on trading or for whom a guardian has been appointed pursuant to *Chapter 11, section 7* of the Code on Parents, Guardians and Children may not serve as a general examiner.

Conflicts of interest

Section 10 A person may not be a general examiner where he or she:
owns shares in the company or another company in

the same group;

1. is a member of the board of directors or managing director of the company or its subsidiary or assists in the company's accounting or funds management or the company's monitoring thereof;
2. is employed by, or otherwise holds a subordinate or dependent position to, the company or any person specified in point 2;
3. is employed in the same undertaking as a person who professionally assists the company in maintaining its books of prime entry or funds management or the company's monitoring thereof;
4. is married to or cohabitates with, or is a sibling or relative in directly ascending or descending relation of, a person specified in point 2;
5. is related by marriage to a person specified in point 2 in directly ascending or descending relation or such that either person is married to a sibling of the other; or
6. is indebted to the company or another company within the same group or has incurred an obligation for which such company has provided security.

A person who, pursuant to the first paragraph, is not authorised to serve as a general examiner of a parent company may also not serve as an auditor of its subsidiary.

Section 11 A general examiner may not, in conjunction with the examination, retain the services of a person who, pursuant to section 10, is not qualified to be a general examiner. Where, however, the company or its parent company has employees whose sole or primary duties are to attend to the internal audit, the general examiner may rely on such employees in conjunction with the examination to the extent compatible with generally accepted standards.

Resignation

Section 12 An appointment as general examiner shall terminate where the general examiner or the party which appointed the general examiner gives notice that the appointment shall terminate. Notice shall be given to the board of directors. Where a general examiner who was not elected at the general meeting wishes to resign, the general examiner shall also give notice thereof to the party that appointed him or her.

The examination report

Section 13 The examination report shall be presented to the company's board of directors not later than three weeks prior to the annual general meeting.

In the examination report, the general examiner shall comment on such circumstances as specified in section 3 and on such circumstances which he or she was obliged to examine pursuant to section 4. Where the general examiner finds cause to criticise any

member of the board of directors or the managing director, he or she shall state such in the report together with information regarding the cause of the criticism.

In the examination report, the general examiner may also provide other information which he or she believes should be brought to the attention of the shareholders.

Section 14 The examination report shall be made available and sent to the shareholders in the manner stated in Chapter 7, section 25 and shall be presented at the annual general meeting.

Where the company's operations are regulated by law or other statutory instrument or where the State, as owner or through the contribution of public funds or by agreement or otherwise manner has a controlling influence over the business, the examination report shall be made available to the general public at the company's offices.

Presence of the general examiner at general meetings

Section 15 The general examiner shall be entitled to be present at general meetings. He or she shall be obliged to be present where such may be deemed necessary in light of the matters to be addressed.

The general examiner's duty of confidentiality

Section 16 The general examiner may not, without due authorisation, disclose to an individual shareholder or any third party such information concerning the company's affairs as learned by the general examiner in the performance of his or her duties, where such disclosure may be prejudicial to the company.

The general examiner's duty to provide information to the general meeting

Section 17 The general examiner shall be obliged to provide the general meeting with any information requested by the general meeting, insofar as such provision is not materially prejudicial to the company.

The general examiner's duty to provide information to auditors, etc.

Section 18 The general examiner shall be obliged to provide the company's auditor, another general examiner, a special examiner and, where the company has been placed into insolvent liquidation, the liquidator, with any necessary information regarding the company's affairs.

In addition, a general examiner shall be obliged, upon request, to provide information regarding the company's affairs to the chief investigating officer in a criminal investigation.

The general examiner of a company governed by Chapter 1, section 9 of the Secrecy Act (SFS 1980:100) shall also be obliged, upon request, to provide information regarding the company's affairs to the elected auditors of the municipality or county council.

Registration

Section 19 The company shall submit for registration in the Companies Register the name of any person appointed as general examiner.

The notification shall contain details of the general examiner's postal address. Where the postal address differs from the general examiner's domicile, the domicile shall also be stated. In addition, the notice shall contain information regarding the general examiner's personal ID number or, in the absence thereof, date of birth.

The person to whom the notification applies shall also be entitled to submit notification.

Section 20 Notification pursuant to section 19 shall be made as soon as the general examiner has been appointed and thereafter immediately upon the occurrence of any change in a circumstance which has been notified or must be notified for registration.

Special examination

Section 21 A shareholder may submit a proposal for an examination through a special examiner. Such an examination may relate to:

1. the company's management and accounts during a specific period of time in the past; or
2. certain measures or circumstances within the company.

Section 22 A proposal pursuant to section 21 shall be submitted at an ordinary general meeting or at the general meeting at which such matter is to be addressed pursuant to the notice to attend the general meeting. Where the proposal is supported by owners of at least one-tenth of all shares in the company or at least one-third of the shares represented at the general meeting, the County Administrative Board shall, upon request by a shareholder, appoint one or more special examiners. The County Administrative Board shall afford the company's board of directors the opportunity to submit its comments prior to the appointment of a special examiner.

The following provisions shall apply in respect of special examiners:

Section 7 regarding the provision of information, etc.;

Section 9 regarding grounds for disqualification;
Sections 10 and 11 regarding conflicts of interest;
Section 15 regarding presence at general meetings;
Section 16 regarding the duty of confidentiality;
Sections 17 and 18 regarding the duty to provide information; and

Chapter 9, section 19 regarding accounting firms.

Section 23 The special examiner shall submit a report regarding his or her examination. The report shall be made available and sent to the shareholders in the manner stated in Chapter 7, section 25 and shall be presented at a general meeting.

A person who is no longer a shareholder but who was included in the voting register prepared for the general meeting at which the issue of the appointment of a special examiner was addressed shall have the

same right as a shareholder to read the report of the special examiner.

Chapter 11. Increase in share capital, issuance of new shares, raising of certain loans, etc.

Increase in share capital and issuance of new shares

The various methods for increasing the share capital

Section 1 The company's share capital may be increased in any of the following ways:

1. An amount is added to the share capital through a bonus issue. Provisions thereon are set forth in Chapter 12;
2. Subscription for new shares in exchange for payment pursuant to a resolution regarding a new issue of shares. Provisions thereon are set forth in Chapter 13.
3. Subscription for new shares in exchange for payment upon the exercise of warrants issued by the company. Provisions thereon are set forth in Chapter 14;
4. Issuance of new shares in exchange for convertible instruments issued by the company. Provisions thereon are set forth in Chapter 15.

Resolutions procedure

Section 2 Resolutions regarding bonus issues, new issues of shares or issues of warrants or convertible instruments (*issue resolutions*) are adopted by the general meeting. Resolutions regarding new issues of shares or issues of warrants or convertible instruments may also be adopted by the board of directors pursuant to Chapter 13, sections 31-38, Chapter 14, sections 24-31 and Chapter 15, sections 29-36.

Where a proposal regarding an issue resolution is not compatible with the articles of association, a resolution regarding necessary alterations of the articles of association must be adopted before the general meeting adopts any resolution with respect to the issue.

Section 3 An issue resolution may not be adopted before the company has been registered.

Definitions

Section 4 In this Act:

issue certificate means a bonus share rights certificate and subscription rights certificate;

bonus share means a new share which is issued in connection with a bonus issue;

bonus share right means a shareholder's right to a bonus share pursuant to Chapter 12, section 2;

bonus share rights certificate means a certificate evidencing a bonus share right;

subscription right means a shareholder's pre-emption right pursuant to Chapter 13, section 1, Chapter 14, section 1 and Chapter 15, section 1 to

subscribe for new shares, warrants or convertible instruments;

subscription rights certificate means a certificate evidencing subscription rights;

convertible instrument means an instrument of indebtedness issued by a company in exchange for consideration and which grants the holder, a particular person, or a particular person or order a right or obligation, in whole or in part, to exchange his or her claim for shares in the company;

conversion means exchange of convertible instruments for new shares;

warrant means an undertaking issued by a company regarding the right to subscribe for new shares in the company in exchange for payment in cash;

warrant certificate means a certificate granting the holder, a particular person, or a particular person or order the right to subscribe for new shares in the company in exchange for payment in cash.

Issuance of issue certificate

Section 5 A company which is not a CSD company shall, upon request by a shareholder in possession of a bonus share right or subscription right, issue an issue certificate in respect of the old shares. Such a certificate shall state the number of certificates to be issued in respect of each new share, convertible instrument or warrant. The certificate shall be surrendered to the shareholder upon presentation of the share certificate on which the bonus share right or the subscription right is based. An annotation shall be made on the share certificate that an issue certificate has been issued.

Issue certificates need not be issued where:

1. the issue entails that every old share shall carry an entitlement to one new share, convertible instrument or warrant; or
2. a coupon attached to a share certificate may be used as an issue certificate.

The provisions of the first paragraph shall also apply where a holder of warrants or convertible instruments holds a pre-emption right to subscribe for new shares, warrants or convertible instruments.

Chapter 4, section 5 of the Financial Instruments (Accounts) Act (SFS 1998:1479) provides that issue certificates or warrant certificates may not be issued in respect of shares or other financial instruments which have been registered pursuant to that Act.

Signing of issue certificates, etc.

Section 6 Issue certificates, convertible instruments issued in the form of debentures and warrant certificates shall be signed by the board of directors or by a securities institution pursuant to authorisation by the board of directors. The signature may be reproduced by printing or in any other similar manner. The provisions of Chapter 1, section 13 shall not apply.

Assignment and pledging of issue certificates, etc.

Section 7 In the event any issue certificate or warrant certificate is assigned or pledged, the provisions of sections 13, 14 and 22 of the Promissory Notes Act (SFS 1936:81) regarding promissory notes shall apply thereto. The certificate shall thereupon be deemed to be a promissory note made out to the holder, where made out to the holder, and shall otherwise be deemed to be a promissory note made out to a particular person or order.

Registration of bonus share rights and subscription rights in CSD companies

Section 8 In a CSD company, bonus share rights and subscription rights shall be registered pursuant to the Financial Instruments (Accounts) Act (SFS 1998:1479).

Where the company has covenanted to a holder of warrants or convertible instruments a pre-emption right to subscribe for new shares, warrants or convertible instruments and the warrants or convertible instruments have been registered pursuant to the Financial Instruments (Accounts) Act, the pre-emption right shall also be registered pursuant to the same Act.

Sale of excess bonus share rights and warrants

Section 9 In an issue resolution, it may be determined that excess bonus share rights and subscription rights shall be sold through the company. In conjunction with a bonus issue, the sale shall relate to each shareholder's bonus share rights that do not correspond to an entire bonus share. In conjunction with new issues of shares, issues of warrants and issues of convertible instruments, the sale shall relate to each shareholder's subscription rights which do not correspond to an entire new share, warrant or convertible instrument.

The sale shall be carried out by a securities institution. The proceeds from the sale of such bonus share rights and subscription rights, less the sales costs, shall be allocated between the persons who, pursuant to Chapter 12, section 2, Chapter 13, section 1, Chapter 14, section 1 or Chapter 15, section 1 would have been entitled to receive or subscribe for the new shares, warrants or convertible instruments.

Right to dividends on new shares

Section 10 New shares shall entitle the holder to dividends pursuant to the provisions of the issue resolution. The resolution may not, however, provide that the right to dividends occurs later than the financial year after the year in which the increase in share capital has been registered.

Dividends on new shares may not be paid out until the increase in the share capital has been registered.

Dividend-linked participating debentures and principal-linked participating debentures

Section 11 A resolution that the company shall raise a loan where the interest or the amount by which repayment shall take place is, in whole or in part, dependent on dividends to the shareholders, changes in the price of the company's shares, the company's results or the company's financial position must be adopted by the general meeting or by the board of directors following authorisation by the general meeting.

Authorisation pursuant to the first paragraph may not extend for a period longer than until the next annual general meeting.

Section 12-20 *Repealed (SFS 2005:836).*

Chapter 12. Bonus issues

Purport of bonus issues

Section 1 In conjunction with a bonus issue, the share capital is increased through:

1. an amount being transferred from the statutory reserve, the revaluation reserve or unrestricted equity pursuant to the most recently adopted balance sheet; or
2. the value of a fixed asset being written up.

In conjunction with a calculation of the scope for bonus issues pursuant to the first paragraph, point 1, changes in restricted equity and value transfers which have taken place after the balance sheet date shall be taken into consideration.

A bonus issue may take place with or without the issuance of new shares.

Entitlement to bonus shares

Section 2 In a bonus issue in which new shares are issued, the shareholders shall be entitled to receive shares pro rata to the number of shares owned prior thereto, unless otherwise stated in the second or third paragraphs.

Where the company has issued different classes of shares which differ in relation to the entitlement to share in the company's assets or profits, the shareholders shall be entitled to receive new shares in accordance with the provisions of the articles of association pursuant to Chapter 4, section 4.

Where the company has issued different classes of shares without such a difference between the classes of shares as referred to in the second paragraph and where the new shares shall be of the same class as the existing shares, new shares shall be issued pro rata to the number of shares of the same class which are already in existence. In conjunction therewith, the old shares shall carry an entitlement to new shares of the same class pro rata to their portion of the share capital.

Procedure for resolutions regarding bonus issues

Proposed resolution

Section 3 Where the general meeting is to consider the matter of a bonus issue, the board of directors or, where the proposal is raised by any other party, the party raising the proposal, shall prepare a proposed resolution pursuant to the provisions of sections 4-7.

Section 4 The proposed resolution regarding a bonus issue shall state the following:

1. the amount by which the share capital is to be increased;
2. whether new shares are to be issued in connection with the increase in the share capital; and
3. the extent to which the amount by which the share capital is to be increased shall be transferred to the share capital:
 - from unrestricted equity;
 - from the statutory reserve;
 - from the revaluation reserve; or
 - through a write-up of the value of a fixed asset.

Section 5 Where new shares are to be issued in connection with the bonus issue, the proposed resolution regarding a bonus issue shall also contain information regarding:

1. the number of new shares to which each old share shall carry an entitlement;
2. the date from which the new shares shall carry an entitlement to dividends; and
3. the class of the new shares, where the company has or may issue different classes of shares.

Section 6 Where applicable, the proposed resolution regarding a bonus issue shall also contain information:

1. regarding whether a clause pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31 which is applicable to old shares in the company shall also apply to the new shares;
2. that coupons attached to share certificates shall be used as bonus share rights certificates;
3. that excess bonus share rights shall be sold pursuant to Chapter 11, section 9; and
4. regarding the record date, where the company is a CSD company.

The record date may not be determined such that it occurs before the bonus issue resolution has been registered.

Where the issue resolution requires alteration of the articles of association, such fact must also be stated in the proposal.

Supplementary information

Section 7 Where the annual report is not to be addressed at the general meeting, the following

documents shall be appended to the proposal pursuant to section 3:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the general meeting's resolution regarding the company's profits or losses;
2. a copy of the auditor's report for the year to which the annual report relates;
3. a report signed by the board of directors regarding events of material significance for the company's financial position which have occurred subsequent to the presentation of the annual report; and
4. a statement signed by the company's auditor in respect of the report referred to in point 3.

Availability of proposed resolutions, etc.

Section 8 The board of directors shall make the proposed bonus issue resolution, where applicable together with documents referred to in section 7, available to the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the proposal is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

The general meeting's resolution

Section 9 A bonus issue resolution shall contain the information stated in section 4, section 5 and section 6, first paragraph.

Registration of the issue resolution

Section 10 The bonus issue resolution shall be immediately notified for registration in the Companies Register. The share capital is increased when the resolution has been registered.

Following the registration, new shares shall be immediately entered in the share register.

With respect to CSD companies, the central securities depository shall be notified immediately that the issue has been registered.

Sale of bonus shares

Section 11 Where no due claim is made for a bonus share within five years from the registration of the issue resolution, the board of directors may sell the share pursuant to the provisions of sections 12 and 13.

Section 12 The board of directors shall invite any person entitled to a bonus share to take receipt of such share within one year. The person entitled shall be informed that he or she shall otherwise forfeit the share. Such invitation may not be made prior to expiry of the period of time stated in section 11.

The board of directors shall be deemed to have fulfilled its obligation pursuant to the first paragraph

where the invitation is sent to the person entitled at his or her postal address by registered mail. Where the postal address of the person entitled is not known to the company, the company shall be deemed to have performed its obligation where the invitation is published in:

1. Post- och Inrikes Tidningar; and
2. the local newspaper or newspapers - or in the case of a public company, the national daily newspaper - determined by the board of directors.

Section 13 Where no application is received within one year from the invitation pursuant to section 12, the share may be sold through a securities institution. Any person who produces a share certificate or presents a bonus share rights certificate or otherwise substantiates his or her right shall be entitled to receive his or her portion of the sales amount, less any costs incurred in connection with the invitation and the sale. Sums not collected within four years from the date of the sale shall accrue to the company.

Chapter 13. New issues of shares

Pre-emption rights

Section 1 In conjunction with issues pursuant to this Chapter, the shareholders shall hold pre-emption rights to the new shares pro rata to the number of shares they own.

The provisions of the first paragraph shall not apply, where:

1. the shares are to be paid for with non- cash consideration; or
2. the pre-emption right shall be governed in another manner as a consequence of:
 - such provisions of the articles of association as referred to in Chapter 4, section 3;
 - terms and conditions which have been issued in conjunction with an earlier issue of warrants or in conjunction with an earlier issue of convertible instruments; or
 - provisions of the issue resolution.

Shares held by the company or its subsidiary shall not carry any pre-emption rights.

Section 2 A resolution by the general meeting pursuant to section 1, second paragraph, point 2c to derogate from the shareholders' pre-emption rights shall be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting.

Procedure for adoption of a new issue resolution

Preparation of proposal

Section 3 Where the general meeting is to consider the matter of a new issue of shares, the board of directors or, where the proposal has been raised by any other party, the party raising the proposal, shall prepare a proposed resolution pursuant to the provisions of sections 4-8.

Content of the proposal

Section 4 A proposal pursuant to section 3 shall state the following:

1. the amount or the maximum amount by which the company's share capital is to be increased, or the minimum and maximum amount of the increase;
2. the number of shares, the maximum number of shares or the minimum and maximum number of shares to be issued;
3. the amount to be paid for each new share (subscription price);
4. the pre-emption right to subscribe for shares which vests in the shareholders or any third party, or the identity of persons otherwise entitled to subscribe for shares;
5. the period of time within which subscription for shares shall take place;
6. the allotment principle to be applied by the board of directors with respect to shares not subscribed for pursuant to pre-emption rights;
7. the period of time within which payment shall be made for shares or, where appropriate, that subscription shall take place through payment pursuant to section 13, third paragraph; and
8. the date from which the new shares shall carry a right to dividends.

Information referred to in the first paragraph, points 1 and 3 need not be stated in the proposal where it is proposed that the general meeting shall resolve upon such authorisation as referred to in section 5, first paragraph, point 8.

The subscription price pursuant to the first paragraph, point 3 may not be set lower than the quotient value of the earlier shares. However, for a company whose shares are listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market, the subscription price may be lower, provided an amount corresponding to the difference between the subscription price and the quotient value of the shares is transferred to the share capital through a transfer from the company's shareholders' equity in general or through a write-up of the value of fixed assets. Such a transfer or write-up must take place prior to registration of the new issue resolution.

Where the proposal pursuant to the first paragraph, point 4 entails derogation from the shareholders' pre-emption rights, the reasons for the derogation and the principles on which the subscription price is based shall be stated in the proposal or in an appended document.

The subscription period pursuant to the first paragraph, point 5 may not be less than two weeks, where the shareholders shall hold pre-emption rights to the new shares. For a company which is not a CSD company, such period of time shall be calculated from the date of notification pursuant to section 12 or, where all shareholders were represented at the general

meeting which adopted the issue resolution, from the date of the resolution. For CSD companies, the period of time shall be calculated from the record date.

Section 5 Where appropriate, the proposal pursuant to section 3 shall contain information:

1. regarding the class of the new shares, where the company has or may issue different classes of shares;
2. regarding whether a clause pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31 which is applicable to old shares in the company shall also apply to the new shares;
3. that coupons attached to share certificates shall be used as issue certificates;
4. that excess subscription rights shall be sold pursuant to Chapter 11, section 9;
5. regarding the record date, where the company is a CSD company and shareholders shall hold pre-emption rights to participate in the issue;
6. that new shares shall be paid for with non-cash consideration or otherwise subject to terms and conditions stated in Chapter 2, section 5, second paragraph, points 1-3 and 5 or that a share may be subscribed for subject to a right of set-off;
7. other specific terms and conditions governing share subscription; and
8. authorisation for the board of directors or a person appointed by the board of directors from among its members to determine, prior to the commencement of the subscription period, the amount by which the company's share capital shall be increased and the amount to be paid for each new share.

Where the issue resolution requires alteration of the articles of association, such fact shall also be stated.

The record date may not be set earlier than one week from the date of the resolution.

The provisions of Chapter 2, section 6 shall apply to non-cash consideration.

Authorisation referred to in the first paragraph, point 8 may be provided only where the shares are to be listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market. Where the company is a CSD company and shareholders shall hold pre-emption rights to participate in the issue, the authorisation shall be formulated such that the terms and conditions shall be decided upon not later than the day that occurs three days prior to the record date.

With respect to public companies, section 39 shall also apply.

Supplementary information

Section 6 Where the annual report is not to be addressed at the general meeting, the following documents shall be appended to the proposal pursuant to section 3:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the general meeting's resolution regarding the company's profits or losses;
 2. a copy of the auditor's report for the year to which the annual report relates;
 3. a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report; and
- a statement signed by the company's auditor in respect of the report referred to in point 3.

Information regarding non-cash consideration and set-off

Section 7 A proposal pursuant to section 3 shall be supplemented with a report of the circumstances which may be of significance for the assessment of:

1. the value of non-cash consideration;
2. issue terms and conditions as referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5; or
3. issue terms and conditions concerning rights of set-off.

The report shall have the content stated in Chapter 2, sections 7 and 9.

Where the proposal entails that any person who holds a claim against the company shall be entitled to subscribe for shares and to pay for his or her subscription through set-off of the claim, the report shall state the identity of claims holders, the amount of the claim and the amount of the claim which may be set-off.

Auditor's review

Section 8 The report pursuant to section 7 shall be reviewed by one or more auditors. A statement in respect of the review, signed by the auditor or the auditors, shall be appended to the proposal pursuant to section 3. With respect to the value of property and issue terms and conditions referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5, the content of the statement shall be as referred to in Chapter 2, section 19, first paragraph, points 2 and 3 as well as the second paragraph. Where appropriate, the auditor shall provide corresponding information regarding issue terms and conditions with respect to a set-off.

An auditor as referred to in the first paragraph shall be an authorised or approved public accountant or a registered accounting firm. Unless otherwise stated in the articles of association, the auditor shall be appointed by the general meeting. Where no specific auditor is appointed, the review shall be carried out instead by the company's auditor.

The provisions of Chapter 9, sections 7, 40, 45 and 46 shall apply to an auditor appointed to carry out a review pursuant to the first paragraph.

Availability of proposed resolutions, etc.

Section 9 The board of directors shall make the proposal pursuant to section 3, where appropriate together with documents referred to in sections 6-8, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the matter of an issue is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of notice to attend the general meeting

Section 10 The notice to attend the general meeting which is to consider the proposal pursuant to section 3 shall contain information regarding the pre-emption right to subscribe for shares which vests in the shareholders or any third party or the identity of persons otherwise entitled to participate in the issue. Where the shareholders shall not hold pre-emption rights pro rata to the number of shares they own or pursuant to the provisions of the articles of association, the principal content of the proposal shall be stated.

Resolution by the general meeting

Section 11 The general meeting's resolution regarding a new issue of shares shall contain the information stated in section 4, first and second paragraphs as well as section 5, first paragraph.

With respect to public companies, section 39 shall also apply.

Notification

Section 12 In a company which is not a CSD company, a resolution pursuant to section 11 shall be immediately distributed to any shareholder whose postal address is known to the company, where the shareholder shall hold pre-emption rights to participate in the issue. The aforesaid shall also apply to resolutions which, pursuant to authorisation by the general meeting, have been adopted by the board of directors or any person appointed by the board of directors from among its members.

Notification pursuant to the first paragraph is not required where all shareholders were represented at the general meeting at which the resolution regarding the issue was adopted.

Share subscription

Procedure regarding subscription for new shares

Section 13 Subscription for new shares as a consequence of a resolution regarding a new issue of shares shall take place on a subscription list containing the issue resolution. A copy of the articles of association and, where appropriate, copies of the documents stated in sections 6-8 shall be appended to

the subscription list or made available for share subscribers at a place stated in the list.

Subscription may take place instead on the record of the general meeting, provided all shares are subscribed for by persons entitled thereto at the general meeting at which the issue resolution was adopted.

In a CSD company, it may be decided in the issue resolution that subscription with respect to all or a certain part of the issue shall, instead, take place through payment. In such case, the resolution and a copy of the articles of association and, where appropriate, copies of the documents stated in sections 6-8 shall be made available for subscribers at the company's offices.

Effect of incorrect subscription procedure

Section 14 A subscription for shares which has been made other than in the manner stated in section 13 is only valid where the issue resolution is registered without the share subscriber having notified the error to the Swedish Companies Registration Office prior thereto.

Effect of shares being subscribed for subject to deviating terms and conditions

Section 15 Where a share has been subscribed for subject to terms and conditions which do not accord with the issue resolution, such subscription shall be invalid. However, where the invalidity is not notified to the Swedish Companies Registration Office before the issue resolution is registered, the share subscriber shall be bound by the subscription but shall not be entitled to enforce the condition.

Effect of non-fulfilment of share subscription terms and conditions

Section 16 Following registration of the issue resolution, a share subscriber shall not be entitled, as grounds for invalidity of the share subscription, to assert that a condition in the resolution has not been fulfilled.

Insufficient subscription, etc.

Section 17 Where the issue resolution states a certain amount or a certain minimum amount by which the company's share capital shall be increased, the resolution shall lapse in the event the amount is not subscribed for within the subscription period.

Where an issue resolution lapses pursuant to the first paragraph, the foregoing shall also apply to a resolution regarding such alteration of the articles of association as presupposes an increase in the share capital.

Where the issue resolution lapses, any sums paid for subscribed shares shall be immediately refunded together with interest pursuant to section 2, second paragraph and section 5 of the Interest Act (SFS 1975:635). The foregoing shall also apply where a subscription for shares is not binding for any other reason.

Allotment of shares

Section 18 Following the completion of the subscription for shares pursuant to section 13, the board of directors shall decide upon allotment to the subscribers. Where the board of directors is of the opinion that any subscription is invalid, the subscriber shall be immediately notified thereof.

Allotted shares shall be immediately entered in the share register.

For a CSD company, the central securities depository shall be notified immediately that the board of directors has adopted a resolution regarding allotment.

Payment for the shares

The minimum amount to be paid for subscribed shares

Section 19 The payment for a share may not be less than the quotient value of the earlier shares, unless otherwise provided in section 4, third paragraph.

Where a share has been subscribed for subject to terms and conditions which violate the first paragraph, an amount corresponding to the share's quotient value shall nevertheless be paid.

Procedure for payment for the shares

Section 20 Subscribed for shares shall be paid for in cash or with non-cash consideration, provided the issue resolution contains a provision thereon. In such cases as referred to in section 24, payment may also be made by way of set-off.

With respect to public companies, section 41 shall also apply.

Payment in cash

Section 21 Payment in cash shall take place through deposit on a special account opened by the company for the purpose at a bank, credit market undertaking or equivalent foreign credit institution in a state within the European Economic Area.

With respect to public companies, section 40 shall also apply.

Payment with non-cash consideration

Section 22 Payment with non-cash consideration shall take place through the property being separated and included in the company's property.

Section 23 Where the shares are to be paid for with non-cash consideration, an auditor shall submit a written, signed statement with respect to the payment. Chapter 2, section 19 shall apply with respect to the content of the statement and the auditor's qualifications.

Set-off, etc.

Section 24 A debt as a consequence of subscription for shares pursuant to section 13 may be set-off against a claim on the company only where the issue resolution contains a provision thereon.

With respect to public companies, section 41 shall also apply.

Section 25 Upon transfer of a share which is not yet fully paid up, the transferee shall be liable for the payment together with the transferor as soon as he or she has applied to be entered in the share register.

Forfeiture of right to shares

Section 26 Where a share is not paid for in due time, the board of directors may declare the right to the share forfeited with respect to the person liable for payment.

Before the right to the share is declared forfeited, the board of directors shall demand that the person liable for payment make payment and shall give notice that the right to the share might otherwise be declared forfeited. The board of directors shall be deemed to have fulfilled this obligation where a written demand has been provided in the manner stated in Chapter 12, section 12, second paragraph.

Until such time as a share as referred to in the first paragraph has become invalid pursuant to section 29, second paragraph, the board of directors may allow another person to take over the share and assume the payment liability for the subscribed amount.

Registration of the issue resolution

Registration application

Section 27 The board of directors shall, within six months of the resolution regarding a new issue of shares, notify the resolution for registration in the Companies Register, unless the resolution has lapsed pursuant to section 17.

Conditions for registration

Section 28 A resolution regarding a new issue of shares may be registered only where:

1. the total of the minimum amounts which are to be paid for subscribed and allotted shares pursuant to section 4, third paragraph, first sentence equals the amount or the minimum amount by which the company's share capital is to be increased through the issue;
2. full and acceptable payment has been provided for all subscribed and allotted shares;
3. a certificate is presented from such a credit institution as referred to in section 21, first paragraph regarding payment in cash; and
4. a statement pursuant to section 23 is presented regarding non-cash consideration as stated in the issue resolution.

A part of an issue may be registered, provided such registration is not precluded by the provisions of the first paragraph, points 1 and 2.

With respect to public companies, section 42 shall apply in lieu of the first paragraph, points 3 and 4.

Effect of registration

Section 29 Through the registration of the issue resolution, the increase in the share capital is determined as the total of the minimum amounts

which, pursuant to section 4, third paragraph, first sentence, are to be paid for subscribed and allotted shares, less shares in respect of which the right has been declared forfeited and which have not been taken over by any third party.

Where the right to a share has been forfeited by the person liable for payment and the share has not been taken over by another person, the share shall become invalid upon registration of the issue resolution.

Effect of non-registration

Section 30 In the event no application for registration pursuant to section 27 is made within the prescribed period of time or where the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter concerning such registration or refused registration, section 17 shall apply.

Board resolution regarding an issue subject to approval by the general meeting

Section 31 Subject to the general meeting's subsequent approval, the board of directors may adopt a resolution regarding a new issue of shares and, simultaneously, resolve pursuant to section 1, second paragraph, point 2c that the issue shall take place without regard to shareholders' pre-emption rights.

Before the board of directors adopts a resolution pursuant to the first paragraph, it shall produce or prepare such documents as referred to in sections 3-7 and ensure that an auditor's review takes place pursuant to section 8. Section 11 shall apply with respect to the content of the board of directors' resolution.

Section 32 In a company which is not a CSD company, shareholders with pre-emption rights shall be notified of the board of directors' resolution under section 31, in accordance with section 12, first paragraph.

When the board of directors has adopted a resolution pursuant to section 31 and, where applicable, the shareholders have been notified pursuant to the first paragraph, subscription, allotment and payment for shares may take place pursuant to the other provisions of this Chapter. However, new shares may not be entered in the share register until the general meeting has approved the issue resolution.

Section 33 Where the general meeting is to consider a matter regarding the approval of a resolution pursuant to section 31, the resolution and documents referred to in sections 6-8 shall be provided to the shareholders pursuant to section 9. The notice to attend the general meeting shall contain the information regarding the resolution as stated in section 10.

Section 34 The board of directors' resolution pursuant to section 31 shall be notified for registration in the Companies Register within one year from the date of the resolution, unless the resolution has lapsed pursuant to section 17. The resolution may not be registered unless it has been approved by the general

meeting. Sections 28-30 shall otherwise apply with respect to registration and the effects of registration or non-registration.

Board resolution regarding an issue pursuant to authorisation by the general meeting

Section 35 The general meeting may authorise the board of directors to resolve upon a new issue of shares insofar as the issue may take place without alteration of the articles of association. In such authorisation, the board of directors may be granted the right, pursuant to section 1, second paragraph, point 2c, to determine that the issue shall take place without regard to shareholders' pre-emption rights.

Section 36 Where the general meeting is to consider a matter regarding authorisation pursuant to section 35, the board of directors shall prepare a proposed resolution. The proposal shall state specifically whether the board of directors shall be entitled to resolve upon an issue subject to such a provision as referred to in section 5, first paragraph, point 6 or without regard to shareholders' pre-emption rights. The proposal shall also state the period of time, prior to the next annual general meeting, within which the authorisation may be exercised.

The proposal shall be provided to the shareholders in the manner stated in section 9 prior to the general meeting which is to consider the issue of authorisation. The notice to attend the general meeting shall contain the information regarding the proposed authorisation as stated in section 10.

Section 37 The general meeting's resolution regarding authorisation pursuant to section 35 shall be notified immediately for registration in the Companies Register. The board of directors may not adopt a resolution regarding an issue before the resolution has been registered.

Section 38 Before the board of directors resolves on an issue by virtue of authorisation pursuant to section 35, it shall produce or prepare such documents as referred to in sections 3-7 and ensure that an auditor's review takes place pursuant to section 8. The provisions of section 11 regarding the content of the resolution and section 12, first paragraph regarding notification shall apply to the board of directors' resolution.

When the resolution has been adopted and, where appropriate, the shareholders have been notified, subscription, allotment and payment for new shares may take place pursuant to the other provisions of this Chapter. Sections 27-30 shall apply with respect to registration and the effects of registration or non-registration.

Special provisions regarding public companies

Information regarding set-off in an issue resolution, etc.

Section 39 In a public company, a proposal pursuant to section 3 and a resolution pursuant to

section 11 shall, where applicable, contain information regarding the restrictions that apply regarding the board of directors' right pursuant to section 41 to allow set-off.

Payment in cash

Section 40 In a public company, in addition to the manner stated in section 21, such payment for subscribed shares which is to be paid in cash may be made directly to the company.

Set-off

Section 41 In a public company, notwithstanding the provisions of sections 24, the shares may be paid for by way of set-off provided:

1. such does not contravene the issue resolution;
2. the board of directors deems it appropriate; and
3. set-off may take place without prejudice to the company or its creditors.

Auditor's statement

Section 42 With respect to public companies, in lieu of the provisions of section 28, second paragraph, points 3 and 4, a resolution regarding a new issue of shares may be registered only upon presentation of a statement signed by an authorised or approved public accountant or a registered accounting firm. The statement shall set forth that full and acceptable payment has been provided for all subscribed and allotted shares. With respect to non-cash consideration, the statement shall have the content prescribed in Chapter 2, section 19.

Chapter 14. Issue of warrants with attendant subscription for new shares

Pre-emption rights

Section 1 In conjunction with issues pursuant to this Chapter, the shareholders shall hold pre-emption rights to the warrants pro rata to the number of shares they own.

The provisions of the first paragraph shall not apply where:

1. the warrants are to be paid for with non-cash consideration; or
- the pre-emption right shall be governed in another manner as a consequence of:
- such provisions of the articles of association as referred to in Chapter 4, section 3;
 - terms and conditions which have been issued in conjunction with an earlier issue of warrants or in conjunction with an earlier issue of convertible instruments; or
 - provisions of the issue resolution.

In those cases referred to in the second paragraph, point 2a, the shareholders shall hold pre-emption rights to warrants as if the issue applied to the new shares which may be subscribed for based on the warrant.

Shares held by the company or any subsidiary shall not carry any pre-emption rights.

Section 2 A resolution by the general meeting pursuant to section 1, second paragraph, point 2c to derogate from the shareholders' pre-emption rights shall be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting.

Procedure regarding adoption of a resolution regarding an issue of warrants

Preparation of proposal

Section 3 Where the general meeting is to consider the matter of an issue of warrants, the board of directors or, where the proposal has been raised by a third party, the party raising the proposal, shall prepare a proposed resolution pursuant to the provisions of sections 4-10.

Content of the proposal

Section 4 In the proposal pursuant to section 3, the following shall be stated regarding the issue terms and conditions:

1. the number of warrants or the maximum number of warrants or the minimum and maximum number of warrants to be issued;
2. the pre-emption right to subscribe for warrants which vests in the shareholders or any other party or the identity of persons who shall otherwise be entitled to subscribe for warrants;
3. the period of time within which subscription for warrants shall take place;
4. the allocation principles to be applied by the board of directors with respect to warrants which are not subscribed for pursuant to pre-emption rights; and
5. information whether the warrants shall be issued against payment.

Information referred to in the first paragraph, point 1 need not be stated in the proposal where it is proposed that the general meeting shall resolve upon such authorisation as referred to in section 5, first paragraph, subsection 8.

Where the proposal pursuant to the first paragraph, point 2 entails derogation from the shareholders' pre-emption rights, the reasons for the derogation and, where the warrants are issued against payment, the principles on which the subscription price is based shall be stated in the proposal or in an appended document.

The subscription period pursuant to the first paragraph, point 3 may not be less than two weeks, where the shareholders shall hold pre-emption rights to the warrants. For a company which is not a CSD company, such period of time shall be calculated from the date of notification pursuant to section 14 or, where all shareholders were represented at the general meeting which adopted the resolution in respect of the

issue, from the date of the resolution. For CSD companies, the period of time shall be calculated from the record date.

Section 5 Where appropriate, the proposal pursuant to section 3 shall contain information:

that coupons attached to share certificates shall be used as issue certificates;

1. that excess subscription rights shall be sold pursuant to Chapter 11, section 9;
2. concerning the record date, where the company is a CSD company and shareholders shall have pre-emption rights to participate in the issue;
3. the amount to be paid for each warrant;
4. concerning the period of time within which the warrants shall be paid for or subscription shall take place through payment pursuant to section 15, third paragraph;
5. that the warrants shall be paid for with non-cash consideration or otherwise subject to terms and conditions stated in Chapter 2, section 5, second paragraph, points 1-3 and 5 or that warrants shall be subscribed for subject to a right of set-off;
6. regarding other specific terms and conditions governing subscriptions for warrants; and
7. concerning authorisation for the board of directors or a person appointed by the board of directors from among its members to determine, prior to the commencement of the subscription period, the number of warrants to be issued, the amount to be paid for each new warrant, the subscription price as well as such terms and conditions as referred to in point 7.

The record date may not be set earlier than one week from the date of the resolution.

An authorisation as referred to in the first paragraph, point 8 may be provided only where the warrants are to be listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market. Where the company is a CSD company and the shareholders shall hold pre-emption rights to participate in the issue, the authorisation shall be formulated such that the terms and conditions shall be determined not later than the date that occurs three days prior to the record date.

Section 6 In a proposal pursuant to section 3, the following shall be stated with respect to the exercise of the warrants:

1. the amount by which the company's share capital might be increased;
2. the amount to be paid for each new share (subscription price);
3. the period of time within which the warrant may be exercised; and
4. the date from which the new shares shall carry a right to dividends.

Information regarding the subscription price need not be stated in the proposal where it is proposed that

the general meeting shall resolve upon such authorisation as referred to in section 5, first paragraph, point 8.

The subscription price pursuant to the first paragraph, point 2 may not be lower than the quotient value of the earlier shares.

Section 7 Where applicable, the proposal pursuant to section 3 shall, with respect to the exercise of warrants, also contain information regarding:

1. the class of the new shares, where the company has or may issue different classes of shares;
2. whether a clause pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31, which is applicable to old shares in the company, shall also apply to the new shares; and
3. other special terms and conditions governing exercise of the option.

Where the issue resolution requires alteration of the articles of association, such fact shall also be stated.

With respect to public companies, section 46 shall also apply.

Supplementary information

Section 8 Where the annual report is not to be addressed at the general meeting, the following documents shall be appended to the proposal pursuant to section 3:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the general meeting's resolution regarding the company's profits or losses;
2. a copy of the auditor's report for the year to which the annual report relates;
3. a report signed by the board of directors regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report; and
4. a statement in respect of the report referred to in point 3, signed by the company's auditor.

Information regarding non-cash consideration and set-off

Section 9 A proposal pursuant to section 3 shall be supplemented with a report regarding circumstances which may be of significance for the assessment of:

1. the value of non-cash consideration;
2. issue terms and conditions as referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5; or
3. issue terms and conditions concerning rights of set-off.

The report shall have the content stated in Chapter 2, sections 7 and 9.

Where the proposal entails that any person who holds a claim against the company shall be entitled to subscribe for warrants and to pay for his or her

subscription through set-off of the claim, the report shall state the identity of claims holders, the amount of the claim and the amount of the claim which may be set-off.

Auditor's review

Section 10 The report pursuant to section 9 shall be reviewed by one or more auditors. A statement in respect of the review, signed by the auditor or the auditors, shall be appended to the proposal pursuant to section 3. With respect to the value of non-cash consideration and issue terms and conditions referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5, the content of the statement shall be as referred to in Chapter 2, section 19, first paragraph, points 2 and 3 as well as the second paragraph. Where applicable, the auditor shall provide corresponding information regarding issue terms and conditions with respect to a set-off.

An auditor as referred to in the first paragraph shall be an authorised or approved public accountant or a registered accounting firm. Unless otherwise stated in the articles of association, the auditor shall be appointed by the general meeting. Where no specific auditor is appointed, the review shall, instead, be carried out by the company's auditor.

The provisions of Chapter 9, sections 7, 40, 45 and 46 shall apply to an auditor appointed to carry out a review pursuant to the first paragraph.

Availability of proposed resolutions, etc.

Section 11 The board of directors shall make the proposal pursuant to section 3, where appropriate together with documents referred to in sections 8-10, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the matter of an issue of warrants is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of notice to attend the general meeting

Section 12 The notice to attend the general meeting which is to consider the proposal pursuant to section 3 shall contain information regarding the pre-emption right to subscribe for warrants which vests in the shareholders or another party or the identity of persons otherwise entitled to participate in the issue. Where the shareholders shall not have pre-emption rights pro rata to the number of shares they own or pursuant to the provisions of the articles of association, the principal content of the proposal shall be stated.

Resolution by the general meeting

Section 13 The general meeting's resolution regarding an issue of warrants shall contain the information stated in section 4, first and second paragraphs, section 5, first paragraph, section 6, first

and second paragraphs, as well as section 7, first paragraph.

With respect to public companies, section 46 shall also apply.

Notification

Section 14 For a company which is not a CSD company, a resolution pursuant to section 13 shall be immediately sent to any shareholders whose postal address is known to the company, where the shareholder shall have pre-emption rights to participate in the issue. The aforesaid shall also apply to resolutions which, pursuant to authorisation by the general meeting, have been adopted by the board of directors or a person appointed by the board of directors from among its members.

Notification pursuant to the first paragraph is not required where all shareholders were represented at the general meeting at which the resolution regarding the issue was adopted.

Subscription for warrants

Procedure for subscription for warrants

Section 15 Subscription for warrants shall take place on a subscription list which contains the issue resolution. A copy of the articles of association and, where applicable, copies of the documents stated in sections 8-10 shall be appended to the subscription list or made available for the subscribers at a place stated in the list.

Subscription may, instead, take place on the minutes of the general meeting, provided all warrants are subscribed for by persons entitled thereto at the general meeting at which the issue resolution was adopted.

For a CSD company, it may be decided in the issue resolution that subscription with respect to all or a certain part of the issue shall, instead, take place through payment. In such case, the resolution and a copy of the articles of association and, where applicable, copies of the documents stated in sections 8-10 shall be made available for subscribers at the company's offices.

Effect of incorrect subscription procedure

Section 16 A subscription for warrants which has been made other than in the manner stated in section 15 is valid only where the issue resolution is registered without the subscriber having notified the error to the Swedish Companies Registration Office prior thereto.

Effect of warrants being subscribed for subject to deviating terms and conditions

Section 17 Where a warrant has been subscribed for subject to terms and conditions which do not accord with the issue resolution, such subscription shall be invalid. However, where the invalidity is not notified to the Swedish Companies Registration Office before the issue resolution is registered, the

subscriber shall be bound by the subscription but shall not be entitled to enforce the condition.

Effect of non-fulfilment of warrant subscription terms and conditions

Section 18 Following registration of the issue resolution a warrant subscriber shall not be entitled, as grounds for invalidity of the warrant subscription, to invoke the non-fulfilment of a condition in the resolution.

Insufficient subscription, etc.

Section 19 Where the issue resolution states that a certain number of warrants shall be issued, the resolution shall lapse in the event the number is not subscribed for within the subscription period.

Where an issue resolution lapses pursuant to the first paragraph, the foregoing shall also apply to a resolution regarding such alteration of the articles of association as presupposes an increase in the share capital.

Where the issue resolution lapses, any sums paid for subscribed warrants shall be refunded immediately together with interest pursuant to section 2, second paragraph and section 5 of the Interest Act (SFS 1975:635). The foregoing shall also apply where a subscription for warrants is not bidding for any other reason.

Allotment of warrants

Section 20 Following completion of the subscription pursuant to section 15, the board of directors shall decide upon allotment to the subscribers. Where the board of directors is of the opinion that any subscription is invalid, the subscriber shall be notified thereof immediately.

Registration of the issue resolution

Registration application

Section 21 The board of directors shall, within six months of the resolution regarding an issue of warrants, notify the resolution for registration in the Companies Register, unless the resolution has lapsed pursuant to section 19.

Conditions for registration

Section 22 Where the issue resolution states that a certain number of warrants shall be issued, the resolution may be registered only where the total number of warrants subscribed for and allotted equals the number stated in the resolution.

A part of an issue may be registered where not precluded by the provisions of the first paragraph.

Effect of non-registration

Section 23 In the event no application for registration pursuant to section 21 is made within the prescribed period of time or where the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter con-

cerning such registration or refused registration, section 19 shall apply.

Board resolution regarding an issue subject to approval by the general meeting

Section 24 Subject to the general meeting's subsequent approval, the board of directors may adopt a resolution regarding an issue of warrants and, simultaneously, resolve pursuant to section 1, second paragraph, point 2c that the issue shall take place without regard to shareholders' pre-emption rights.

Before the board of directors adopts a resolution pursuant to the first paragraph, it shall produce or prepare such documents as referred to in sections 3-9 and ensure that an auditor's review takes place pursuant to section 10. Section 13 shall apply with respect to the content of the board of directors' resolution.

Section 25 In a company which is not a CSD company, shareholders with pre-emption rights shall be notified of the board of directors' resolution under section 24, in accordance with section 14, first paragraph.

When the board of directors has adopted a resolution pursuant to section 24 and, where applicable, the shareholders have been notified pursuant to the first paragraph, subscription for and allotment of warrants may take place pursuant to the other provisions of this Chapter.

Section 26 Where the general meeting is to consider a matter regarding the approval of a resolution pursuant to section 24, the resolution and documents referred to in sections 8-10 shall be provided to the shareholders pursuant to section 11. The notice to attend the general meeting shall contain the information regarding the resolution as stated in section 12.

Section 27 The board of directors' resolution pursuant to section 24 shall be notified for registration in the Companies Register within one year from the date of the resolution, unless the resolution has lapsed pursuant to section 19. The resolution may not be registered unless it has been approved by the general meeting. Sections 22-23 shall otherwise apply with respect to registration and the effects of non-registration.

Board resolution regarding an issue pursuant to authorisation by the general meeting

Section 28 The general meeting may authorise the board of directors to resolve upon an issue of warrants insofar as the issue may take place without alteration of the articles of association. In such authorisation, the board of directors may be granted the right, pursuant to section 1, second paragraph, point 2c, to determine that the issue shall take place without regard to shareholders' pre-emption rights.

Section 29 Where the general meeting is to consider a matter regarding authorisation pursuant to section 28, the board of directors shall prepare a proposed resolution. The proposal shall state

specifically whether the board of directors shall be entitled to resolve upon an issue subject to such a provision as referred to in section 5, first paragraph, point 6 or shareholders' pre-emption rights. The proposal shall also state the period of time, prior to the next annual general meeting, within which the authorisation may be exercised.

The proposal shall be provided to the shareholders in the manner stated in section 11 prior to the general meeting which is to consider the issue of authorisation. The notice to attend the general meeting shall contain the information regarding the proposed authorisation as stated in section 12.

Section 30 The general meeting's resolution regarding authorisation pursuant to section 28 shall be notified immediately for registration in the Companies Register. The board of directors may not adopt a resolution regarding an issue before the resolution has been registered.

Section 31 Before the board of directors resolves on an issue by virtue of authorisation pursuant to section 28, it shall produce or prepare such documents as referred to in sections 3-9 and ensure that an auditor's review takes place pursuant to section 10. The provisions of section 13 regarding the content of the resolution and section 14, first paragraph regarding notification shall apply to the board of directors' resolution.

When the resolution has been adopted and, where applicable, the shareholders have been notified pursuant to the first paragraph, subscription for, and allotment of, warrants may take place pursuant to the other provisions of this Chapter. Sections 21-23 shall apply with respect to registration and the effects of non-registration.

Share subscription upon exercise of warrants

Procedure for share subscription

Section 32 Subscription for new shares upon exercise of warrants shall take place on a subscription list which contains the issue resolution. The following documents shall be appended to the subscription list or made available to share subscribers at a place stated in the list:

1. a copy of the articles of association;
2. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the general meeting's resolution regarding the company's profits or losses;
3. a copy of the auditor's report for the year to which the annual report relates;
4. a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report; and
5. a statement signed by the company's auditor in respect of the report referred to in point 4.

For a CSD company, it may be decided in the issue resolution that subscription with respect to all or a certain part of the issue shall, instead, take place through payment. In such case, the documents stated in the first paragraph shall be made available for subscribers at the company's offices.

Effect of incorrect subscription procedure

Section 33 A subscription for shares which has been made other than in the manner stated in section 32 may be invoked only where the share subscription has been registered pursuant to section 43 without the subscriber having notified the error to the Swedish Companies Registration Office prior thereto.

Effect of shares being subscribed for subject to deviating terms and conditions

Section 34 Where a share has been subscribed for subject to terms and conditions which do not accord with the issue resolution, such subscription shall be invalid. However, where the invalidity is not notified to the Swedish Companies Registration Office prior to registration in accordance with section 43, the subscriber shall be bound by the subscription but shall not be entitled to enforce the condition.

Effect of non-fulfilment of share subscription terms and conditions

Section 35 Following registration pursuant to section 43, a share subscriber shall not be entitled, as grounds for invalidation of the share subscription, to invoke the non-fulfilment of a condition in the resolution.

Allotment of shares

Section 36 Following the completion of the subscription for shares pursuant to section 32, the board of directors shall decide upon allotment of shares to the subscribers. Where the board of directors is of the opinion that any subscription is invalid, the subscriber shall be notified thereof immediately.

Allotted shares shall be entered immediately in the share register.

For a CSD company, the central securities depository shall be notified immediately that the board of directors has adopted a resolution regarding allotment.

Where warrant certificates have been issued, a notation that the warrant has been exercised shall be made thereon.

Payment for shares

The minimum amount to be paid for subscribed shares

Section 37 The payment for a share subscribed for pursuant to section 32 may not be less than the quotient value of the earlier shares.

Where a share has been subscribed for subject to terms and conditions which violate the first paragraph,

an amount corresponding to the share's quotient value shall nevertheless be paid.

Procedure for payment for the shares

Section 38 Shares subscribed for pursuant to section 32 shall be paid for in cash.

With respect to public companies, section 48 shall also apply.

Section 39 Payment for shares subscribed for pursuant to section 32 shall take place through deposit on a special account opened by the company for the purpose at a bank, credit market undertaking or equivalent foreign credit institution in a state within the European Economic Area.

With respect to public companies, section 47 shall also apply.

Set-off, etc.

Section 40 A debt due to a share subscription pursuant to section 32 may not be set-off against a claim against the company.

With respect to public companies, section 48 shall also apply.

Section 41 Upon transfer of a share subscribed for pursuant to section 32 which is not yet fully paid up, the transferee shall be liable for the payment together with the transferor as soon as he or she has applied to be entered in the share register.

Forfeiture of right to shares

Section 42 Where a share subscribed for pursuant to section 32 is not paid for in due time, Chapter 13, section 26 regarding forfeiture of the right to shares shall apply.

Registration of the share subscription

Registration application

Section 43 Not later than three months following the expiry of the period for the exercise of the warrant, the board of directors shall notify for registration in the Companies Register the number of shares subscribed for and fully paid up. Where the subscription period exceeds one year, notification shall be made not later than three months after the expiry of each financial year during which subscription has taken place.

Conditions for registration

Section 44 A share subscription which has taken place through exercise of warrants may be registered only where:

1. full and acceptable payment has been provided for the new shares; and
2. a certificate is presented from such a credit institution as referred to in section 39, first paragraph.

With respect to public companies, section 49 shall apply in lieu of the first paragraph, point 2.

Effect of registration

Section 45 Through the registration, the increase in the share capital is determined as the total of the minimum amounts which, pursuant to section 37, are to be paid for subscribed and allotted shares, less shares which have been declared forfeited and which have not been taken over by any third party.

Where the right to a share has been forfeited by the person liable for payment and the share has not been taken over by another person, the share shall become invalid upon registration of the share subscription.

Special provisions regarding public companies

Information regarding set-off in an issue resolution, etc.

Section 46 In a public company, a proposal pursuant to section 3 and a resolution pursuant to section 13 shall, where applicable, contain information regarding the restrictions that shall apply in respect of the board of directors' right to permit set-off pursuant to section 48.

Payment in cash

Section 47 In a public company, in addition to the manner stated in section 39, any payment for subscribed shares which is to be paid in cash may be made directly to the company.

Set-off

Section 48 In a public company, notwithstanding the provisions of sections 40, shares may be paid for through set-off provided:

1. such does not contravene the issue resolution;
2. the board of directors deems it appropriate; and
3. set-off may take place without prejudice to the company or its creditors.

Auditor's statement

Section 49 With respect to public companies, in lieu of the provisions of section 44, first paragraph, point 2, a share subscription may be registered only upon presentation of a statement signed by an authorised or approved public accountant or a registered accounting firm. The statement shall set forth that full and acceptable payment has been provided for all subscribed and allotted shares.

Chapter 15. Issues of convertible instruments with attendant conversion to new shares

Pre-emption rights

Section 1 In conjunction with issues pursuant to this Chapter, the shareholders shall hold pre-emption rights to the convertible instruments pro rata to the number of shares they own.

The provisions of the first paragraph shall not apply where:

1. the convertible instruments are to be paid for with non-cash consideration; or
2. the pre-emption right shall be governed in another manner as a consequence of:
 - such provisions of the articles of association as referred to in Chapter 4, section 3;
 - terms and conditions which have been issued in conjunction with an earlier issue of warrants or in conjunction with an earlier issue of convertible instruments; or
 - provisions of the issue resolution.

In those cases referred to in the second paragraph, point 2a, the shareholders shall hold pre-emption rights to convertible instruments as if the issue applied to the shares for which the convertible instruments may be exchanged.

Shares held by the company or any subsidiary shall not carry any pre-emption rights.

Section 2 A resolution by the general meeting pursuant to section 1, second paragraph, point 2c to derogate from the shareholders' pre-emption rights shall be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting.

Procedure regarding adoption of a resolution regarding an issue of convertible instruments

Preparation of proposal

Section 3 Where the general meeting is to consider the matter of an issue of convertible instruments, the board of directors or, where the proposal has been raised by another party, the party raising the proposal, shall prepare a proposed resolution pursuant to the provisions of sections 4-10.

Content of the proposal

Section 4 In the proposal pursuant to section 3, the following shall be stated regarding the loan raised by the company through the issue:

1. the amount or the maximum amount which the company shall borrow or the minimum and maximum loan amount;
2. the nominal value of the convertible instruments;
3. the amount to be paid for each convertible instrument (subscription price) and the rate of interest;
4. the pre-emption right to subscribe for convertible instruments which vests in the shareholders or any third party or the identity of persons who shall otherwise be entitled to participate in the issue;
5. the period of time within which subscription for convertible instruments shall take place;
6. the allocation principles to be applied by the board of directors with respect to convertible instruments which are not subscribed for pursuant to pre-emption rights; and

7. the period of time within which payment must be made for convertible instruments or, where applicable, that subscription shall be made through payment pursuant to section 15, third paragraph.

Information referred to in the first paragraph, points 1 and 3 need not be stated in the proposal where it is proposed that the general meeting shall resolve upon such authorisation as referred to in section 5, first paragraph, point 6.

Where the proposal pursuant to the first paragraph, point 4 entails derogation from the shareholders' pre-emption rights, the reasons for the derogation and the principles on which the subscription price is based shall be stated in the resolution or in an appended document.

The subscription period pursuant to the first paragraph, point 5 may not be less than two weeks, where the shareholders shall hold pre-emption rights to the convertible instruments. For a company which is not a CSD company, such period of time shall be calculated from the date of notification pursuant to section 14 or, where all shareholders were represented at the general meeting which adopted the resolution in respect of the issue, from the date of the resolution. For CSD companies, the period of time shall be calculated from the record date.

Section 5 Where applicable, the proposal pursuant to section 3 shall contain information:

1. that coupons attached to share certificates shall be used as issue certificates;
2. that excess subscription rights shall be sold pursuant to Chapter 11, section 9;
3. regarding the record date, where the company is a CSD company and the shareholders shall hold pre-emption rights to participate in the issue;
4. that the convertible instruments shall be paid for with non-cash consideration or otherwise subject to terms and conditions stated in Chapter 2, section 5, second paragraph, points 1-3 and 5 or that a convertible instrument shall be subscribed for with a right of set-off;
5. other specific terms and conditions governing the loan raised by the company through the issue; and
6. authorisation for the board of directors or a person appointed by the board of directors from among its members to determine, prior to the commencement of the subscription period, the loan amount, the amount to be paid for each convertible instrument, the rate of interest, the conversion subscription price as well as such terms and conditions as referred to in point 5.

The record date may not be set earlier than one week from the date of the resolution.

The provisions of Chapter 2, section 6 shall apply to non-cash consideration.

An authorisation as referred to in the first paragraph, point 6 may be provided only where the convertible instruments are to be listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market. Where the company is a CSD company and the shareholders shall hold pre-emption rights to participate in the issue, the authorisation shall be formulated such that the terms and conditions shall be decided upon not later than the date that occurs three days prior to the record date.

With respect to public companies, section 41 shall also apply.

Section 6 A proposal pursuant to section 3 shall state the following with respect to conversion:

1. the amount by which the company's share capital might be increased;
2. the exchange relationship between the convertible instruments and the new shares (the conversion price);
3. the period of time within which conversion may be exercised; and
4. the date from which the new shares shall carry an entitlement to dividends.

Information regarding the conversion price need not be stated in the proposal where it is proposed that the general meeting shall resolve upon such authorisation as referred to in section 5, first paragraph, point 6.

The conversion price pursuant to the first paragraph, point 2 may not be lower than such an amount that the company, following conversion, has been provided with consideration which, with respect to each share provided in exchange, corresponds to not less than the quotient value of earlier shares. A lower conversion price may be applied where the difference is to be covered through payment in cash in conjunction with the conversion.

Section 7 Where appropriate, the proposal pursuant to section 3 shall also contain the following information regarding the conversion:

1. the class of the new shares, where the company has or may issue different classes of shares;
2. whether a clause pursuant to Chapter 4, sections 6, 8, 18 or 27 or Chapter 20, section 31 which is applicable to old shares in the company shall also apply to the new shares; and
3. other special terms and conditions for conversion.

Where the issue resolution requires alteration of the articles of association, such fact shall also be stated.

Supplementary information

Section 8 Where the annual report is not to be addressed at the general meeting, the following documents shall be appended to the proposal pursuant to section 3:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the

general meeting's resolution regarding the company's profits or losses;

2. a copy of the auditor's report for the year to which the annual report relates;
- a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report; and
1. a statement signed by the company's auditor in respect of the report referred to in point 3.

Information regarding non-cash consideration and set-off

Section 9 A proposal pursuant to section 3 shall be supplemented with a report regarding circumstances which may be of significance for the assessment of:

1. the value of non-cash consideration;
2. issue terms and conditions as referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5; or
3. issue terms and conditions concerning rights of set-off.

The report shall have the content stated in Chapter 2, sections 7 and 9.

Where the proposal entails that any person who holds a claim against the company shall be entitled to subscribe for a convertible instrument and to pay for his or her subscription through set-off of the claim, the report shall state the identity of claims holders, the amount of the claim and the amount of the claim which may be set-off.

Auditor's review

Section 10 The report pursuant to section 9 shall be reviewed by one or more auditors. A statement in respect of the review, signed by the auditor or the auditors, shall be appended to the proposal pursuant to section 3. With respect to the value of non-cash consideration and issue terms and conditions referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5, the content of the statement shall be as referred to in Chapter 2, section 19, first paragraph, points 2 and 3 as well as the second paragraph. Where applicable, the auditor shall provide corresponding information regarding issue terms and conditions with respect to a right of set-off.

An auditor as referred to in the first paragraph shall be an authorised or approved public accountant or a registered accounting firm. Unless otherwise stated in the articles of association, the auditor shall be appointed by the general meeting. Where no specific auditor is appointed, the review shall, instead, be carried out by the company's auditor.

The provisions of Chapter 9, sections 7, 40, 45 and 46 shall apply to an auditor appointed to carry out a review pursuant to the first paragraph.

Availability of proposed resolutions, etc.

Section 11 The board of directors shall make the proposal pursuant to section 3, where applicable

together with documents referred to in sections 8-10, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the matter regarding an issue of convertible instruments shall be addressed. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of notice to attend the general meeting

Section 12 The notice to attend the general meeting which is to consider the proposal pursuant to section 3 shall contain information regarding the pre-emption right to subscribe for convertible instruments which vests in the shareholders or another party or the identity of persons otherwise entitled to participate in the issue. Where the shareholders shall not have pre-emption rights pro rata to the number of shares they own or pursuant to the provisions of the articles of association, the principal content of the proposal shall be stated.

Resolution by the general meeting

Section 13 The general meeting's resolution regarding an issue of convertible instruments shall contain the information stated in section 4, first and second paragraphs, section 5, first paragraph, section 6, first and second paragraphs, as well as section 7, first paragraph.

With respect to public companies, section 41 shall also apply.

Notification

Section 14 For a company which is not a CSD company, a resolution pursuant to section 13 shall be sent immediately to any shareholder whose postal address is known to the company, where the shareholder shall have pre-emption rights to participate in the issue. The aforesaid shall also apply to resolutions which, pursuant to authorisation by the general meeting, have been adopted by the board of directors or a person appointed by the board of directors from among its members.

Notification pursuant to the first paragraph is not required where all shareholders were represented at the general meeting at which the resolution regarding the issue was adopted.

Subscription for convertible instruments

Procedure regarding subscription for convertible instruments

Section 15 Subscription for convertible instruments shall take place on a subscription list which contains the issue resolution. A copy of the articles of association and, where applicable, copies of the documents stated in sections 8-10 shall be appended to the subscription list or made available for the subscribers at a place stated in the list.

Subscription may, instead, take place on the minutes of the general meeting, provided all convertible instruments are subscribed for by persons entitled thereto at the general meeting at which the issue resolution was adopted.

For a CSD company, it may be decided in the issue resolution that subscription with respect to all or a certain part of the issue shall, instead, take place through payment. In such case, the resolution and a copy of the articles of association and, where applicable, copies of the documents stated in sections 8-10 shall be made available for the subscribers at the company's offices.

Effect of incorrect subscription procedure

Section 16 A subscription for convertible instruments which has been made other than in the manner stated in section 15 may be enforced only where the issue resolution is registered without the subscriber having notified the error to the Swedish Companies Registration Office prior thereto.

Effect of convertible instruments subscribed for subject to deviating terms and conditions

Section 17 Where a convertible instrument has been subscribed for subject to terms and conditions which do not accord with the issue resolution, such subscription shall be invalid. However, where the invalidity is not notified to the Swedish Companies Registration Office before the issue resolution is registered, the subscriber shall be bound by the subscription but shall not be entitled to enforce the condition.

Effect of non-fulfilment of convertible instrument subscription terms and conditions

Section 18 Following registration of the issue resolution a subscriber shall not be entitled, as grounds for invalidation of the subscription, to invoke the non-fulfilment of a condition in the resolution.

Insufficient subscription, etc.

Section 19 Where the issue resolution states that a certain amount or a certain minimum amount shall be borrowed by the company, the resolution shall lapse in the event the amount is not subscribed for within the subscription period.

Where a resolution lapses pursuant to the first paragraph, the foregoing shall also apply to any resolution regarding such alteration of the articles of association as presupposes an increase in the share capital.

Where the issue resolution lapses, any sums paid for subscribed convertible instruments shall be refunded immediately together with interest pursuant to section 2, second paragraph and section 5 of the Interest Act (1975:635). The foregoing shall also apply where a subscription for convertible instruments is not binding for any other reason.

Allotment of convertible instruments

Section 20 Following completion of the subscription pursuant to section 15, the board of directors shall decide upon allotment to the subscribers. Where the board of directors is of the opinion that any subscription is invalid, the subscriber shall be notified thereof immediately.

Payment for convertible instruments

Procedure for payment for convertible instruments

Section 21 Subscribed for convertible instruments shall be paid in cash or with non-cash consideration, provided the issue resolution contains a provision thereon. In such cases as referred to in section 25, payment may also be made by way of set-off.

Payment in cash

Section 22 Payment in cash shall take place through deposit on a special account opened by the company for the purpose at a bank, credit market undertaking or equivalent foreign credit institution in a state within the European Economic Area.

With respect to public companies, section 42 shall also apply.

Payment with non-cash consideration

Section 23 Payment with non-cash consideration shall take place through the property being separated and included in the company's property.

Section 24 Where the convertible instruments are to be paid for with non-cash consideration, an auditor shall submit a written, signed statement with respect to the payment. Chapter 2, section 19 shall apply with respect to the content of the statement and the auditor's qualifications.

Set-off

Section 25 A debt due to subscription for a convertible instrument may be set-off against a claim on the company only where the issue resolution contains a provision thereon.

With respect to public companies, section 43 shall also apply.

Registration of the issue resolution

Registration application

Section 26 The board of directors shall, within six months of the resolution regarding an issue of convertible instruments, notify the resolution for registration in the Companies Register, unless the resolution has lapsed pursuant to section 19.

Conditions for registration

Section 27 A resolution regarding an issue of convertible instruments may be registered only where:

1. the total amount which is to be paid for subscribed and allotted convertible instruments equals at least the amount determined for the issue;

2. full and acceptable payment has been provided for all subscribed and allotted convertible instruments;
3. a certificate is presented from such a credit institution as referred to in section 22, first paragraph regarding payment in cash; and
4. a statement pursuant to section 24 is presented regarding non-cash consideration as stated in the resolution.

A part of an issue may be registered, provided such registration is not precluded by the provisions of the first paragraph, points 1 and 2.

With respect to public companies, section 44 shall apply in lieu of the first paragraph, points 3 and 4.

Effect of non-registration

Section 28 In the event no application for registration pursuant to section 26 is made within the prescribed period of time or where the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter concerning such registration or refused registration, section 19 shall apply.

Board resolution regarding an issue subject to approval by the general meeting

Section 29 Subject to the general meeting's subsequent approval, the board of directors may adopt a resolution regarding an issue of convertible instruments and, simultaneously, resolve pursuant to section 1, second paragraph, point 2c that the issue shall take place without regard to shareholders' pre-emption rights.

Before the board of directors adopts a resolution pursuant to the first paragraph, it shall produce or prepare such documents as referred to in sections 3-9 and ensure that an auditor's review takes place pursuant to section 10. Section 13 shall apply with respect to the content of the board of directors' resolution.

Section 30 For a company which is not a CSD company, shareholders with pre-emption rights shall be notified of the board of directors' resolution under section 29, in accordance with section 14, first paragraph.

When the board of directors has adopted a resolution pursuant to section 29 and, where applicable, the shareholders have been notified pursuant to the first paragraph, subscription, allotment and payment for convertible instruments may take place pursuant to the other provisions of this Chapter.

Section 31 Where the general meeting is to consider a matter regarding the approval of a resolution pursuant to section 29, the resolution and documents referred to in sections 8-10 shall be provided to the shareholders pursuant to section 11. The notice to attend the general meeting shall contain the information regarding the resolution as stated in section 12.

Section 32 The board of directors' resolution pursuant to section 29 shall be notified for registration

in the Companies Register within one year from the date of the resolution, unless the resolution has lapsed pursuant to section 19. The resolution may not be registered unless it has been approved by the general meeting. Sections 27-28 shall otherwise apply with respect to registration and the effects of non-registration.

Board resolution regarding an issue pursuant to authorisation by the general meeting

Section 33 The general meeting may authorise the board of directors to resolve upon an issue of convertible instruments insofar as the issue may take place without alteration of the articles of association. In such authorisation, the board of directors may be granted the right, pursuant to section 1, second paragraph, point 2c, to determine that the issue shall take place without regard to shareholders' pre-emption rights.

Section 34 Where the general meeting is to consider a matter regarding authorisation pursuant to section 33, the board of directors shall prepare a proposed resolution. The proposal shall state specifically whether the board of directors shall be entitled to resolve upon an issue subject to such a provision as referred to in section 5, first paragraph, point 4 or without regard to shareholders' pre-emption rights. The proposal shall also state the period of time, prior to the next annual general meeting, within which the authorisation may be exercised.

The proposal shall be provided to the shareholders in the manner stated in section 11 prior to the general meeting which is to consider the issue of authorisation. The notice to attend the general meeting shall contain the information regarding the proposed authorisation as stated in section 12.

Section 35 The general meeting's resolution regarding authorisation pursuant to section 33 shall be notified immediately for registration in the Companies Register. The board of directors may not adopt a resolution regarding an issue before the resolution has been registered.

Section 36 Before the board of directors resolves on an issue by virtue of authorisation pursuant to section 33, it shall produce or prepare such documents as referred to in sections 3-9 and ensure that an auditor's review takes place pursuant to section 10. The provisions of section 13 regarding the content of the resolution and section 14, first paragraph regarding notification shall apply to the board of directors' resolution.

When the resolution has been adopted and, where applicable, the shareholders have been notified pursuant to the first paragraph, subscription, allotment and payment for convertible instruments may take place pursuant to the other provisions of this Chapter. Sections 26-28 shall apply with respect to registration and the effects of non-registration.

Conversion to shares

Registration in share register, etc.

Section 37 Upon conversion, the new shares shall be entered immediately in the share register.

For a CSD company, notification that conversion has taken place shall be given immediately to the central securities depository.

Where the convertible instruments are issued in paper form, they shall be affixed with a notation regarding the conversion.

Registration application

Section 38 Not later than three months after the expiry of the period for the exercise of conversion rights, the board of directors shall give notice for registration in the Companies Register of the number of shares arising through conversion. Where the conversion period exceeds one year, notification shall be given not later than three months following the expiry of each financial year during which conversion has taken place.

Conditions for registration

Section 39 The conversion may be registered only upon presentation of a statement signed by an authorised or approved public accountant or a registered accounting firm. The statement shall state that the company, in respect of each share which has been provided in exchange, has received consideration which corresponds to not less than the quotient value of earlier shares.

Effect of registration

Section 40 Through the registration, the increase in the share capital is determined as the total of the minimum consideration which, pursuant to section 39, has been contributed to the company following conversion for the shares provided in exchange.

Special provisions regarding public companies

Information regarding set-off in the issue resolution, etc.

Section 41 In a public company, a proposal pursuant to section 3 and a resolution pursuant to section 13 shall, where applicable, contain information regarding the restrictions applicable to the board of directors' right to permit set-off pursuant to section 43.

Payment in cash

Section 42 In a public company, in addition to the manner stated in section 22, any payment for convertible instruments which is to be paid in cash may be made directly to the company.

Set-off

Section 43 In a public company, notwithstanding the provisions of sections 25, convertible instruments may be paid for by way of set-off provided:

1. such does not contravene the issue resolution;

the board of directors deems it appropriate; and

1. set-off may take place without prejudice to the company or its creditors.

Auditor's statement

Section 44 With respect to public companies, in lieu of the provisions of section 27, first paragraph, points 3 and 4, registration may only take place upon presentation of a statement, signed by an authorised or approved public accountant or a registered accounting firm. The statement shall set forth that full and acceptable payment has been provided for all subscribed and allotted convertible instruments. With respect to non-cash consideration, the statement shall have the content prescribed in Chapter 2, section 19.

Chapter 16. Certain private placements, etc.

Scope

Section 1 The provisions of this Chapter shall apply where public companies and subsidiaries of such companies resolve upon:

1. a new issue of shares or issue of warrants or convertible instruments;
2. a transfer of shares, warrants or convertible instruments which have been issued by a company within the same group; or
3. loans where the interest or the amount by which repayment shall take place is dependent, in whole or in part, on dividends to the shareholders, the change in the price of the company's shares, the company's results or the company's financial position.

New issue of shares, etc.

Section 2 A resolution regarding a new issue of shares or issue of warrants or convertible instruments must always be adopted or approved by the general meeting of the issuing company where:

1. the shareholders of the company shall not hold pre-emption rights to subscribe pro rata to the number of shares they own or in accordance with the provisions of the articles of association; and
2. the persons who are, instead, entitled to subscribe for shares, warrants or convertible instruments belong to one or more of the following categories:
 - members of the board of directors of the issuing company or another undertaking within the same group;
 - the managing director of the issuing company or another undertaking within the same group;
 - other employees of the issuing company or another undertaking within the same group;
 - a spouse or co-habitee of any person referred to in points a-c;
 - a person who is under the custody of any

- person referred to in subsections a-c; or
- a legal person over which any person referred to in points a-e, alone or together with any other person referred to therein, exercises a controlling influence.

In conjunction with an issue pursuant to the first paragraph, authorisation may not be granted pursuant to Chapter 13, section 5, first paragraph, point 8, Chapter 14, section 5, first paragraph, point 8 or Chapter 15, section 5, first paragraph, point 6.

Section 3 Where a company which is a subsidiary of a public company resolves upon such an issue as referred to in section 2, the resolution must also be approved by the general meeting of the parent company.

The provisions of Chapter 13, sections 9 and 10, Chapter 14, sections 11 and 12 or Chapter 15, sections 11 and 12 regarding the availability of proposed resolutions, etc. and the content of the notice to attend the general meeting shall apply with respect to the parent company's approval.

Transfer of shares, warrants or convertible instruments

Section 4 Where a company which is a subsidiary of a public company has issued shares, warrants or convertible instruments to another company within the same group with subscription rights, the latter company may not transfer the shares, warrants or convertible instruments to any person referred to in section 2, first paragraph, point 2 unless a resolution thereon has been adopted by the general meeting of the company.

A resolution regarding a transfer from a subsidiary pursuant to the first paragraph must also be approved by the general meeting of the public company which is the parent company in the group.

The notice to attend the general meeting, at which a proposed resolution as referred to in this section is to be considered, shall state the principal content of the proposal.

Section 5 Nor may a public company or a subsidiary of such a company, in cases other than as referred to in section 4, transfer to the public company shares in a subsidiary or warrants or convertible instruments which have been issued by such a company to any person referred to in section 2, first paragraph, point 2 unless the transfer has been approved by the general meeting of the public company.

Where the public company is a subsidiary of a public company, in order for the transfer to be valid it must also be approved by the general meeting of the parent company.

The notice to attend the general meeting at which a proposed resolution as referred to in this section is to be considered shall state the principal content of the proposal.

Section 6 Transfers in violation of sections 4 and 5 are invalid.

Dividend-linked participating debentures and principal-linked participating debentures

Section 7 A resolution to take up such a loan as referred to in Chapter 11, section 11 must always be adopted by the general meeting where any person referred to in section 2, first paragraph, point 2 shall hold a right of priority to subscribe for the debenture or a right to subscribe subject to special terms and conditions. Where the loan has been taken up by a company which is a subsidiary of a public company, the resolution must also be approved by the general meeting of the parent company.

The notice to attend the general meeting at which a proposed resolution as referred to in this section is to be considered shall state the principal content of the proposal.

Majority requirements

Section 8 A resolution which, pursuant to sections 2-5 or 7, must be adopted or approved by a general meeting shall be valid only where supported by shareholders holding not less than nine-tenths of both the shares voted and of the shares represented at the general meeting.

Section 9 Where a resolution pursuant to sections 2-5 or 7 must be approved by the general meeting of a parent company and there are several parent companies that are public companies, the approval must be granted by the general meeting of the company which is the parent company of the largest group.

Information in the administration report

Section 10 A company which has carried out an issue as referred to in section 2 shall, in the administration report, provide information regarding the content of the issue resolution and regarding the allotment of shares, warrants or convertible instruments which has taken place based on the resolution. Where a company has carried out such a transfer as referred to in sections 4 or 5 or taken up such a loan as referred to in section 7, information regarding the transfer or the loan shall be provided in the administration report.

Where a company which has resolved upon an issue, a transfer or a loan of the aforementioned type is included in a group, information thereon shall also be provided in the administration report of the public company which is the parent company in the group. Where there are several parent companies which are public companies, the information shall be provided in the administration report of the company which is the parent company of the largest group.

Chapter 17. Value transfers from the company

The concept of value transfer

Section 1 In this Act, "value transfer" means:

1. distribution of profits;
2. acquisition of a company's own shares, however not acquisitions pursuant to Chapter 19, section 5;
3. a reduction of the share capital or the statutory reserve for repayment to the shareholders; and
4. another business event as a consequence of which the company's assets are reduced and which is not of a purely commercial nature for the company.

Special provisions regarding transfers of assets in connection with mergers or demergers of companies and distribution of assets upon liquidation are set forth in Chapters 23-25.

Permitted forms of value transfer

Section 2 Value transfers from the company may take place only pursuant to the provisions of this Act regarding:

1. distribution of profits;
2. acquisition of a company's own shares;
3. reduction of the share capital or statutory reserve for repayment to the shareholders; and
4. gifts as referred to in section 5.

Protection for the company's restricted shareholders' equity and the prudence rule

Section 3 A value transfer may not take place where, after the transfer, there is insufficient coverage for the company's restricted equity. The calculation shall be based on the most recently adopted balance sheet taking into consideration changes in restricted shareholders' equity which have occurred subsequent to the balance sheet date.

Notwithstanding the absence of any impediments pursuant to the first paragraph, the company may effect a value transfer to shareholders or another party only provided such appears to be justified taking into consideration:

1. the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations; and
2. the company's need to strengthen its balance sheet, liquidity and financial position in general.

Where the company is a parent company, consideration shall also be given to the demands with respect to the group's equity which are imposed by the nature, scope and risks associated with the group's operations as well as the group's need to strengthen its balance sheet, liquidity, and financial position in general.

Value transfers during a current financial year

Section 4 During the period of time commencing the annual general meeting at which the profit and loss account and balance sheet for a financial year have been adopted until the next annual general meeting,

value transfers may take place in an aggregate amount not exceeding the amount which, at the time of the first annual general meeting, was available for value transfers pursuant to section 3, first paragraph. Upon calculation of the scope for value transfers, consideration shall be given to changes in shareholders' equity that have occurred subsequent to the most recent annual general meeting.

Gifts for charitable purposes

Section 5 The general meeting or, where the matter is of minor significance in light of the company's financial position, the board of directors, may resolve to make gifts for charitable or comparable purposes, provided that such may be deemed reasonable in light of the nature of the purpose, the company's financial position and the circumstances in general and the gift does not violate section 3.

Restitution obligation in the event of an unlawful value transfer

Section 6 Where a value transfer as referred to in section 1, points 1 or 3 or section 5 has taken place in violation of the provisions of this Chapter or the provisions of Chapters 18 or 20, the recipient shall return what he or she has received, where the company proves that he or she knew or should have realised that the value transfer was in violation of this Act. Where a value transfer in accordance with section 1, point 4, which is not a gift in accordance with section 5, has taken place in violation of this Chapter, the recipient shall be obliged to make restitution where the company proves that he or she knew or should have realised that the transaction constituted a value transfer from the company.

The recipient shall pay interest pursuant to *section 5* of the Interest Act (SFS 1975:635) on the value of the property that is to be returned, commencing from the date of the value transfer until such time as interest shall be paid pursuant to *section 6* of the Interest Act in accordance with *sections 3 or 4* of the same Act.

Provisions regarding the legal sanctions in the event of a company's unlawful purchases of its own shares are set forth in Chapter 19.

Deficient coverage liability in the event of unlawful value transfers

Section 7 Where any deficiency arises in conjunction with restitution pursuant to section 6, any persons who participated in the decision regarding the value transfer shall be liable therefor. The aforesaid shall also apply to persons who participated in the execution of the decision or in the preparation or adoption of an incorrect balance sheet which constituted the basis for the decision regarding a value transfer.

Liability pursuant to the first paragraph requires intent or negligence on the part of a board member, managing director, auditor, general examiner or

special examiner and, with respect to a shareholder or other party, intent or gross negligence.

A person who has received property from any a person as referred to in section 6, first paragraph, knowing that such property derives from an unlawful value transfer, shall also be liable for any deficiency arising in conjunction with the restitution.

Chapter 29, sections 5 and 6 shall apply upon application of the provisions of the first to third paragraphs.

Chapter 18. Distribution of profits

Resolution procedure

Section 1 Resolutions regarding distributions of profits shall be adopted by the general meeting.

The general meeting may resolve upon the distribution of a larger amount than proposed or approved by the board of directors only where:

1. such an obligation exists in accordance with the articles of association; or
2. the distribution was resolved upon at the request of a minority pursuant to section 11.

Proposed resolution regarding distribution of profits

Preparation of proposal

Section 2 Where the general meeting is to consider the matter of a distribution of profits, the board of directors or, where the proposal has been raised by another party, the party raising the proposal, shall prepare a proposed resolution pursuant to the provisions of sections 3-6. A matter regarding distribution of profits pursuant to section 11 may be considered notwithstanding that no such proposal has been prepared.

Content of the proposal

Section 3 Proposals regarding distributions of profits shall state the following:

1. the amount of the distribution per share;
2. the record date, where the company is a CSD company or, where applicable, authorisation for the board of directors to determine the record date;
3. the date on which the distribution shall be paid, where the company is not a CSD company or, where applicable, authorisation for the board of directors to determine the payment date; and
4. where the distribution relates to property other than cash, information regarding the nature of the property to be distributed.

The record date pursuant to the first paragraph, point 2 or the payment date pursuant to the first paragraph, point 3 may not occur later than the day prior to the next annual general meeting.

Statement from the board of directors

Section 4 A reasoned statement from the board of directors as to whether the proposed distribution of profits is justifiable in light of the provisions of Chapter 17, section 3, second and third paragraphs shall be appended to the proposal regarding the distribution of profits. Where assets or liabilities have been valued at actual value pursuant to Chapter 4, section 14a of the Annual Reports Act (SFS 1995:1554), the statement shall also set forth the portion of the shareholders' equity which is due to the application of such a valuation.

Supplementary information

Section 5 Where the annual report is not to be addressed at the general meeting which shall consider the proposed distribution of profits, the proposal shall state the portion of the disposable amount pursuant to Chapter 17, section 3, first paragraph which is available after the most recently adopted resolution regarding a value transfer.

Section 6 In cases referred to in section 5, the following documents shall be appended to the proposal:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account;
2. a copy of the auditor's report for the year to which the annual report relates;
3. a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report, containing information regarding value transfers which have been resolved upon during the same period of time and regarding changes to the company's restricted shareholders' equity which have occurred subsequent to the balance sheet date; and
4. a statement regarding the report referred to in point 3, signed by the company's auditor, containing an opinion whether the general meeting should adopt a resolution in accordance with the proposal.

Availability of proposed resolution, etc.

Section 7 The board of directors shall make any proposal pursuant to section 2, together with documents referred to in section 4 and, where applicable, section 6, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the issue of a distribution of profits is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of the notice to attend the general meeting

Section 8 The notice to attend the general meeting at which the proposal pursuant to section 2 is to be considered shall state the principal content of the proposal. The general meeting's resolution

Section 9 The resolution regarding a distribution of profits shall contain the information stated in section 3, first paragraph.

Registration

Section 10 Where a resolution regarding a distribution of profits has been adopted by a general meeting other than the annual general meeting, the resolution shall be notified immediately for registration in the Companies Register.

Distribution of profits upon request by minority shareholders

Section 11 Upon request by the owners of not less than one-tenth of all shares, the annual general meeting shall resolve upon the distribution of one-half of the remaining profit for the year pursuant to the adopted balance sheet following deductions made for:

1. losses carried forward that exceed unrestricted reserves;
2. amounts which, by law or the articles of association, must be transferred to restricted equity; and
3. amounts which, pursuant to the articles of association, shall be used for any purpose other than distribution to the shareholders.

The articles of association may prescribe that a distribution of profits may be requested by a shareholder holding a smaller portion of the company's shares than stated in the first paragraph. It may also be prescribed therein that the right to a distribution of profits shall relate to a higher amount than stated in the first paragraph.

A request pursuant to the first paragraph shall be submitted before the general meeting adopts a resolution regarding the allocation of the profits.

The general meeting shall not be obliged to resolve upon a distribution in excess of five per cent of the company's shareholders' equity. The distribution may not violate the provisions of Chapter 17, section 3.

Section 12 The record date for a CSD company in conjunction with such a distribution of profits as referred to in section 11 shall occur within one month from the date of the resolution.

Payment day in respect of resolved distributions

Section 13 For a company which is not a CSD company, the resolved distribution shall be paid at the time decided upon by the general meeting or by the board of directors pursuant to authorisation from the general meeting. However, in such cases as referred to in section 11, payment shall take place immediately.

For a CSD company, the distribution shall be paid immediately following the record date.

Chapter 19. Acquisition of own shares, etc.

Subscription for own shares

Section 1 A company may not subscribe for its own shares.

Where, notwithstanding the provisions of the first paragraph, a company has subscribed for its own shares, the board of directors and the managing director shall be deemed to have subscribed for the shares on their own behalf and shall be jointly and severally liable for payment. The aforesaid shall not, however, apply to a board member or managing director who can prove that he or she was not aware or should not have been aware of the share subscription.

Where shares in a company have been subscribed for by a person in his or her own name but on behalf of the company, the subscriber shall be deemed to have subscribed for the shares on his or her own behalf.

Subscription by subsidiaries for shares in its parent company

Section 2 The provisions of section 1 shall also apply with respect to a subsidiary's subscription for shares in its parent company.

Own shares as security

Section 3 A company may not accept its own shares as security. Nor may a subsidiary accept shares in its parent company as security.

Any agreement in violation of the first paragraph shall be void.

Acquisition of own shares

Cases in which a company may acquire its own shares

Section 4 A company may not acquire its own shares other than in the cases stated in section 5. An agreement in violation of the aforesaid shall be void.

The provisions of the first paragraph and of sections 5 and 6 regarding a company's acquisition of its own shares shall also apply to a purchase which is made by another party acting in its name but on behalf of the company.

With respect to certain public companies, sections 13-30 shall also apply.

Section 5 A company may:

1. acquire its own shares for which payment shall not be made;
2. acquire its own shares which are included in business operations which are acquired by the company, where the shares represent a small portion of the company's share capital;
3. redeem its own shares in accordance with Chapter 25, section 22; and
4. purchase at auction its own shares which have been subject to a levy of execution in respect of the company's claims.

Divestment obligation following acquisition pursuant to section 5

Section 6 Shares which have been acquired pursuant to section 5 and which have not been retired through a reduction of the share capital shall be divested as soon as such may occur without loss, however not later than three years from the date of the acquisition. Shares which have not been divested within such period of time shall be declared void by the company. In such cases, the company shall reduce the share capital by the portion of the share capital represented by such shares. A proposal regarding a reduction of the share capital shall be presented to the first general meeting held after the shares became void. The amount of the reduction of share capital shall be transferred to the statutory reserve.

With respect to certain public companies, section 30 shall also apply.

Acquisitions and holdings by subsidiaries of shares in the parent company

Section 7 A subsidiary may not acquire shares in its parent company. An agreement in violation of this prohibition shall be void.

Notwithstanding the provisions of the first paragraph, a subsidiary may acquire shares in a parent company in the cases referred to in section 5, points 1, 2 and 4.

Section 8 Where a subsidiary has acquired shares in the parent company by virtue of section 7, second paragraph, the provisions of section 6 shall apply.

Section 9 Where a company has become a parent company and its subsidiary holds shares in the parent company, the shares shall be divested as soon as such may take place without loss, however not later than three years from the date on which the group relationship arose. In other respects, the provisions of section 6 shall apply.

Acquisition and transfer of own warrants and convertible instruments

Section 10 In conjunction with a company's acquisition of its own warrants or convertible instruments, the amount which relates to the warrant or conversion right may not exceed the amount available pursuant to Chapter 17, sections 3 and 4.

Section 11 Where a company has acquired its own convertible instruments, the convertible instrument shall cease to apply.

Section 12 Not later than three months after the company has acquired its own convertible instruments, the board of directors shall notify for registration in the Companies Register the number of convertible instruments which have ceased to apply pursuant to section 11. Where an acquisition has taken place based on an offer which applies for a period in excess of one year, the notification shall be made not later than three months after the expiry of

the financial year during which the acquisition took place.

Special provisions regarding acquisitions of own shares by certain public companies

Section 13 A public company which is listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market may, in addition to the provisions of section 5, acquire its own shares pursuant to the provisions of sections 14 and 15. In such case, a resolution regarding the acquisition shall be adopted pursuant to sections 18-29. Where the company has acquired shares in violation of sections 14 or 15 or in violation of Chapter 17, section 3 or 4, the provisions of section 16 shall apply.

Permitted methods of acquisition

Section 14 Acquisitions as referred to in section 13 may take place only:

1. on an exchange, an authorised marketplace or any other regulated market within the European Economic Area;
2. on an exchange or any other regulated market outside the European Economic Area following authorisation by the Swedish Financial Supervisory Authority; or
3. in accordance with an offer to purchase which has been directed to all shareholders or all holders of a particular class of shares.

Authorisation pursuant to the first paragraph, point 2 shall state the exchange or market on which a company's own shares may be acquired and the period of time during which the authorisation may be exercised. Authorisation shall be granted where:

1. the activity conducted on the exchange or market is governed by rules corresponding to the provisions of the Securities Exchange and Clearing Operations Act (*SFS 1992:543*) in respect of activities on an exchange or an authorised marketplace in Sweden; and
2. the exchange or market is under the supervision of a public authority or any other authorised body.

Percentage of own shares which a company may acquire

Section 15 A public company as referred to in section 13 may not acquire its own shares to the extent that the company's holding of its own shares following the acquisition would exceed one-tenth of all shares in the company. In conjunction with the calculation, shares in the company held by any subsidiary shall be deemed to be shares held by the company.

Impermissible acquisitions

Section 16 Where an acquisition as referred to in section 13 has taken place in violation of Chapter 17, sections 3 or 4 or any of the provisions of sections 14 and 15, the acquired shares shall be divested within six months from the acquisition. Shares which are not

divested within such period of time shall be declared void by the company. In such case, the company shall reduce the share capital by the portion of the share capital represented by the shares. A proposal regarding a reduction shall be presented at the first general meeting held after the shares became void. The amount of the reduction shall be transferred to the statutory reserve.

Resolution procedure

Section 17 A resolution regarding a company's acquisition of its own shares in such cases as referred to in section 13 shall be adopted by the general meeting. The general meeting may authorise the board of directors to adopt such a resolution.

Majority requirements

Section 18 A resolution by the general meeting regarding a company's acquisition of its own shares pursuant to section 13 or regarding authorisation for the board of directors to adopt such a resolution shall be valid only where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the general meeting.

Preparation of proposed resolution

Section 19 Where the general meeting is to consider a matter regarding the company's acquisition of its own shares pursuant to section 13, the board of directors or, where the proposal has been raised by any other person, the person raising the proposal, shall prepare a proposed resolution in accordance with the provisions of sections 20-24.

Content of the proposal

Section 20 A proposal pursuant to section 19 shall state the manner in which the shares shall be acquired.

Where the shares are to be acquired in accordance with an offer directed to all shareholders or to all holders of shares of a particular class, the proposal shall also state:

1. the period of time, prior to the next annual general meeting, within which the general meeting's resolution must be executed;
2. the number of shares, where applicable divided into classes of shares, to which the offer shall relate;
3. the consideration to be given for the shares;
4. the nature and quantity of the property, where the consideration is to consist of property other than cash; and
5. other terms and conditions for the acquisition.

Section 21 Where the shares are to be acquired other than in the manner stated in section 20, the proposal pursuant to section 19 shall state:

1. the period of time, prior to the next annual general meeting, within which the general meeting's resolution must be executed;
2. the maximum number of shares, where applicable divided into classes of shares, which may be acquired;

3. the minimum and the maximum price which may be paid for the shares; and
4. other terms and conditions for the acquisition.

Statement by the board of directors

Section 22 A reasoned statement from the board of directors regarding whether the proposed acquisition is justifiable in light of the provisions of Chapter 17, section 3, second and third paragraphs shall be appended to the proposal. Where the assets or liabilities have been valued at actual value in accordance with *Chapter 4, section 14a* of the Annual Reports Act (SFS 1995:1554), the statement shall also set forth the portion of the shareholders' equity which is due to the application of such a valuation.

Supplementary information

Section 23 Where the annual report is not to be addressed at the general meeting which is to consider the proposal pursuant to section 19, the proposal shall also state the portion of the disposable amount pursuant to Chapter 17, section 3, first paragraph which is available after the most recently adopted resolution regarding a value transfer.

Section 24 In such cases as referred to in section 23, the following documents shall be appended to the proposal pursuant to section 19:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account;
2. a copy of the auditor's report for the year to which the annual report relates;
3. a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report, containing information regarding value transfers which have been resolved upon during the same period of time and regarding changes to the company's restricted shareholders' equity which have occurred subsequent to the balance sheet date; and
4. a statement regarding the report referred to in section 3, signed by the company's auditor, containing an opinion whether the general meeting should adopt a resolution in accordance with the proposal.

Availability of proposed resolutions, etc.

Section 25 The board of directors shall make the proposal pursuant to section 19, where appropriate together with documents referred to in section 24, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the matter of the company's acquisition of its own shares is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of the notice to attend the general meeting

Section 26 The notice to attend the general meeting at which the proposal pursuant to section 19 is to be considered shall state the principal content of the proposal and the purpose of the acquisition.

The general meeting's resolution

Section 27 The general meeting's resolution regarding the company's acquisition of its own shares shall contain the information stated in sections 20 and 21.

Authorisation for the board of directors

Section 28 Where the general meeting is to consider a matter regarding authorisation for the board of directors to adopt a resolution regarding the company's acquisition of its own shares pursuant to section 13, the board of directors shall prepare a proposed resolution.

The proposal shall state:

1. the manner in which shares may be acquired;
2. the period of time, prior to the next annual general meeting, within which the authorisation may be exercised;
3. the maximum number of shares, where appropriate divided into classes of shares, which may be acquired;
4. the minimum and maximum price which may be paid for the shares;
5. the nature and quantity of the property, where consideration is to consist of property other than cash; and
6. other terms and conditions for the acquisition.

The provisions of sections 22-26 shall be applied to the proposal.

The general meeting's resolution shall contain the information stated in the first paragraph.

Section 29 Before the board of directors resolves to exercise such authority as referred to in section 28, it shall produce documents of the type stated in sections 22-24.

Divestment obligation following a company's acquisition of its own shares pursuant to section 5

Section 30 A public company as referred to in section 13 need not divest shares pursuant to section 6, provided the company would have been permitted to hold such shares upon application of section 15.

Special provisions regarding sales of own shares by public companies

Section 31 Any sale by a public company of its own shares must take place in accordance with sections 32-34 or sections 35-37.

The provisions of the first paragraph shall not apply to divestments as referred to in sections 6 and 16.

Sale of own shares on an exchange, an authorised marketplace or other regulated market

Section 32 A public company may sell its own shares:

1. on an exchange, an authorised marketplace or any other regulated market within the European Economic Area; or
2. on an exchange or any other regulated market outside the European Economic Area following authorisation by the Swedish Financial Supervisory Authority.

Authorisation pursuant to the first paragraph, point 2 shall state the exchange or market on which a company's own shares may be sold and the period of time during which the authorisation may be exercised. Authorisation shall be granted where:

1. the activity conducted on the exchange or market is governed by rules corresponding to the provisions of the Securities Exchange and Clearing Operations Act (*SFS 1992:543*) in respect of activities on an exchange or authorised marketplace in Sweden; and
2. the exchange or market is under the supervision of a public authority or any other authorised body.

Section 33 A resolution regarding a sale of a company's own shares pursuant to section 32 shall be adopted by the general meeting. The general meeting may also authorise the board of directors to adopt such a resolution.

A resolution by the general meeting pursuant to the first paragraph shall be valid only where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the general meeting.

Section 34 Where the general meeting is to consider a matter regarding a sale of the company's own shares pursuant to section 32 or authorisation for the board of directors to adopt such a resolution, the board, or where the proposal was raised by another party, the party raising the proposal, shall prepare a proposed resolution.

The proposal shall contain information regarding:

1. the period of time, prior to the next annual general meeting, within which the general meeting's resolution regarding the sale shall be executed or the board of directors' authorisation may be exercised;
2. the maximum number of shares, where appropriate divided into classes of shares which may be sold;
3. the minimum price at which the shares may be sold; and
4. other terms and conditions governing the sale.

The provisions of Chapter 13, sections 9 and 10 shall apply to matters regarding a proposed resolution pursuant to the first paragraph.

The general meeting's resolution shall contain the information stated in the second paragraph.

Sale of a company's own shares which does not take place on an exchange, an authorised marketplace or other regulated market

Section 35 In conjunction with a public company's sale of its own shares in a manner other than as stated in section 32, the following shall apply:

1. with respect to a new issue of shares pursuant to:
Chapter 11, section 2, first paragraph regarding the right of decision-making;
Chapter 11, section 5 regarding issue certificates, etc.;
Chapter 11, section 8 regarding registration of subscription rights, etc. in CSD companies;
Chapter 13, section 1, first and second paragraphs regarding pre-emption rights;
Chapter 13, section 2 regarding resolutions to derogate from the shareholders' pre-emption rights;
Chapter 13, section 3 regarding the preparation of proposed resolutions;
Chapter 13, section 6 regarding supplementary information;
Chapter 13, section 7 regarding non- cash consideration and set-off;
Chapter 13, section 8 regarding review by auditors;
Chapter 13, section 9 regarding availability of proposed resolutions, etc.;
Chapter 13, section 10 regarding contents of the notice to attend a general meeting;
Chapter 13, section 12 regarding notification;
Chapter 13, section 13 regarding subscription procedure;
Chapter 13, section 18 regarding allotment of shares;
Chapter 13, section 31, first paragraph regarding board of directors' resolutions subject to approval by the general meeting;
Chapter 13, section 35 regarding board of directors' resolutions pursuant to authorisation by the general meeting; and
2. with respect to new issues or sales of shares pursuant to Chapter 16.
3. the provisions which, pursuant to the Financial Instruments Trading Act (*SFS 1991:980*) apply to prospectuses in conjunction with offers of financial instruments to the public.

With respect to board of directors' resolutions subject to approval by the general meeting, Chapter 13, section 31, second paragraph and sections 32 and 33 shall apply, where relevant. On matters regarding resolutions by the board of directors pursuant to authorisation by the general meeting, Chapter 13, sections 36 and 38 shall apply, where relevant. (*SFS 2005:836*).

Section 36 In such cases as referred to in section 35, the proposed resolution shall state the following:

1. the maximum number of shares, where applicable divided into classes of shares which shall be sold;
2. the pre-emption rights to acquire shares which vest in the shareholders or any other party or the identity of persons who may otherwise acquire shares;
3. the period of time within which shareholders or other parties may exercise their pre-emption rights;
4. the period of time within which the shares shall be paid for or, where applicable, that subscription shall take place through payment;
5. the allotment principle to be applied by the board of directors regarding shares which are not subscribed for pursuant to pre-emption rights;
6. the record date, where the company is a CSD company and shareholders shall hold pre-emption rights in conjunction with the sale;
7. the amount to be paid for each share;
8. the terms and conditions regarding non-cash consideration or that shares shall be subscribed for with a right of set-off; and
9. other terms and conditions governing the sale.

The period of time stated in the first paragraph, point 3 may not be less than two weeks. For a company which is not a CSD company, such period of time shall be calculated from the date of notification pursuant to Chapter 13, section 12 or, where all shareholders were represented at the general meeting which adopted the resolution in respect of the sale, from the date of the resolution. In CSD companies, the period of time shall be calculated from the record date.

The record date may not be earlier than one week from the date of the resolution.

In lieu of such a provision as stated in the first paragraph, point 7, it may be stated that the board of directors or the person appointed by the board of directors from among its members shall be authorised to decide, prior to the commencement of the period of time referred to in the first paragraph, point 3, on the amount to be paid for each share. Such authorisation may be provided only where the shares are to be listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market. Where the company is a CSD company and shareholders shall hold pre-emption rights to acquire shares, the authorisation shall be formulated such that the amount shall be determined not later than the day which occurs three days prior to the record date.

Section 37 A resolution regarding a sale pursuant to section 35 shall contain the information stated in section 36.

Where applicable, the resolution shall contain:

1. a provision as referred to in Chapter 11, section 9;
2. a provision that coupons attached to share

certificates shall be used as subscription rights certificates;

3. information that reports and statements as referred to in Chapter 13, sections 7 and 8 have been presented.

Chapter 20. Reduction of the share capital and the statutory reserve

Purpose of the reduction

Section 1 Reduction of the share capital may take place:

1. to cover losses where unrestricted shareholders' equity equal to the loss is not available;
2. for transfer to a fund to be used pursuant to a resolution adopted by the general meeting; and
3. for repayment to the shareholders.

Reduction of the share capital may also take place pursuant to a clause in the articles of association. In such cases, sections 31-34 shall apply in lieu of sections 5-30.

Of the provisions of this Chapter, only sections 19-22 shall apply in conjunction with such a reduction of the share capital as referred to in Chapter 19, section 6, first paragraph, third sentence and section 16.

Methods for reduction of the share capital

Section 2 A reduction of the share capital may be effected with or without retirement of shares.

Resolution procedure

Section 3 A resolution regarding a reduction of the share capital shall be adopted by the general meeting unless otherwise prescribed in the articles of association in such cases as referred to in section 31.

In conjunction with a reduction for such purpose as referred to in section 1, first paragraph, points 2 or 3, the general meeting may not resolve to reduce the share capital by a greater amount than that proposed or approved by the board of directors. The general meeting may, however, at any time resolve to carry out such a reduction as prescribed in the articles of association.

Section 4 Where a proposed resolution regarding a reduction of the share capital is not compatible with the articles of association, a resolution regarding necessary alterations of the articles of association must be adopted before the general meeting resolves on the reduction.

A resolution regarding a reduction of the share capital may not be adopted before the company has been registered.

Reduction of the share capital through a resolution of the general meeting

Majority requirements

Section 5 A resolution by the general meeting regarding a reduction of the share capital shall be valid only where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the meeting.

Where the company has several classes of shares, the provisions of the first paragraph shall also be applied with respect to each class of shares represented at the general meeting in respect of which the rights carried by the shares are prejudiced by the resolution.

Preparation of proposal

Section 6 Where the general meeting is to address a matter regarding a reduction of the share capital, the board of directors or, where the proposal is raised by another party, the party raising the proposal, shall prepare a proposal pursuant to the provisions of sections 7-14.

Content of the proposal

Section 7 A proposal regarding a reduction of the share capital shall contain the following information:

1. the purpose of the reduction;
2. the amount or the maximum amount by which the share capital is to be reduced, or the minimum and maximum amount of the reduction;
3. whether the reduction is to be effected with or without retirement of shares; and
4. where applicable, the shares which are to be retired.

Where the reduction resolution requires an alteration of the articles of association, such fact shall also be stated.

Information referred to in the first paragraph, point 2 need not be stated in the proposal where it is proposed that the general meeting shall resolve on such authorisation as referred to in section 10, first paragraph, point 5.

Section 8 Where the proposal entails that the share capital shall be reduced for repayment to the shareholders, a reasoned statement from the board of directors as to whether the proposed repayment is justifiable in light of the provisions of Chapter 17, section 3, second and third paragraphs shall be appended to the proposal. Where assets or liabilities have been valued at actual value pursuant to Chapter 4, section 14a of the Annual Reports Act (SFS 1995:1554), the statement shall also set forth the portion of the shareholders' equity which is due to the application of such a valuation.

Section 9 Where the proposal entails that the share capital shall be reduced for repayment to the shareholders through the retirement of shares (redemption), in addition to the provisions of sections

7 and 8, the following information shall be stated in the proposal:

1. the right which vests in the shareholders to have shares redeemed;
2. the period of time within which an application for redemption must be made;
3. the amount to be paid for each redeemed share, where applicable with information regarding that portion of the amount which exceeds the quotient value of the share;
4. the period of time within which payment shall be made for redeemed shares or, where applicable, that payment shall take place in conjunction with an application for redemption upon surrender of the share certificate.

Where it is proposed that the general meeting shall resolve on such authorisation as referred to in section 10, first paragraph, point 5, the maximum amount which may be paid for the redeemed shares may be stated in lieu of the information referred to in the first paragraph, point 3.

The application period pursuant to the first paragraph, point 2 may not be less than two weeks, unless all shareholders who so desire shall be entitled to have their shares redeemed. For a company which is not a CSD company, the application period shall be calculated from the date of notification pursuant to section 18 or, where all shareholders are represented at the general meeting which resolved on the reduction, from the date of the resolution. For a CSD company, the period of time shall be calculated from the record date.

Section 10 Where applicable, with respect to such a redemption as referred to in section 9, the proposal for a reduction of the share capital shall also contain information:

1. that applications for redemption shall take place through surrender of coupons attached to share certificates;
2. that payment for redeemed shares shall be made with property other than cash or otherwise subject to the terms and conditions referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5 or that redemption shall take place through set-off of a claim held by the company against the shareholder;
3. regarding the record date or the authorisation for the board of directors to determine the record date, where the company is a CSD company;
4. regarding other special terms and conditions for the redemption; and
5. regarding authorisation for the board of directors or a person appointed by the board of directors from among its members to determine, prior to commencement of redemption, the amount by which the share capital shall be reduced and the amount to be

paid for each redeemed share.

Authorisation as referred to in the first paragraph, points 3 or 5 may be granted only where the shares are listed on a Swedish or foreign exchange, an authorised marketplace or any other regulated market. For a CSD company, authorisation pursuant to the first paragraph, point 5 shall be formulated such that the amount of the reduction and the amount to be paid for each redeemed share shall be determined not later than the day which occurs three days prior to the record date.

Supplementary information

Section 11 Where the annual report is not to be addressed at the general meeting which shall consider the proposal regarding a reduction of the share capital, the proposal shall state the portion of the disposable amount pursuant to Chapter 17, section 3, first paragraph which is available after the most recently adopted resolution regarding a value transfer.

Section 12 In such cases as referred to in section 11, the following documents shall be appended to the proposal:

1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account;
2. a copy of the auditor's report for the year to which the annual report relates;
3. a report, signed by the board of directors, regarding events of material significance for the company's financial position which occurred subsequent to the presentation of the annual report, containing information regarding value transfers which have been resolved upon during the same period of time and regarding changes to the company's restricted shareholders' equity which have occurred subsequent to the balance sheet date; and
4. a statement regarding the report referred to in point 3, signed by the company's auditor, containing an opinion whether the general meeting should adopt a resolution in accordance with the proposal.

Information regarding special redemption terms and conditions, etc.

Section 13 The proposal regarding a reduction of the share capital shall, where applicable, contain a report of the circumstances which may be of significance for the assessment of:

1. the value of such property as referred to in section 10, first paragraph, point 2;
2. redemption terms and conditions of the type referred to in Chapter 2, section 5, second paragraph, points 1-3 and 5; or
3. redemption terms and conditions regarding set-off.

The report shall have the content referred to in Chapter 2, sections 7 and 9.

Where the proposal entails that not all shareholders shall be entitled to have shares redeemed, the reasons therefor shall be stated.

In the cases referred to in section 23, second sentence, the report shall contain information regarding the other measures proposed to avoid a reduction in the company's restricted shareholders' equity and its share capital. The report shall state the effects that the proposed reduction and other measures shall each have on the company's restricted shareholders' equity and share capital.

Auditor's review

Section 14 The report in accordance with section 13 shall be reviewed by one or more auditors. A statement in respect of the review, signed by the auditor or the auditors, shall be appended to the proposal in accordance with section 6. The statement shall, with respect to such circumstances as referred to in section 13, first paragraph have the content stated in Chapter 2, section 19, first paragraph, points 2 and 3 as well as the second paragraph. In addition, the auditor or auditors shall, where applicable, comment on the appropriateness of the measures proposed in accordance with section 13, fourth paragraph and the accuracy of the assessments made regarding the effects of such measures.

An auditor as referred to in the first paragraph shall be an authorised or approved public accountant or a registered accounting firm. Unless otherwise stated in the articles of association, the auditor shall be appointed by the general meeting. Where no specific auditor is appointed, the review shall, instead, be carried out by the company's auditor.

The provisions of Chapter 9, sections 7, 40, 45 and 46 shall apply to an auditor appointed to carry out a review in accordance with the first paragraph.

Availability of proposed resolutions, etc.

Section 15 The board of directors shall make the proposal regarding a reduction of the share capital, where applicable together with the documents referred to in sections 12 and 14, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the proposal regarding a reduction of the share capital shall be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented to the general meeting.

Content of notice to attend the general meeting

Section 16 The notice to attend the general meeting which is to address the proposal regarding a reduction of the share capital shall state the principal content of the proposal.

Resolution by the general meeting

Section 17 The general meeting's resolution regarding a reduction of the share capital shall contain the information stated in section 7 and, where applicable, section 9, first and second paragraphs and section 10, first paragraph.

Notification

Section 18 For a company which is not a CSD company, a resolution regarding a reduction of the share capital shall be sent immediately to each shareholder whose postal address is known to the company, where the shareholder's share may or shall be retired.

Notification pursuant to the first paragraph need not be provided where all shareholders were represented at the general meeting which resolved to carry out the reduction of the share capital.

Registration, etc.

Section 19 The board of directors shall, within four months of the resolution regarding a reduction of the share capital, notify the resolution for registration in the Companies Register.

Section 20 Through registration of the reduction resolution, the reduction of the share capital shall be fixed at the amount stated in the resolution or, where a particular amount has not been stated, at the sum of the quotient values of the retired shares.

The share capital is reduced when the reduction resolution has been registered or, in such cases as referred to in section 23, when a resolution pursuant to sections 27 or 28 has been registered.

Section 21 Where the reduction of the share capital has been effected through retirement of shares, the retired shares shall be immediately deleted from the share register. For CSD companies, the board of directors shall immediately notify the central securities depository that the reduction has been registered.

Lapse of the reduction resolution

Section 22 The matter of a reduction of the share capital shall lapse where:

1. no application for registration pursuant to section 19 has been made within the prescribed period of time;
2. the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter regarding registration pursuant to section 19 or has refused registration; or
3. no application pursuant to section 25 for authorisation to implement the reduction resolution has been made within the prescribed period of time or the application has been rejected through a decision which has become final.

Where a reduction resolution lapses pursuant to the first paragraph, the aforesaid shall also apply to a resolution regarding any alteration of the articles of

association as presupposes a reduction of the share capital.

Authorisation from the Swedish Companies Registration Office or a court of general jurisdiction

Authorisation to implement a resolution regarding a reduction of the share capital for repayment to the shareholders, etc.

Section 23 Where the reduction amount, in whole or in part, is to be used for a purpose referred to in section 1, first paragraph, points 2 or 3, the company may not implement the reduction resolution without authorisation from the Swedish Companies Registration Office or, in disputed cases, a court of general jurisdiction. Authorisation is not required, however, where the company simultaneously takes measures as a consequence of which neither the company's restricted shareholders' equity nor its share capital is reduced.

Notice to the company's known creditors

Section 24 Where authorisation is required pursuant to section 23, the company shall notify its known creditors in writing with respect to the reduction resolution. The notice shall contain information that the company intends to apply for authorisation to implement the reduction resolution and information regarding the creditors' rights pursuant to section 27 to oppose implementation of the resolution.

The creditors need not be notified where the auditors, in a statement pursuant to section 14, state that they have not found that the reduction jeopardises the position of the creditors. Nor need notice be sent to creditors whose claims relate to a claim for wages, pension, or other compensation covered by wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

Application for authorisation

Section 25 In such cases as referred to in section 23, the company shall apply for authorisation to implement the reduction resolution. The application shall be made to the Swedish Companies Registration Office. It shall be submitted within two months from the date of registration of the reduction resolution.

An affirmation from the company's board of directors or the managing director that the company's known creditors have been notified pursuant to section 24, first paragraph shall be appended to the application. Where the auditors, in a statement pursuant to section 14, have stated that they have not found that the reduction jeopardises the position of the creditors, such statement shall instead be appended to that application. Where the company fails to append such an affirmation or such a statement, the Swedish Companies Registration Office shall order the company to rectify the deficiency. In the event the

company fails to do so, the application shall be dismissed.

Notice to the company's creditors

Section 26 Where the Swedish Companies Registration Office finds that no impediment exists to an application pursuant to section 25, the Office shall give notice to attend to the company's creditors. The Office shall not, however, give notice to attend to creditors whose claims relate to a claim for wages or other compensation covered by wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

The notice to attend shall contain an order requiring creditors who wish to oppose the application to give written notice thereof not later than a specific date, failing which he or she shall be deemed to have consented to the application.

The Swedish Companies Registration Office shall promptly publish the notice to attend in *Post- och Inrikes Tidningar*. The Office shall also send special notification regarding the notice to attend to the Debt Enforcement Authority located in the region in which the company has its registered office.

Authorisation by the Swedish Companies Registration Office for a reduction of the share capital

Section 27 Where none of the creditors summoned pursuant to section 26 have opposed the application within the prescribed period of time, the Swedish Companies Registration Office shall grant the company authorisation to implement the reduction resolution. Where any creditor opposes the application, the Office shall refer the matter to the District Court in the locality in which the company has its registered office.

Authorisation by a court of general jurisdiction for a reduction of the share capital

Section 28 Where a matter regarding authorisation to implement a reduction resolution has been referred to a court, authorisation shall be granted provided it is demonstrated that the creditors who opposed the application have received payment in full or hold satisfactory security for their claims. In other cases, the application shall be rejected.

Registration

Section 29 A decision to grant authorisation pursuant to sections 27 or 28 shall be registered in the Companies Register when the decision has become final.

Authorisation for distribution of profits following a resolution regarding reduction of the share capital

Section 30 During a period of three years following registration of a resolution regarding a reduction of the share capital to cover losses, a resolution regarding distribution of profits may not be adopted without authorisation from the Swedish Companies Registration Office or, in disputed cases, a court of general jurisdiction. Authorisation is not, however,

required where the share capital, after or in connection with the reduction resolution, has increased by not less than the amount of the reduction. With respect to authorisation from the Swedish Companies Registration Office or a court of law, sections 25- 29 shall apply, where relevant.

Reduction of the share capital pursuant to a clause in the articles of association

Redemption clause

Section 31 For a company in which the share capital may be set at a lower or higher amount without alteration of the articles of association, a clause may be included in the articles of association pursuant to which the share capital may be reduced through redemption of shares (*redemption clause*). The clause may not be formulated in such a manner that the share capital can be reduced to below the minimum share capital.

A redemption clause shall state the procedure for redemption as well as the redemption amount or the principles for the calculation thereof.

Where the clause is included through an alteration of the articles of association, it may only relate to shares subscribed for or issued after the alteration has been registered.

Majority requirements

Section 32 Chapter 7, section 40 shall apply in conjunction with a resolution of the general meeting regarding a reduction in share capital pursuant to a redemption clause.

Authorisation for reduction of the share capital

Section 33 The provisions of sections 23- 29 shall also apply in conjunction with such a reduction of the share capital as takes place pursuant to a redemption clause.

Authorisation for a reduction is not required, however, where:

1. the reduction is implemented through redemption involving an aggregate amount which does not exceed the disposable amount pursuant to Chapter 17, section 3, first paragraph; and
2. an amount corresponding to the reduction amount has been transferred to the statutory reserve.

Registration, etc.

Section 34 The provisions of sections 19- 22 shall apply in conjunction with a resolution regarding a reduction pursuant to a clause in the articles of association. However, in those cases referred to in section 33, second paragraph, the board of directors shall, where a resolution has been adopted regarding a redemption of shares and allocation to the statutory reserve, immediately notify the aforesaid for registration in the Companies Register.

Reduction of the statutory reserve

Purpose of the reduction

Section 35 A reduction of the statutory reserve may take place:

1. to cover losses, where unrestricted shareholders' equity equal to the loss is not available;
2. to increase the share capital through a bonus issue or new issue of shares; and
3. for repayment to the shareholders or any other purpose, where the Swedish Companies Registration Office or, in disputed cases, a court of general jurisdiction, grants authorisation for the reduction pursuant to sections 23-29.

Resolution procedure

Section 36 A resolution regarding a reduction of the statutory reserve shall be adopted by the general meeting.

The provisions of Chapter 7, section 40 shall apply to resolutions by the general meeting.

Chapter 21. Loans from the company to shareholders, etc.

Loans, etc. to connected persons

Loans to shareholders, etc.

Section 1 Unless otherwise prescribed in section 2, a company may not lend money to:

1. any person who owns shares in the company or another company within the same group;
2. any person who is a member of the board of directors or managing director of the company or another company within the same group;
3. any person who is married to, or co-habits with, or is a sibling or relative in directly ascending or descending relation of, a person referred to in points 1 or 2;
4. any person who is related by marriage to a person referred to in points 1 or 2 in directly ascending or descending relation or where either person is married to a sibling of the other; or
5. a legal person over which a person referred to in points 1-4, alone or together with any other person referred to therein, has a controlling influence.

Section 2 The provisions of section 1 shall not apply where:

1. the borrower is a municipality, a county council or an association of local authorities;
2. the borrower is a company within the same group as the lending company;
3. the loan is intended exclusively for the borrower's business operations and the company provides the loan for purely

commercial reasons; or

4. the loan has been taken up by the Swedish National Debt Office pursuant to the State Borrowing and Debt Management Act (*SFS 1988:1387*).

"Group" as referred to in the first paragraph, point 2 also means any other group of undertakings of corresponding nature in which the parent organisation is:

1. a Swedish legal person which is obliged to maintain accounts pursuant to the Accounting Act (*SFS 1999:1078*);
2. a corresponding foreign legal person domiciled within the European Economic Area; or
3. a municipality, county council or association of local authorities.

Nor shall the provisions of section 1 apply to a shareholder or connected persons where the total shareholding in the company held by the borrower and connected persons does not amount to one per cent of the share capital.

Provision of security

Section 3 The provisions of sections 1 and 2 regarding money loans shall also apply to the provision of security for money loans.

Holdings in investment funds

Section 4 In conjunction with the application of sections 1 and 2, a holder of a unit in an investment fund shall not be deemed to be a shareholder.

Loans for acquisition of shares

Loans for acquisition of shares in the company or any parent company in the same group

Section 5 A company may not grant an advance, provide loans or provide security for loans in order that the debtor or any natural or legal person connected thereto as referred to in section 1 shall acquire shares in the company or any parent company in the same group.

Section 6 Where the borrower is an employee of the company or another company in the same group, the prohibition on advances, loans or security pursuant to section 5 shall not apply where:

1. the value of the offered advance, the loan amount or the security, together with previous advances, loans and security pursuant to this section from the company or another company in the same group, does not exceed two times the price base amount pursuant to the National Insurance Act (*SFS 1962:381*); and
2. the offer is directed to not less than one-half of the employees of the company and, with respect to advances or loans, entails that the offered amount is to be repaid within five years through regular repayments.

Advances, loans or security pursuant to the first paragraph may not be provided where full coverage for the restricted shareholders' equity is thereafter not available. When calculating whether full coverage for the restricted shareholders' equity is available, advances and loans pursuant to the first paragraph shall be treated as receivables of no value and security pursuant to the first paragraph shall be treated as a liability of the company.

Notwithstanding the absence of any impediments pursuant to the second paragraph, advances, loans or security may be provided only insofar as such appear to be defensible taking into consideration:

1. the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations; and
2. the company's need to strengthen its balance sheet, liquidity and financial position in general.

Holdings in investment funds

Section 7 Upon application of section 5, a person who acquires or holds a unit in an investment fund shall not be deemed to be an acquirer of shares.

Dispensation

Section 8 The Swedish Tax Office may grant exemptions from the prohibition in sections 1, 3 and 5. Exemptions from sections 1 and 3 may be granted only where particular cause exists. Exemptions from section 5 may be granted only where required due to special circumstances.

With respect to companies under the supervision of the Swedish Financial Supervisory Authority, exemptions pursuant to the first paragraph shall be determined by the Authority.

With respect to public companies, section 12 shall also apply.

Section 9 The company's known creditors shall be consulted in respect of an application for an exemption pursuant to section 8. Where a creditor so requests, his or her claim shall be paid or satisfactory security shall be provided therefor before an application is granted.

The first paragraph shall not apply where the creditors' position is manifestly not affected by the granting of an exemption.

Schedule of loans, etc.

Section 10 The board of directors and the managing director shall, each financial year, prepare a separate schedule regarding:

1. advances, loans and security provided by virtue of an exemption granted pursuant to section 8; and
2. loans and security provided by virtue of the provisions of section 2, first paragraph, point 3.

The schedule shall relate to advances, loans and security provided during the financial year or which are outstanding from previous financial years. The schedule shall state the names of the persons to whom advances or loans have been provided or in respect of whom security has been provided.

The Authority referred to in section 8 may decide that advances, loans and security as referred to in the first paragraph need not be included in the schedule.

The schedule shall be stored for a period of not less than ten years following the expiry of the financial year to which the schedule relates.

Legal sanctions in the event of unlawful provision of loans or security

Section 11 Where a company has provided an advance or a loan in violation of the provisions of this Chapter, the recipient shall repay what he or she has received. Where security has been provided in violation of the provisions of this Chapter, the undertaking by the company shall not be binding on the company, provided the company proves that the recipient of the security knew or should have realised that it was unlawful.

Special provisions regarding public companies

Section 12 With respect to public companies, exemptions pursuant to section 8 may not be granted with respect to the acquisition of shares in the company providing an advance or loan or security.

Chapter 22. Buy-out of minority shareholders

Conditions for buy-out

Section 1 A shareholder who holds more than nine-tenths of the shares in a company (the majority shareholder) shall be entitled to buy-out the remaining shares of the other shareholders of the company. Any person whose shares may be bought out shall be entitled to compel the majority shareholder to purchase his shares.

The provisions of the first paragraph and otherwise of this Chapter regarding majority shareholders of a company shall also apply to a party which, together with one or more subsidiaries, holds more than nine-tenths of the shares in the company and a party whose subsidiary holds more than nine-tenths of the shares in the company. Where several parties meet the aforesaid conditions, the provisions of this Chapter shall apply only to the party which is the immediate parent of the company.

A legal person over whom a majority shareholder that is not a Swedish company exercises influence in the manner stated in Chapter 1, section 11 shall be equated with a subsidiary as referred to in the second paragraph.

Purchase price

Purchase price amount

Section 2 In the event of a dispute regarding the purchase price for a share which is to be bought out pursuant to this Chapter, the purchase price shall be determined applying the provisions of the second to fourth paragraphs.

The purchase price for a share shall be determined in such a manner that it corresponds to the price for the share which might be expected upon a sale under normal circumstances. With respect to a share which is traded on a Swedish or foreign exchange, an authorised marketplace or any other regulated market, the purchase price shall correspond to the listed value, unless special grounds otherwise dictate.

The purchase price shall be determined taking into consideration the circumstances pertaining at the time a request for arbitration was made pursuant section 5. Where reasons exist therefor, the amount may instead be determined taking into consideration the circumstances prevailing at an earlier time.

Where a demand for a buy-out of shares pursuant to this Chapter was preceded by a public offer to acquire all shares not already held by the offeror and such offer was accepted by holders of more than nine-tenths of the shares to which the offer relates, the purchase price shall correspond to the consideration offered, unless special cause otherwise dictates.

Interest on the purchase price

Section 3 A shareholder shall be entitled to interest on the purchase price pursuant to *section 5* of the Interest Act (SFS 1975:635) commencing the date on which any of the parties requested that the dispute be decided by arbitrators until such time as the award in which the purchase price has been established has become final. With respect to the period of time thereafter, the shareholder shall be entitled to interest pursuant to *section 6* of the same Act until such time as the purchase price is paid. However, where a company is not a CSD company, interest shall not be paid in respect of the period prior to the surrender to the majority shareholder of share certificates bearing an endorsement of transfer or redemption rights certificates.

The right to the purchase price

Section 4 The right to the purchase price shall be assumed to vest in any person who surrenders to the majority shareholder a share certificate bearing an endorsement of transfer or a redemption rights certificate pursuant to section 13, second paragraph. For a CSD company, the right shall be assumed to be vested in any person who, pursuant to the Financial Instruments (Accounts) Act (SFS 1998:1479), is:

1. registered as owner of the shares; or
2. registered on an account in a CSD register as the person entitled to the purchase price.

Proceedings in buy-out disputes

Section 5 A dispute regarding the existence of any buy-out right or obligation or the amount of the purchase price shall be determined by three arbitrators. Unless otherwise prescribed by the provisions of this Chapter, the provisions of the Arbitration Act (SFS 1999:116) shall, where relevant, apply to the arbitrators and the proceedings before them.

An action in a buy-out dispute may be taken up for determination where it relates:

1. to the determination of a buy-out right or obligation;
2. to the determination of the amount of the purchase price; or
3. to an obligation of the majority shareholder to pay the determined purchase price to shareholders who are bought out.

Provisions regarding challenges to arbitral awards are set forth in section 24.

The provisions of this section shall not constitute a bar to proceedings in a foreign court against a foreign majority shareholder.

Special provisions where the majority shareholder has requested determination by arbitrators

Request for determination by arbitrators

Section 6 Where a majority shareholder wishes to buy-out shares in a company pursuant to section 1 and an agreement cannot be reached thereon, he or she shall submit a written request to the company's board of directors that the dispute be resolved by arbitrators, stating his or her arbitrator.

Notice by the company to the minority shareholders

Section 7 Immediately following receipt of a request pursuant to section 6, the board of directors shall, through a public notice, notify the shareholders against whom a buy-out claim is brought that buy-out has been requested. In the notice, the shareholders shall be afforded an opportunity, not later than two weeks from the date of the public notice, to notify the company in writing with respect to their arbitrator.

The notice shall be published in Post- och Inrikes Tidningar and in the local newspaper or newspapers determined by the board of directors. The notice shall also be sent by mail to each shareholder against whom a buy-out claim is brought and whose postal address is known to the company.

With respect to public companies, section 28 shall apply in lieu of the second paragraph, first sentence.

Application for a trustee

Section 8 Unless all of the shareholders entered in the share register against whom the buy-out claim is brought have designated a joint arbitrator within the period of time stated in the notice pursuant to section 7, the board of directors shall apply to the Stockholm District Court for the appointment of a trustee.

Such an application shall be considered promptly.

Permission to appeal shall be required for an appeal to the Court of Appeal.

Who may be appointed as trustee

Section 9 The person appointed as trustee must be suitable for the engagement.

The duties of the trustee

Section 10 The trustee shall:

1. appoint a joint arbitrator on behalf of the minority shareholders; and
2. in the dispute, protect the rights of absent shareholders.

The trustee shall notify the company's board of directors as soon as possible regarding the choice of arbitrator.

In addition to the provisions of this Act, the powers of the trustee shall be governed by the provisions of Chapter 12, section 14, section 14, first paragraph, points 2-6 of the Code of Judicial Procedure. The trustee shall also be authorised to present claims for specific performance pursuant to section 5, second paragraph, point 3.

Section 11 After the arbitrators have been appointed, they shall invite those shareholders who personally wish to present their case to give notice thereof to the chairman of the arbitral tribunal within two weeks. The provisions of section 7, second paragraph shall apply to such invitation.

With respect to public companies, section 28 shall apply in lieu of section 7, second paragraph, first sentence.

Advance vesting of title

Section 12 Upon petition by the majority shareholder, the arbitrators or, after court proceedings have been brought pursuant to section 24, the court, may decide, in a separate award or judgment, upon advance vesting of title in the majority shareholder, prior to the final determination of the purchase price.

A decision pursuant to the first paragraph may be issued only where:

1. the parties are agreed on the existence of a buy-out right or obligation or it is otherwise clear that such a right or obligation exists; and
2. the majority shareholder has provided security for the future purchase price and interest and the security has been approved by the arbitrators or the court.

Where a decision has been issued in respect of advance vesting of title, the majority shareholder may exercise any rights carried by the shares commencing on the date on which the award or judgment regarding advance vesting of title becomes final. Upon such date, the legal consequences stated in sections 13 and 14 shall also enter into effect.

Section 13 Where a decision has been made regarding advance vesting of title to shares in a company which is not a CSD company, the holders of

the shares to be bought out shall be obliged to surrender their share certificates bearing an endorsement of transfer to the majority shareholder. Share certificates which have not yet been surrendered to the majority shareholder shall not carry any rights for the holders other than the right to receive the purchase price and interest upon surrender of the share certificate.

Upon surrender by a shareholder of share certificates to the majority shareholder pursuant to the first paragraph, the latter shall be obliged to provide the shareholder with a written confirmation of the shareholder's right to the future purchase price and interest (*redemption rights certificate*). The redemption rights certificate shall state:

1. that it has been issued by the majority shareholder; and
2. the number of shares, where applicable with information regarding the class of shares in respect of which the shareholder is entitled to the purchase price.

The provisions of Chapter 11, section 7 concerning issue certificates and warrant certificates shall apply with respect to transfer and pledging of redemption rights certificates.

Section 14 Where a decision has been made regarding advance entry into possession of shares in a CSD company, the majority shareholder shall, upon request, be registered as owner of the shares pursuant to the Financial Instruments (Accounts) Act (*SFS 1998:1479*). At the same time, the shareholder's right to the future purchase price and interest shall be registered in accordance with the same Act.

Separate award in buy-out disputes

Section 15 Where the issue of the majority shareholder's buy-out right or obligation is in dispute, the arbitrators may determine the issue through a separate award, upon petition by a party or the trustee.

Where a decision regarding advance vesting of title pursuant to section 12 has become final, the arbitrators may issue a separate award in respect of the price accepted by the majority shareholder, upon petition by a party or the trustee.

Withdrawal of action, etc.

The majority shareholders' obligation to complete an action

Section 16 Where the majority shareholder withdraws an action regarding buy-out, the majority shareholder shall nevertheless be obliged to buy-out the minority shareholders upon request by a minority shareholder or the trustee, provided conditions for buy-out exist pursuant to section 1.

Section 17 Where the majority shareholder's buy-out right pursuant to section 1 has lapsed as a consequence of transfers of shares by the majority shareholder or its subsidiary undertakings, the majority shareholder shall nevertheless be obliged to

buy-out the other party upon demand. In such case, a demand for buy-out may be made only with respect to shares which were owned by a party other than the majority shareholder or its subsidiary undertaking on the day on which the majority shareholder requested that the dispute be decided by arbitrators. "Subsidiary undertaking" shall include such a legal person as referred to in section 1, third paragraph.

Section 18 Where a decision has been made regarding advance vesting of title pursuant to section 12, the majority shareholder may not subsequently withdraw an action.

Obligation of a party other than the majority shareholder to complete an action

Section 19 Where any party other than the majority shareholder has referred the dispute for determination by the arbitrators and withdraws his or her action, the dispute shall nevertheless be decided upon request by the majority shareholder.

Effects of an arbitral award regarding the purchase price

Section 20 Where an award regarding the purchase price has become final, the following shall apply. For a company which is not a CSD company, the shareholders who are to be bought out shall surrender their share certificates bearing an endorsement of transfer to the majority shareholder. For a CSD company, other than in cases referred to in section 21, the majority shareholder shall, upon request, be registered as owner of the shares pursuant to the Financial Instruments (Accounts) Act (*SFS 1998:1479*).

Deposit of purchase price

Section 21 Where share certificates or redemption rights certificates have not been surrendered to the majority shareholder within one month of the day on which an award regarding the purchase price became final or, with respect to a CSD company, where the shareholders of such company are unknown, the majority shareholder shall, without delay, cause the purchase price for such share or for shares to which such redemption rights certificate relates to be deposited in accordance with the Public Authorities (Deposit of Money in Escrow) Act (*SFS 1927:56*). No reservation may be made regarding the right to withdraw the deposited amount.

Where a deposit has taken place pursuant to this section, the majority shareholder shall be entitled to exercise any rights carried by the shares commencing the date on which the amount was deposited with the County Administrative Board.

A share certificate which has not yet been surrendered to the County Administrative Board shall not carry any rights for the holder other than the right to receive the purchase price and interest upon surrender of the share certificate. For a CSD company, where deposit has taken place the majority shareholder shall, upon request, be registered as owner of the

shares pursuant to the Financial Instruments (Accounts) Act (*SFS 1998:1479*).

Issuance of new share certificates

Section 22 Where a share certificate has not been surrendered within one month of the date on which the majority shareholder became owner of the share, the board of directors shall issue a new share certificate upon request by the majority shareholder. The new share certificate shall contain a notation that it replaces an earlier share certificate. Where the earlier share certificate is thereafter surrendered to the majority shareholder, the latter shall surrender such to the company for cancellation.

Costs of the arbitration proceedings

Section 23 The majority shareholder shall be liable for the compensation to the arbitrators and the trustee as well as for other shareholders' costs. Where special cause exists, the arbitrators may order another shareholder to bear such costs, in whole or in part. Chapter 18, section 8 of the Code of Judicial Procedure shall apply with respect to the costs of shareholders and the trustee.

Challenge of an arbitral award

Section 24 A party or trustee who is dissatisfied with an arbitral award in a buy-out dispute shall be entitled to commence proceedings before the Stockholm District Court within sixty days of the day on which he or she received the arbitral award, in original or attested copy.

Permission to appeal shall be required for an appeal to the Court of Appeal.

Litigation costs in courts of general jurisdiction

Section 25 In courts of general jurisdiction, the majority shareholder shall bear its own costs and any costs incurred by the other party or trustee as a result of the majority shareholder having brought the action, unless otherwise provided in *Chapter 18, sections 6 or 8* of the Code of Judicial Procedure. In other respects, the provisions of Chapter 18 of the Code of Judicial Procedure regarding liability for costs in appellate courts shall apply.

Where the minority shareholders shall be liable for litigation costs, in whole or in part, such costs shall be apportioned pro rata to the number of shares held by each such shareholder. Where special cause exists, the court may decide upon another allocation. The provisions of *Chapter 18, section 9* of the Code of Judicial Procedure shall not apply.

Buy-out of warrants and convertible instruments

Section 26 A majority shareholder who exercises its right pursuant to section 1 to buy-out outstanding shares in the company shall also be entitled to buy-out warrants and convertible instruments issued by the company. A holder of such a warrant or convertible instrument shall be entitled to be bought out by the

majority shareholder, notwithstanding that the latter does not exercise the right to buy-out shares.

Where the majority shareholder has requested that a dispute regarding a buy-out be resolved by arbitrators pursuant to section 6, the warrants or the convertible instruments may not be exercised for subscription or conversion until the buy-out dispute has been decided through an award or a decision which has become final. Where the period of time within which a warrant may be exercised or conversion may take place expires prior thereto, the holder of the warrant or the convertible instrument shall nevertheless be entitled to exercise the warrant or the convertible instrument during a period of three months after the determination became final.

The provisions of the first and second paragraphs shall not apply where otherwise prescribed in the terms and conditions governing the issue of warrants or convertible instruments.

Section 27 Where the majority shareholder has requested that both a dispute regarding buy-out of shares and a dispute regarding buy-out of warrants or convertible instruments shall be decided by arbitrators, the disputes shall be decided in the same arbitration proceedings.

The provisions of sections 1-11 and 15- 25 shall apply to a dispute regarding the buy-out of warrants or convertible instruments.

Where a dispute regarding a buy-out relates to shares as well as warrants or convertible instruments and a trustee has been appointed pursuant to section 7, the trustee shall also be authorised to represent absent holders of warrants or convertible instruments.

Special provisions regarding public companies

Section 28 With respect to public companies, a notice pursuant to section 7 and an invitation pursuant to section 11 shall be published in Post- och Inrikes Tidningar and in the national daily newspaper stated in the articles of association in accordance with Chapter 7, section 56.

Chapter 23. Merger of companies

Common provisions

Meaning of a merger

Section 1 Two or more companies may merge through all of the assets and liabilities of one or more of the companies being transferred to another company in exchange for consideration to the shareholders of the transferor company or companies (*merger*). Upon the merger, the transferor company or companies are dissolved without liquidation taking place.

A merger may take place:

1. between the transferee company and one or more transferor companies (*absorption*); or
2. between two or more transferor companies through such companies forming a new

transferee company (*consolidation*).

In the event of a merger through absorption of wholly-owned subsidiaries, the provisions of sections 28-35 shall apply in lieu of sections 6-27.

Merger consideration

Section 2 The consideration to the shareholders of the transferor company or companies (*merger consideration*) shall consist of shares in the transferee company or of cash.

The accounting currency of the participating companies

Section 3 A merger may only take place where the transferor and the transferee companies have the same accounting currency.

Merger where transferor company has gone into liquidation

Section 4 A merger may take place notwithstanding that the transferor company has gone into liquidation, provided that a distribution of the company's assets has not commenced.

Where the transferor company has gone into liquidation, the liquidator shall, where a merger plan has been prepared pursuant to sections 6 or section 28, present a final report regarding his or her administration. The final report shall be presented to a general meeting when the merger plan has entered into force in respect of the company. The provisions set forth in Chapter 25, section 40 shall otherwise apply with respect to the final report and the review thereof.

The liquidation shall be deemed concluded where notification regarding the merger pursuant to section 25 has been registered or authorisation to implement a merger plan has been registered pursuant to section 34.

Position of special rights holders

Section 5 Holders of warrants, convertible instruments or other securities conveying special rights in the transferor company shall receive rights in the transferee company which are at least equal to the rights they possessed in the transferor company. However, the aforesaid shall not apply where, pursuant to the merger plan, the holders are entitled to demand that the transferee company buy-out their securities.

Merger pursuant to section 1, second paragraph

Preparation of merger plan

Section 6 The board of directors of the transferor company, and of the transferee company in the event of absorption, shall prepare a joint, dated merger plan pursuant to the provisions of sections 7-13. The plan shall be signed by the board of directors of each of the companies.

In the event of a consolidation, the merger plan shall consist of the memorandum of association of the transferee company.

Content of the merger plan

Section 7 In the merger plan, the following shall be stated in respect of each company:

1. the company name, company category, company number, and the locality in which the company shall have its registered office;
2. the number of shares in the transferee company which shall be exchanged for a specified number of shares in the transferor company and the cash payment to be provided as merger consideration;
3. the date and the other terms and conditions applicable to the provision of the merger consideration;
4. the date from which, and the terms and conditions pursuant to which, the shares provided as merger consideration shall carry rights to dividends in the transferee company;
5. the planned date for the dissolution of the transferor company;
6. the rights in the transferee company which shall vest in holders of shares, warrants, convertible instruments and other securities with special rights in the transferor company or measures which will otherwise be taken for the benefit of the aforementioned holders; and
7. fees and other special benefits which, as a consequence of the merger, shall be provided to a member of the board of directors or a managing director of a transferor or transferee company or to an auditor who performs a review pursuant to section 11.

Section 8 In the event of a consolidation, the merger plan shall also contain:

1. articles of association for the transferee company; and
- the full name, personal ID number or, in the absence thereof, date of birth as well as postal address of the members of the board of directors and auditors and, where appropriate, alternate members of the board of directors, alternate auditors and general examiners.

Section 9 The merger plan shall include a description of the circumstances which may be of significance in conjunction with an assessment of the appropriateness of the merger for the companies. The description shall state the manner in which the merger consideration has been determined and the legal and financial factors which have been taken into consideration. Special difficulties in estimating the value of the property shall be noted.

Supplementary information

Section 10 The following documents shall be appended to the merger plan:

1. a copy of the companies' annual reports for the past three financial years; and
2. information equivalent to that which is set forth in interim reports pursuant to Chapter 9,

section 3, first paragraph, and section 4 of the Annual Reports Act (SFS 1995:1554), where the merger plan was prepared more than six months following the expiry of the most recent financial year for which an annual report and auditor's report have been presented. With respect to companies covered by the Annual Reports (Credit Institutions and Securities Companies) Act (SFS 1995:1559), information shall also be provided regarding the company's borrowing and lending. The information shall relate to a period of time from the expiry of the aforementioned financial year to a day which occurs not earlier than three months prior to the preparation of the merger plan.

Auditor's review of the merger plan

Section 11 The merger plan shall be reviewed by one or more auditors in respect of each of the transferor companies and, in the event of absorption, the transferee company. The review shall be as comprehensive and thorough as required by generally accepted auditing standards. The auditor or auditors shall prepare a written statement regarding their review for each company. The statements shall indicate whether the merger consideration and the principles for the allocation thereof have been determined in an objective and correct manner. In conjunction therewith, such statements shall also set forth the method or methods used in the valuation of the companies' assets and liabilities, the results of the applied valuation methods and their suitability and the weight accorded to them in the overall assessment of the value of each of the companies. Special difficulties in estimating the value of the property shall be noted.

The following matters shall be specifically indicated in the statements:

1. in the case of absorption, whether the auditors, in their review, have found that the merger would jeopardise the payment of claims held by creditors of the transferee company; and
2. in the case of consolidation, whether the total actual value of the transferor companies for the transferee company amounts to not less than the share capital of the transferee company.

The auditors' statements shall be appended to the merger plan.

Section 12 An auditor as referred to in section 11 shall be an authorised or approved public accountant or a registered accounting firm. Unless otherwise stated in the articles of association, the auditor shall be appointed by the general meeting of each company. Where no specific auditor is appointed, the examination shall, instead, be conducted by the companies' auditors.

The provisions of Chapter 9, sections 40, 45 and 46 shall apply to an auditor appointed to conduct a review pursuant to section 11.

Section 13 The board of directors, the managing director and the auditor of a company which is to participate in the merger shall provide each auditor who conducts a review pursuant to section 11 the opportunity to conduct the review to the extent the auditor deems necessary. They shall also furnish such information and assistance as are requested. An auditor who performs a review pursuant to section 11 shall bear the same obligation vis-à-vis such other auditors.

Registration of the merger plan

Section 14 Within one month of the preparation of the merger plan, the transferee company or, in the event of consolidation, the oldest of the transferor companies, shall submit the plan with appended documents to the Swedish Companies Registration Office for registration in the Companies Register. Public notice of the registration shall be given pursuant to Chapter 27, section 3. Where public notice is not given of the plan in its entirety, the public notice shall state the location at which the plan is available.

The first paragraph shall not apply in the event of a merger in which all participating companies are private companies and all shareholders of the companies have signed the merger plan.

Obligation to submit the merger plan to the general meeting

Section 15 The merger plan shall be submitted to the general meetings of all transferor companies.

Where owners of not less than five per cent of all shares in the transferee company so demand, the merger plan shall also be submitted to the general meeting of that company. Such a demand must be made within two weeks from the date that public notice is given pursuant to Chapter 27, section 3 regarding registration of the merger plan.

The general meeting may be held not earlier than one month or, where all companies which participate in the merger are private companies, not earlier than two weeks following public notice of registration of the merger plan.

The provisions of the first to third paragraphs shall not apply in the event of a merger in which all participating companies are private companies and all shareholders of the companies have signed the merger plan.

Availability of the merger plan, etc.

Section 16 Where a matter concerning approval of a merger plan pursuant to section 15 is to be submitted to the general meeting, the following shall apply.

The board of directors shall make the plan with appended documents available for the shareholders during a period of not less than one month or, where all companies which participate in the merger are private companies, not less than two weeks prior to the general meeting at which the matter is to be

addressed. The documents shall be made available at the company at the locality in which the company has its registered office. Copies of the documents shall be sent, immediately and free of charge to the recipient, to shareholders who so request and state their postal address.

Majority requirements, etc.

Section 17 A decision by a general meeting to approve the merger plan shall be valid only where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the meeting.

Where the company has several classes of shares, the provisions of the first paragraph shall also apply to each class of shares which is represented at the general meeting.

Where any of the transferor companies is a public company and the transferee company is a private company, the decision of the public company regarding approval of the merger plan shall be valid only where supported by all shareholders present at the general meeting, provided such shareholders together represent not less than nine-tenths of all shares in the company.

Section 18 In the event any of the general meetings which must approve the merger plan fails to approve the merger plan in its entirety, the merger shall lapse.

Notice to the company's known creditors

Section 19 When the merger plan has entered into force for all companies participating in the merger, each of them shall give written notice of the decision to their known creditors. The notice shall contain information that the company intends to apply for authorisation to implement the merger plan and information regarding the creditors' right to oppose implementation of the merger plan.

The creditors of the transferee company need not be notified where the auditors, in statements regarding the merger plan, have stated that they have not found that the merger jeopardises the position of the transferee company's creditors. Nor need notice be sent to creditors whose claims relate to a claim for wages, pension, or other compensation covered by wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

Application for authorisation to implement the merger plan

Section 20 The transferee company or, in the event of consolidation, the oldest of the transferor companies, shall apply for authorisation to implement the merger plan. The application shall be made to the Swedish Companies Registration Office. The application shall be submitted within one month of the date on which the merger plan entered into force in respect of all companies and, where the merger plan has been registered pursuant to section 14, first paragraph, not later than two years following public notice of registration of the plan.

The following documents shall be appended to the application:

1. a copy of the merger plan;
2. an affirmation from the company's board of directors or managing director that the company's known creditors have been notified pursuant to section 19 and, in such cases as referred to in section 14, second paragraph, that all shareholders have signed the merger plan; and
3. where applicable, a copy of the minutes from a general meeting as referred to in section 15.

Where the applicant fails to append the documents referred to in the second paragraph, the Swedish Companies Registration Office shall order the applicant to rectify the deficiency. In the event the applicant fails to do so, the application shall be rejected.

Section 21 The Swedish Companies Registration Office shall reject an application pursuant to section 20 where:

1. the merger plan has not been duly approved or the content thereof violates any law or other statutory instrument or the articles of association;
2. the merger has been prohibited pursuant to the Competition Act (*SFS 1993:20*) or pursuant to Council Regulation (EC) no. 139/2004 of 20 January 2004 on the control of concentrations between undertakings, Official Journal L 24, 29.1.2004 p. 11 or where an assessment of the merger is pending pursuant to the Competition Act or the aforementioned Regulation; or
3. in the event of consolidation, the auditors' statements pursuant to section 11 do not demonstrate that the total actual value of the transferor companies to the transferee company amounts to at least the share capital of the transferee company.

Where an application cannot be granted due to the fact that an assessment is pending pursuant to the Competition Act or pursuant to Council Regulation (EC) no. 139/2004 and the assessment can be expected to be completed within a short period of time, the Swedish Companies Registration Office may stay the issue of authorisation for a period not exceeding six months.

Notice to the companies' creditors

Section 22 Where the Swedish Companies Registration Office determines that no impediment exists to an application pursuant to section 20, the Office shall convene a meeting of the companies' creditors. The Office shall not, however, summon:

1. the creditors of the transferee company, where the auditors have stated, in statements regarding the merger plan pursuant to section

11, that they do not believe that the merger jeopardises the position of the transferee company's creditors;

2. creditors whose claims are in respect of a claim for wages, pension, or other compensation covered wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

The notice to attend shall contain an order requiring persons wishing to oppose the application to give written notice thereof not later than a particular date. The order shall contain information that he or she shall otherwise be deemed to have consented to the application.

The Swedish Companies Registration Office shall promptly cause such notice to be published in *Post-och Inrikes Tidningar*. The Office shall also send a separate notice regarding the creditors' meeting to the Debt Enforcement Authority in the region or regions in which the companies have their registered office.

Authorisation by the Swedish Companies Registration Office to implement the merger plan

Section 23 Where none of the creditors who have been summoned pursuant to section 22 oppose the application within the prescribed period of time, the Swedish Companies Registration Office shall grant the companies authorisation to implement the merger plan. Where any creditor opposes the application, the Office shall refer the matter to the District Court in the locality in which the transferee company has its registered office.

Authorisation by a court of general jurisdiction to implement the merger plan

Section 24 Where a matter in respect of authorisation to implement a merger plan has been referred to a court pursuant to section 23, authorisation shall be granted provided it is demonstrated that the creditors who opposed the application have received full payment or satisfactory security for their claims. In other cases, the application shall be rejected.

Registration of the merger

Section 25 The board of directors of the transferee company shall notify the merger for registration in the Companies Register. The board of directors shall also notify the increase in the share capital for registration in the case of absorption and, in the case of consolidation, the persons who have been appointed as members of the board of directors and auditors and, where appropriate, general examiners of the company.

The notification shall replace the subscription for the shares and shall be made not later than two months from the date of the Swedish Companies Registration Office's authorisation to implement the merger plan or, where authorisation is granted by a court of general jurisdiction, from the date on which the court's decision became final. Certification from an authorised or approved public accountant that the

1 EUT L 24, 29.1.2004, s. 1 (Celex 320004R0139).

transferor company's assets have been transferred to the transferee company shall be appended to the notification.

Legal consequences of the merger

Section 26 Where notification of a merger pursuant to section 25 has been registered, the following legal consequences shall enter into force:

1. with the exception of claims in damages pursuant to Chapter 29, sections 1- 3, the assets and liabilities of the transferor company which are connected to the merger shall pass to the transferee company;
2. where shares are included in the merger consideration, shareholders of the transferor company shall become shareholders of the transferee company;
3. the transferor company shall be dissolved;
4. in the event of consolidation, the transferor company shall be deemed formed.

Notwithstanding the provisions of the first paragraph, owners of not less than one-tenth of all shares in a transferor company may submit a demand to the board of directors that a general meeting be held to address the issue of claims pursuant to Chapter 29, section 7. In such case, the provisions of Chapter 7, section 17, second paragraph shall apply. Where such an action is brought, Chapter 25, section 44 shall apply, where relevant.

Lapse of a merger

Section 27 The Swedish Companies Registration Office shall declare that a merger has lapsed where:

1. an application pursuant to section 20 for authorisation to implement the merger plan has not been made within the prescribed period of time or such an application has been rejected through a decision that has become final;
2. notification pursuant to section 25 has not been made within the prescribed period of time; or
3. the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter regarding registration pursuant to section 25 or has refused registration.

Absorption of wholly-owned subsidiaries

Merger plan

Section 28 Where a parent company owns all shares in a subsidiary, the boards of directors of the companies may resolve that the subsidiary shall be merged into the parent company. They shall thereupon prepare a merger plan. The plan shall state the following in respect of each company:

1. the company name, company category, company number and the locality in which the registered office shall be located;
2. the planned date for dissolution of the

subsidiary;

3. the rights in the parent company which shall vest in holders of warrants, convertible instruments and other securities with special rights in the subsidiary or the measures which will otherwise be taken for the benefit of the aforementioned holders;
4. fees and other special benefits which, as a consequence of the merger, shall be provided to a member of the board of directors or a managing director or an auditor who has performed a review pursuant to section 29.

The merger plan shall include a description of the circumstances which may be of significance in conjunction with the assessment of the appropriateness of the merger for the companies.

Auditors' review of the merger plan

Section 29 The merger plan shall be reviewed by one or more auditors. The review shall be as extensive and detailed as required by generally accepted auditing standards. The provisions of section 13 shall apply to the review.

The auditor or auditors shall prepare a review statement in respect of each company. In the statements, the auditors shall state specifically whether, in their review, they have found that the merger would jeopardise the payment of claims held by creditors of the parent company.

The auditors' statements shall be appended to the merger plan.

The provisions of section 12 shall apply to an auditor who performs a review pursuant to the first paragraph.

Registration of the merger plan

Section 30 Within one month of the preparation of the merger plan, the parent company shall submit the plan with appended statements for registration in the Companies Register. Information regarding the registration shall be published in accordance with Chapter 27, section 3. Where the plan is not published in its entirety, the public notice shall provide information concerning where such plan is available.

The provisions of the first paragraph shall not apply in the event of a merger in which all participating companies are private companies and all shareholders of the parent company have signed the merger plan.

The general meeting's approval of the merger plan

Section 31 Where owners of not less than five per cent of all shares in the parent company so request, the merger plan shall be submitted to the general meeting of that company. Such a request must be made within two weeks from the publication of information regarding the merger plan in accordance with Chapter 27, section 3.

The general meeting shall be held not earlier than one month or, where all companies participating in the merger are private companies, not earlier than two

weeks after publication of information regarding registration of the merger plan.

The provisions of the first and second paragraphs shall not apply in the event of a merger in which all participating companies are private companies and all shareholders of the parent company have signed the merger plan.

Where a matter regarding approval of a merger plan pursuant to the first paragraph shall be submitted to the general meeting, the provisions of section 16, section 17, first paragraph and section 18 shall apply.

Notice to the companies' known creditors

Section 32 Where the merger plan is not to be submitted to the general meeting of the parent company pursuant to section 31 or where the plan is approved by the general meeting, each of the companies shall give written notice to its known creditors that the plan has entered into force. In such case, the provisions of section 19 shall apply.

Application for authorisation to implement the merger plan

Section 33 The parent company shall apply for authorisation to implement the merger plan. The application shall be made to the Swedish Companies Registration Office. The application shall be submitted not earlier than one month and not later than two months after it has entered into force for the parent company.

The following documents shall be appended to the application:

1. a copy of the merger plan;
2. an affirmation from the company's board of directors or managing director that the company's known creditors have been notified pursuant to section 32 and, in such cases as referred to in section 30, second paragraph, that all shareholders of the parent company have signed the merger plan; and
3. where applicable, a copy of the minutes from a general meeting as referred to in section 31.

The handling of an authorisation matter shall be governed by the provisions of section 20, third paragraph as well as section 21, first paragraph, point 1 and sections 22-24. In conjunction therewith, the provisions in respect of a transferor company shall refer to a subsidiary and the provisions in respect of a transferee company shall refer to a parent company.

Legal consequences of the merger

Section 34 Authorisation to implement a merger plan shall be registered in the Companies Register.

Where the Swedish Companies Registration Office has registered the decision regarding authorisation to implement the merger plan, the following legal consequences shall enter into force:

1. the subsidiary's assets and liabilities shall pass to the parent company;
2. the subsidiary shall be dissolved.

Lapse of a merger

Section 35 The Swedish Companies Registration Office shall declare that a matter concerning a merger has lapsed where:

1. an application pursuant to section 33 for authorisation to implement the merger plan has not been made within the prescribed period of time; or
2. such an application has been dismissed through a decision which has become final.

Invalidity

Section 36 Proceedings to set aside a resolution adopted by a general meeting regarding approval of a merger plan must, in those cases referred to in Chapter 7, second 51, second paragraph, be brought within six months from the date of such resolution. Where proceedings are not commenced within such period of time, the right to bring such proceedings shall be forfeited.

Where a court of general jurisdiction, through a judgment or a decision which has become final, has granted a claim to set aside a resolution of a general meeting regarding approval of a merger plan, the merger shall be rescinded notwithstanding that the transferor company has been dissolved. The transferor companies or, in the case of absorption, the transferor company or companies and the transferee company jointly and severally, shall be liable for obligations incurred as a consequence of any measure taken on behalf of the transferee company subsequent to the dissolution of the transferor company but prior to public notice of the court's decision in Post- och Inrikes Tidningar.

Chapter 24. Demerger of a company

What a demerger entails

Section 1 A company may be divided through the company's assets and liabilities being taken over by one or more other companies in exchange for consideration to the shareholders of the transferor company (*demerger*).

Demerger may take place through:

1. all of the assets and liabilities of the transferor company being acquired by two or more other companies, whereupon the transferor company shall be dissolved without liquidation taking place;
2. part of the assets and liabilities of the transferor company being acquired by one or more other companies without the transferor company being dissolved.

A transferee company may be an already formed company or a company which is formed through the demerger.

Demerger consideration

Section 2 The consideration to the shareholders of the transferor company (*demerger consideration*) shall

consist of shares in the acquiring company or companies or cash.

The participating companies' accounting currency

Section 3 Demerger may only take place where the transferor and transferee companies have the same accounting currency.

Demerger where the transferor company has gone into liquidation

Section 4 Demerger may take place notwithstanding that the transferor company has gone into liquidation, provided that distribution of the company's assets has not commenced.

In the event of demerger pursuant to section 1, second paragraph, point 1, the liquidators shall, when a demerger plan has been prepared pursuant to section 7, provide a final report with respect to their management. Where the demerger plan has entered into force in respect of the company, the final report shall be presented to a general meeting. The provisions of Chapter 25, section 40 shall otherwise apply with respect to the final report and the review thereof.

The liquidation shall, in such cases as referred to in the second paragraph, be deemed completed where notification of the demerger pursuant to section 27 has been registered.

Payment liability of the transferee company

Section 5 Where, pursuant to the demerger plan, a debt owed by the transferor company is to be transferred to a transferee company through the demerger, after the demerger the latter company shall bear unlimited liability for the debt. Where the transferee company is unable to pay the debt, the other transferee companies shall be jointly and severally liable for the debt, however in an amount not exceeding a sum which, for each company, corresponds to the actual value of the net balance allocated to the company in conjunction with the demerger. However, in the event of a demerger pursuant to section 1, second paragraph, point 2, the transferor company shall also be liable in an amount not exceeding a sum corresponding to the actual value of what has been retained by the company in conjunction with the demerger.

Where a debt owed by the transferor company is not addressed in the demerger plan, the transferee companies or, in the event of demerger pursuant to section 1, second paragraph, point 2, the transferee company or companies and the transferor company, shall bear unlimited joint and several liability for such debt.

Position of special rights holders

Section 6 Holders of warrants, convertible instruments or other securities with special rights in the transferor company shall receive rights in the transferee company corresponding at least to the rights held in the transferor company. However, the

aforesaid shall not apply where, pursuant to the demerger plan, they are entitled to have their securities bought out by the transferee company.

Preparation of a demerger plan

Section 7 The boards of directors of the transferor company and the transferee company or companies shall prepare a joint, dated demerger plan in accordance with the provisions of sections 8-15. The plan shall be signed by the board of directors of each of the companies.

Where the transferee companies or any of them shall be formed in connection with the demerger, the demerger plan shall constitute a memorandum of association.

Content of the demerger plan

Section 8 The demerger plan shall, in respect of each company, state the following:

1. the company name, company category, company number, and the locality at which the company shall have its registered office;
2. a detailed description of the assets and liabilities to be transferred to each of the transferee companies or, in the event of a demerger pursuant to section 1, second paragraph, point 2, which are retained by the transferor company, with information regarding the actual value of the assets and the liabilities;
3. the number of shares in the transferee company which shall be provided for a specified number of shares in the transferor company and the cash payment to be provided as demerger consideration;
4. the date and the other terms and conditions applicable to the provision of the demerger consideration;
5. the date from which, and the terms and conditions pursuant to which, the shares provided as demerger consideration shall carry rights to dividends in the transferee company;
6. the planned date for the dissolution of the transferor company, where such is to be dissolved;
7. the rights in the transferee company which shall vest in holders of shares, warrants, convertible instruments and other securities with special rights in the transferor company or measures which will otherwise be taken for the benefit of the aforementioned holders;
8. fees and other special benefits which, as a consequence of the demerger, shall be provided to a member of the board of directors or a managing director of a transferor or transferee company or to an auditor who performs a review pursuant to section 13;
9. whether any person, in any other manner,

- shall obtain special rights or benefits from the transferee company which is formed in connection with the demerger; and
10. the costs for the demerger and the manner in which such costs shall be allocated among the participating companies.

Section 9 Where a written agreement has been entered into concerning such a provision as referred to in section 8, points 9 or 10, the agreement or a copy of the agreement shall be appended to the demerger plan or a reference to the agreement shall be made in the demerger plan containing information regarding the place at which the plan is available for the shareholders. The content of any oral agreement shall be reproduced in its entirety in the demerger plan.

Section 10 Where a transferee company is to be formed in connection with the demerger, the demerger plan shall include:

1. articles of association for the transferee company; and
2. the full name, personal ID number or, in the absence thereof, date of birth as well as postal address of the members of the board of directors and auditors and, where applicable, alternate members of the board of directors, alternate auditors and general examiner.

Section 11 The merger plan shall include a description of the circumstances which may be of significance in conjunction with an assessment of the appropriateness of the demerger for the companies. The description shall state the manner in which the demerger consideration has been determined and the legal and financial factors which have been taken into consideration. Special difficulties in estimating the value of the property shall be noted.

The board of directors of the transferor company shall notify the board of directors of the transferee company, which has not held a general meeting pursuant to section 17, of any material changes in the assets and liabilities of the transferor company which have occurred subsequent to the preparation of the demerger plan.

Supplementary information

Section 12 The following documents shall be appended to the demerger plan:

1. a copy of the companies' annual reports for the past three financial years; and
2. information equivalent to that which is set forth in interim reports pursuant to Chapter 9, section 3, first paragraph, and section 4 of the Annual Reports Act (SFS 1995:1554), where the demerger plan was prepared later than six months following the expiry of the most recent financial year for which an annual report and auditor's report have been presented. With respect to companies covered by the Annual Reports (Credit Institutions and Securities Companies) Act (SFS 1995:1559), information shall also be

provided regarding the company's borrowing and lending. The information shall relate to a period of time from the expiry of the aforementioned financial year to a day which occurs not earlier than three months prior to the preparation of the demerger plan.

Auditor's review of the demerger plan

Section 13 The demerger plan shall be reviewed by one or more auditors in respect of each of the participating companies. The review shall be as comprehensive and thorough as required by generally accepted auditing standards. The auditor or auditors shall prepare a written statement regarding their review for each company. The statements shall indicate whether the demerger consideration and the principles for the allocation thereof have been determined in an objective and correct manner. In conjunction therewith, such statements shall also set forth the method or methods used in the valuation of the companies' assets and liabilities, the results of the applied valuation methods and their suitability and the weight accorded to them in the overall assessment of the value of each of the companies. Special difficulties in estimating the value of the property shall be noted.

The following matters shall be specifically indicated in the statements:

1. *in conjunction with all types of demergers:* whether the auditors, in their review, have found that the demerger would jeopardise the payment of claims held by creditors of a transferee company;
2. *in conjunction with a demerger entailing the formation of a transferee company:* whether the part of the transferor company which is to be acquired by the newly-formed company has an actual value for such company as amounts to not less than its share capital; and
3. *in the event of demerger in accordance with section 1, second paragraph, point 2:* whether, after the demerger, there still exists full coverage for the restricted shareholders' equity of the transferor company.

The auditors' statements shall be appended to the demerger plan.

Section 14 The provisions of Chapter 23, section 12 shall apply to an auditor who performs a review pursuant to section 13.

Section 15 The board of directors, the managing director and the auditor of a company which is to participate in the demerger shall provide each auditor who conducts a review pursuant to section 13 with an opportunity to conduct the review to the extent the auditor deems necessary. They shall also furnish such information and assistance as are requested. An auditor who performs a review pursuant to section 13 shall bear the same obligation vis-à-vis such other auditors.

Registration of the demerger plan

Section 16 Within one month of the preparation of the demerger plan, the transferee company shall submit the plan with appended documents to the Swedish Companies Registration Office for registration in the Companies Register. Public notice of the registration shall be given pursuant to Chapter 27, section 3. Where public notice is not given of the plan in its entirety, the public notice shall state the location at which the plan is available.

The first paragraph shall not apply in the event of a demerger in which all participating companies are private companies and all shareholders of the companies have signed the demerger plan.

Submission of the demerger plan to the general meeting

Section 17 The demerger plan shall be submitted to the general meeting of the transferor company.

Where owners of not less than five per cent of all shares in a transferee company so demand, the demerger plan shall also be submitted to the general meeting of the transferee company. Such a demand must be made within two weeks from the date that public notice is given pursuant to Chapter 27, section 3 regarding registration of the demerger plan.

The general meeting may be held not earlier than one month or, where all companies which participate in the demerger are private companies, not earlier than two weeks following public notice of registration of the plan.

The provisions of the first to third paragraphs shall not apply in the event of a demerger in which all participating companies are private companies and all shareholders of the companies have signed the demerger plan.

Availability of the demerger plan, etc.

Section 18 Where a matter concerning approval of a demerger plan pursuant to section 17 is to be submitted to the general meeting, the following shall apply.

The board of directors shall make the plan with appended documents available for the shareholders during a period of not less than one month or, where all companies which participate in the demerger are private companies, not less than two weeks prior to the general meeting at which the matter is to be addressed. The documents shall be made available at the company at the locality in which the company has its registered office. Copies of the documents shall be sent, immediately and free of charge to the recipient, to shareholders who so request and state their postal address.

In the event significant changes have occurred in the transferor company's assets and liabilities subsequent to the preparation of the demerger plan, the board of directors shall provide information thereon to the general meeting before any decision is taken regarding approval of the demerger plan.

Majority requirements, etc.

Section 19 A resolution by a general meeting to approve the demerger plan shall be valid only where supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the meeting.

Where the company has several classes of shares, the provisions of the first paragraph shall also apply to each class of shares which is represented at the general meeting.

Where the transferor company is a public company and any of the transferee companies is a private company, the decision of the public company regarding approval of the demerger plan shall be valid only where supported by all shareholders present at the general meeting, provided such shareholders together represent not less than nine-tenths of all shares in the company.

Section 20 In the event any of the general meetings which must approve the demerger plan fails to approve the merger plan in its entirety, the demerger shall lapse.

Notice to the company's known creditors

Section 21 When the demerger plan has entered into force for all companies participating in the demerger, each of them shall give written notice of the decision to their known creditors. The notice shall contain information that the company intends to apply for authorisation to implement the demerger plan and information regarding the creditors' right to oppose implementation of the plan.

The creditors of the transferee company need not be notified where the auditors, in statements regarding the demerger plan, have stated that they have not found that the demerger jeopardises the position of the transferee company's creditors. Nor need notice be sent to creditors whose claims relate to a claim for wages, pension, or other compensation covered by wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

Application for authorisation to implement the demerger plan

Section 22 The transferor company shall apply for authorisation to implement the demerger plan. The application shall be made to the Swedish Companies Registration Office. The application shall be submitted within one month of the date on which the demerger plan entered into force in respect of all companies and, where the demerger plan has been registered pursuant to section 16, not later than two years following public notice of registration of the plan.

The following documents shall be appended to the application:

1. a copy of the demerger plan;
2. an affirmation from the companies' boards of directors or managing directors that the company's known creditors have been

notified pursuant to section 21 and, in such cases as referred to in section 16, second paragraph, that all shareholders have signed the demerger plan; and

3. where applicable, a copy of the minutes from a general meeting as referred to in section 17.

Where the applicant fails to append the documents referred to in the second paragraph, the Swedish Companies Registration Office shall order the applicant to rectify the deficiency. In the event the applicant fails to do so, the application shall be rejected.

Section 23 The Swedish Companies Registration Office shall reject an application pursuant to section 22, where:

1. *in conjunction with all types of demergers:* where the demerger plan has not been duly approved or where the contents thereof violate any law or other statutory instrument or the articles of association;
2. *in conjunction with all types of demergers:* where the demerger has been prohibited pursuant to the Competition Act (*SFS 1993:20*) or pursuant to the Council Regulation (EC) no. 139/2004 of 20 January 2004 on the control of concentrations between undertakings, or where an assessment of the demerger is pending pursuant to the Competition Act or the aforementioned Regulation;
3. *in conjunction with a demerger entailing the formation of a transferee company:* where the auditors' statements pursuant to section 13 do not demonstrate that the part of the transferor company which is to be transferred to the newly-formed company has an actual value for such company which amounts to at least its share capital;
4. *in conjunction with a demerger pursuant to section 1, second paragraph, point 2:* where the auditors' statements pursuant to section 13 do not demonstrate that the transferor company possesses full coverage for its restricted shareholders' equity.

Where an application cannot be granted due to the fact that an assessment is pending pursuant to the Competition Act or pursuant to Council Regulation (EC) no. 139/2004 and the assessment can be expected to be completed within a short period of time, the Swedish Companies Registration Office may stay the issue of authorisation for a period not exceeding six months.

Notice to the companies' creditors

Section 24 Where the Swedish Companies Registration Office determines that no impediment exists to an application pursuant to section 22, the Office shall convene a meeting of the companies' creditors. The Office shall not, however, summon:

1. the creditors of a transferee company, where

the auditors have stated, in statements regarding the demerger plan pursuant to section 13, that they do not believe that the demerger jeopardises the position of its creditors;

2. creditors whose claims are in respect of a claim for wages, pension, or other compensation covered by wage guarantees pursuant to the Wage Guarantee Act (*SFS 1992:497*).

The notice to attend shall contain an order requiring persons wishing to oppose the application to give written notice thereof not later than a particular date. The order shall contain notice that he or she shall otherwise be deemed to have consented to the application.

The Swedish Companies Registration Office shall promptly cause such notice to be published in *Post-och Inrikes Tidningar*. The Office shall also send a separate notice regarding the creditors' meeting to the Debt Enforcement Authority in the region or regions in which the companies have their registered office.

Authorisation by the Swedish Companies Registration Office to implement the demerger plan

Section 25 Where none of the creditors who have been summoned pursuant to section 24 oppose the application within the prescribed period of time, the Swedish Companies Registration Office shall grant the companies authorisation to implement the demerger plan. Where any creditor opposes the application, the Office shall refer the matter to the District Court in the locality in which the company has its registered office.

Authorisation by a court of general jurisdiction to implement the demerger plan

Section 26 Where a matter in respect of authorisation to implement a demerger plan has been referred to a court of general jurisdiction pursuant to section 25, authorisation shall be granted provided it is demonstrated that the creditors who opposed the application have received full payment or satisfactory security for their claims. In other cases, the application shall be rejected.

Registration of the demerger

Section 27 The boards of directors of the transferee companies shall jointly notify the demerger for registration in the Companies Register. With respect to companies previously registered in the Companies Register, the application shall also include information regarding increases in the share capital. Where the company is to be newly formed in connection with the demerger, the notification shall also contain information regarding the persons who have been appointed as members of the board of directors and auditors and, where appropriate, general examiners of the company.

The notification shall replace the subscription for the shares and shall be made not later than two months from the date of the Swedish Companies Registration Office's authorisation to implement the demerger plan or, where authorisation is granted by a court of general jurisdiction, from the date on which the court's decision became final. Certification from an authorised or approved public accountant that the transferor company's assets have been transferred to the transferee company in accordance with the provisions of the demerger plan shall be appended to the notification.

Legal consequences of the demerger

Section 28 Where notification of a demerger pursuant to section 27 has been registered, the following legal consequences shall enter into force:

1. with the exception of claims in damages pursuant to Chapter 29, sections 1- 3, the assets and liabilities of the transferor company which are connected to the demerger shall pass to the transferee companies in accordance with the provisions of the demerger plan;
2. where shares are included in the demerger consideration, shareholders of the transferor company shall become shareholders of the transferee company;
3. a transferor company which is to be dissolved through the demerger shall be dissolved;
4. a transferee company which is to be formed through the demerger shall be deemed formed.

Notwithstanding the provisions of the first paragraph, owners of not less than one-tenth of all shares in a transferor company which has been dissolved through the demerger may submit a demand to the board of directors that a general meeting be held to address the issue of claims pursuant to Chapter 29, section 7. In such case, the provisions of Chapter 7, section 17, second paragraph shall apply. Where such an action is brought, Chapter 25, section 44 shall apply, where relevant.

Lapse of a demerger

Section 29 The Swedish Companies Registration Office shall declare that a demerger has lapsed where:

1. an application pursuant to section 22 for authorisation to implement the demerger plan has not been made within the prescribed period of time or such an application has been rejected through a decision that has become final;
2. notification pursuant to section 27 has not been made within the prescribed period of time; or
3. the Swedish Companies Registration Office, through a decision which has become final, has dismissed a matter regarding registration pursuant to section 27 or has refused

registration.

Invalidity

Section 30 Proceedings to set aside a resolution adopted by a general meeting regarding approval of a demerger plan must, in those cases referred to in Chapter 7, section 51, second paragraph, be brought within six months from the date of such resolution. Where proceedings are not commenced within such period of time, the right to bring such proceedings shall be forfeited.

Where a court of general jurisdiction, through a judgment or a decision which has become final, has granted a claim to set aside a resolution of a general meeting regarding approval of a demerger plan, the demerger shall be rescinded notwithstanding that the transferor company has been dissolved. The transferor company and the transferee companies shall be jointly and severally liable for obligations incurred as a consequence of any measure taken on behalf of the transferee company subsequent to the dissolution of the transferor company but prior to public notice of the court's decision in Post- och Inrikes Tidningar.

Chapter 25. Liquidation and insolvent liquidation

Voluntary liquidation

Resolution of the general meeting regarding liquidation

Section 1 The general meeting may resolve that the company shall go into liquidation.

Majority requirements

Section 2 A resolution by the general meeting regarding liquidation shall be valid where supported by shareholders holding more than one-half of the votes cast. In the event of a tied vote, the chairman shall have the casting vote.

The provisions of the first paragraph shall not apply where otherwise prescribed in the articles of association. Notwithstanding any provision of the articles of association requiring a qualified majority for resolutions in respect of liquidation, such a resolution shall be adopted by such majority as stated in the first paragraph where there grounds exist for involuntary liquidation pursuant to sections 11, 12 or 17.

Proposed resolution

Section 3 Where the general meeting is to consider the issue of liquidation, the board of directors or, where such proposal is raised by another party, such other party, shall present a proposed resolution.

The proposed resolution shall include the following information:

- the reasons why the company shall go into liquidation and any alternatives to liquidation that are available;
1. the date from which it is proposed that the

- resolution regarding liquidation shall enter into force;
- 2. the estimated date for distribution of assets;
- 3. the estimated size of the distribution proceeds; and
- 4. where applicable, the proposed liquidator.

Section 4 Where the issue of liquidation is not to be addressed at the annual general meeting, the following documents shall be appended to the proposed resolution pursuant to section 3:

- 1. a copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, together with a notation of the general meeting's resolution regarding the company's profits or losses;
- 2. a copy of the auditor's report for the year to which the annual report relates;
- 3. a report signed by the board of directors concerning events of material significance for the company's financial position that have occurred subsequent to the presentation of the annual report; and
- 4. a statement regarding the report referred to in point 3, signed by the company's auditor.

Contents of the notice

Section 5 The notice to attend the general meeting shall state the principal content of the proposed resolution concerning liquidation.

Availability of the proposed resolution

Section 6 The board of directors shall make the proposed resolution concerning liquidation, where applicable together with documents referred to in section 4, available for the shareholders during a period of not less than two weeks immediately prior to the general meeting at which the issue of liquidation is to be considered. Copies of the documents shall, immediately and free of charge to the recipient, be sent to those shareholders who so request and state their postal address.

The documents shall be presented at the general meeting.

Content of the general meeting's resolution

Section 7 The general meeting's resolution regarding liquidation shall contain the information set forth in section 3, second paragraph, point 2 and, where appropriate, point 5.

Registration

Section 8 The general meeting shall cause the resolution regarding liquidation to be notified immediately for registration in the Companies Register.

Date on which the resolution concerning liquidation enters into force

Section 9 The general meeting's resolution regarding liquidation shall enter into force immediately or commencing such later date as

determined by the general meeting. Unless the articles of association prescribe a later date, such a date may not be set later than the first day of the immediately following financial year. Where grounds exist for involuntary liquidation pursuant to sections 11, 12 or 17, the resolution shall enter into effect immediately.

Generally regarding involuntary liquidation

Section 10 Section 11 contains provisions granting the Swedish Companies Registration Office the authority to decide upon liquidation in certain cases. Sections 12, 17, 21, 50 and 51 contain provisions granting courts of general jurisdiction the authority to decide upon liquidation in certain cases.

Decisions by the Swedish Companies Registration Office and the court shall be registered in the Companies Register.

Involuntary liquidation based on a decision by the Swedish Companies Registration Office

Section 11 The Swedish Companies Registration Office shall decide that the company shall go into liquidation where:

- 1. the company has failed to file in the prescribed manner with the Swedish Companies Registration Office the names of such authorised board of directors, managing director, agent for service of process or auditor as shall be appointed pursuant to this Act;
- 2. the company has failed to file with the Swedish Companies Registration Office its annual report and auditor's report pursuant to Chapter 8, section 3, first paragraph of the Annual Reports Act (SFS 1995:1554) or, where applicable, group accounts and the auditor's report for the group pursuant to Chapter 8, section 16 of the same Act, within eleven months from the expiry of the financial year;
- 3. the company, having resolved that the share capital shall be determined in SEK instead of euros, has a registered share capital or a minimum share capital which is not in compliance with Chapter 1, section 5 or, with respect to public companies, section 14, and the company fails, within six months of the entry into force of such resolution, to report for registration the necessary resolutions regarding alterations of the articles of association and an increase in the share capital; or
- 4. pursuant to the provisions of Chapter 19, sections 6 or 16, the company is obliged to reduce its share capital to an amount that is below the minimum permitted share capital pursuant to Chapter 1, section 5 or, with respect to public companies, section 14.

An order in respect of liquidation shall not, however, be issued where the grounds for liquidation

have ceased while the matter is pending at the Swedish Companies Registration Office and fees charged pursuant to section 26 have been paid.

A matter of liquidation pursuant to the first paragraph shall be considered by the Swedish Companies Registration Office on its own motion or upon petition by the board of directors, a board member, the managing director, a shareholder, a creditor, or in such cases as referred to in the first paragraph, point 1, by any other person whose rights depend on the existence of a person who can represent the company.

The liquidation order shall enter into force immediately.

Involuntary liquidation based on provisions of the articles of association

Section 12 A court of general jurisdiction shall order that the company go into liquidation where the company is obliged to go into liquidation pursuant to the articles of association.

A matter regarding liquidation pursuant to the first paragraph shall be considered by the District Court upon petition by the board of directors, a board member, the managing director or a shareholder.

The liquidation order shall enter into force immediately.

Involuntary liquidation due to capital deficiency, etc.

Obligation to prepare a balance sheet for liquidation purposes

Section 13 The board of directors shall immediately prepare and cause the company's auditors to examine a balance sheet for liquidation purposes where:

1. there exists reason to believe that the company's shareholders' equity, calculated pursuant to section 14, is less than one-half of the registered share capital; or
2. in conjunction with execution pursuant to Chapter 4 of the Enforcement of Judgments Code, it is shown that the company lacks attachable assets.

Content of the balance sheet for liquidation purposes

Section 14 A balance sheet for liquidation purposes shall be prepared pursuant to the applicable annual reports legislation. The following adjustments may be made when calculating the amount of the company's shareholders' equity:

1. assets may be reported at a higher value and provisions and liabilities may be reported at a lower value than in the ordinary accounting, provided the valuation principles used in the preparation of the balance sheet for liquidation purposes are consistent with generally accepted accounting principles. Pension commitments which, pursuant to section 8a

of the Pension Commitments (Security) Act (SFS 1967:531), have been entered as a sub-item under the heading "Provisions for pensions and similar obligations" may, however, not be reported at a lower amount than is permissible pursuant to section 7 of the same Act;

2. assets may be reported at net realizable value;
3. liabilities resulting from Government aid in respect of which the repayment obligation is dependent on the company's financial position need not be reported where, in the event of insolvent liquidation or liquidation, such aid may only be repaid only after other liabilities have been paid.

Untaxed reserves shall be allocated between shareholders' equity and deferred tax liability.

Adjustments pursuant to the first and second paragraphs shall be reported separately.

The balance sheet for liquidation purposes shall be signed by the board of directors.

Initial meeting for liquidation purposes

Section 15 Where the balance sheet for liquidation purposes shows that the company's shareholders' equity is less than one-half of the registered share capital, the board of directors shall, as soon as possible, issue notice to attend a general meeting which shall consider whether the company shall go into liquidation (initial meeting for liquidation purposes). The provisions of sections 3-6 shall govern documentation for resolutions and notice to attend the meeting.

The balance sheet for liquidation purposes and an auditor's report with respect thereto shall be presented at the general meeting.

Second meeting for liquidation purposes

Section 16 Where the balance sheet for liquidation purposes presented at the initial meeting for liquidation purposes fails to show that, on the date of such meeting, shareholders' equity calculated pursuant to section 14 amounted to at least the registered share capital and the general meeting has not resolved that the company shall go into liquidation, the general meeting shall, within eight months of the initial meeting for liquidation purposes, reconsider the issue whether the company shall go into liquidation (second meeting for liquidation purposes). The provisions of sections 3-6 shall govern documentation for resolutions and notice to attend the meeting.

Prior to the second meeting for liquidation purposes, the board of directors shall prepare a new balance sheet for liquidation purposes pursuant to section 14 and cause such to be reviewed by the company's auditors. The new balance sheet for liquidation purposes and an auditor's report thereon shall be presented at the general meeting.

Involuntary liquidation orders

Section 17 A court of general jurisdiction shall order that the company go into liquidation where:

1. a second meeting for liquidation purposes is not held within the period of time stated in section 16, first paragraph; or
2. the balance sheet for liquidation purposes which was presented at the second meeting for liquidation purposes was not reviewed by the company's auditor or fails to show that, on the date of such meeting, shareholders' equity calculated pursuant to section 14 amounted to at least the registered share capital and the general meeting did not resolve that the company shall go into liquidation.

In such cases as referred to in the first paragraph, the board of directors shall petition the court for a liquidation order. The petition shall be submitted within two weeks from the second meeting for liquidation purposes or, where such meeting has not been held, from the latest date on which the meeting should have been held. The issue of liquidation may also be considered upon petition by a member of the board of directors, the managing director, an auditor of the company or a shareholder.

A liquidation order shall not be issued if, during the pendency of the matter in the District Court, it is shown that a balance sheet for liquidation purposes evincing that the company's shareholders' equity, calculated pursuant to section 14, amounts to at least the registered share capital, has been reviewed by the company's auditor and presented at a general meeting.

The liquidation order shall enter into force immediately.

Personal liability of the company's representatives

Section 18 Where the board of directors has failed:

1. pursuant to section 13, to prepare and cause the company's auditors to review a balance sheet for liquidation purposes in accordance with section 14;
2. to convene an initial meeting for liquidation purposes pursuant to section 15; or
3. to petition the court for an order that the company go into liquidation in accordance with section 17;

the members of the board of directors shall be jointly and severally liable for such obligations as are incurred by the company during the period of such failure to act.

Any person who conducts business on the company's behalf with knowledge of the board of directors' failure to act shall be jointly and severally liable with the members of the board of directors in respect of the obligations thereby incurred by the company.

Liability under the first and second paragraphs shall not be incurred by any person who proves that he or she was not negligent.

In such cases as stated in section 13, point 1, liability pursuant to the first paragraph, point 1 shall only be incurred where the company's shareholders' equity, calculated pursuant to section 14, is less than one-half of the company's registered share capital on the date on which the board of directors' obligation arose to prepare a balance sheet for liquidation purposes. Liability shall not be incurred where the company's shareholders' equity exceeded such level after the stated time but prior to the deadline for the preparation of the balance sheet for liquidation purposes.

Personal liability of shareholders

Section 19 A shareholder who participates in a decision to continue the company's operations with knowledge of the company's obligation to go into liquidation pursuant to section 17, first paragraph, shall be jointly and severally liable together with those persons who are liable under section 18 for such obligations as are incurred by the company after the date set forth in section 17, second paragraph.

End of the period of liability

Section 20 Liability pursuant to sections 18 and 19 shall not be incurred in respect of obligations that arise after:

1. the filing of a petition pursuant to section 17, second paragraph;
2. a balance sheet for liquidation purposes which evinces that the company's shareholders' equity, calculated pursuant to section 14, amounts to the registered share capital has been reviewed by the company's auditors and presented at a general meeting; or
3. the general meeting, the Swedish Companies Registration Office or a court has issued resolved on liquidation or issued a liquidation order.

Involuntary liquidation and buy-out due to fraud on the minority

Liquidation

Section 21 Where a shareholder, through abuse of his or her influence over the company, has intentionally participated in a violation of this Act, the applicable annual reports legislation or the company's articles of association, a court of general jurisdiction may, on petition by the holders of one-tenth of all shares, order that the company go into liquidation, provided that special cause exists therefor as a consequence of the long duration of the abuse or some other reason.

Where a shareholder who has filed such a petition pursuant to the first paragraph withdraws the petition in respect of his or her claims, the other shareholders who are parties to the petition may continue to pursue it.

Buy-out of shares

Section 22 In such cases as referred to in section 21, the court may, on petition by the company and in lieu of liquidation, order the company to buy-out the petitioner's shares within a prescribed period of time. Where the company fails to buy-out the shares within the time prescribed by the court, the court may, on petition by the person whose shares should have been bought out, order that the company go into liquidation.

When considering the company's petition, the court shall give special consideration to the interests of employees and creditors. Buy-out may not take place if, after the buy-out, the company's shareholders' equity calculated pursuant to section 14, would be less than one-half of the registered share capital.

Receiver

Section 23 Where a petition has been presented pursuant to section 21 and there exists a clear risk that continued abuse will significantly prejudice the petitioner's rights, the court may appoint one or more receivers to manage the company in lieu of the board of directors and the managing director until such time as the court's liquidation order has become final. The order appointing a receiver shall enter into effect immediately. The order shall be registered in the Companies Register.

Handling of liquidation issues

Handling by the Swedish Companies Registration Office

Section 24 In a matter in accordance with section 11, the Swedish Companies Registration Office shall order the company and any shareholders and creditors who wish to be heard in the matter to submit written statements or requested documents to the Office within a prescribed period of time. The order shall be served on the company provided that service can be effected in a manner other than as prescribed in *sections 15-17* of the Service of Process Act (SFS 1970:428). The Swedish Companies Registration Office shall publish the order in Post- och Inrikes Tidningar at least one month prior to the expiry of the appointed period.

Handling by a court of general jurisdiction

Section 25 In a matter pursuant to sections 12 or 17, the court shall order the company and any shareholders and creditors who wish to be heard in the matter to submit written statements to the court within a prescribed period of time. The order shall be served on the company provided that service can be effected in a manner other than as prescribed in *sections 15-17* of the Service of Process Act (SFS 1970:428). The Swedish Companies Registration Office shall publish such order in Post- och Inrikes Tidningar at least one month prior to the expiry of the appointed period.

Fees

Section 26 Where the Swedish Companies Registration Office, on its own motion, orders the company to be placed into liquidation on grounds stated in section 11, first paragraph, point 1, the company shall be obliged to pay a special fee with respect to the costs in the liquidation proceedings.

The company may be ordered to pay a fee pursuant to the first paragraph only where, not later than six weeks prior to the issuance of the order, the Swedish Companies Registration Office has sent a reminder, stating the deficiency to which the order relates, to the company at the company's last notified postal address. Such reminder shall contain a notice that the company may become liable to pay a fee in the event the deficiency is not rectified.

Where, in the course of the liquidation proceedings, it transpires that no grounds existed for involuntary liquidation at the time the order was issued, the order in respect of the fee shall be set aside.

The Government may issue regulations in respect of the amount of the fee.

Section 27 A fee pursuant to section 26 shall be waived in respect of the company where the failure which gave rise to the fee is evidently excusable in light of circumstances beyond the control of the company. The fee shall also be waived in respect of the company where payment thereof is clearly unreasonable.

Notwithstanding that no request for waiver has been presented, the provisions concerning waiver shall apply where justified by the circumstances in the case.

Where a fee has not been paid following a demand for payment, the fee shall be submitted for debt collection. The Government may prescribe that collection need not be requested in respect of minor sums.

Provisions concerning collection are set forth in the Collection of State Claims Act (SFS 1993:891). In conjunction with collection, enforcement may take place pursuant to the *Enforcement of Judgments Code*.

Order regarding appointment or removal of a liquidator

Order appointing a liquidator

Section 28 A court shall appoint one or more liquidators when it issues a liquidation order.

The Swedish Companies Registration Office shall appoint one or more liquidators where:

1. the Office issues a liquidation order;
2. the Office has registered a liquidation order pursuant to section 8; and
3. no authorised liquidator has otherwise been notified to the register in respect of a company in liquidation.

A decision to appoint a liquidator shall be registered.

The person appointed as liquidator shall be suitable for the appointment. A person who has been involved

in the company's management or who, through share ownership, has exercised a controlling influence over the company may be appointed as liquidator only where special cause exists.

Decision to remove a liquidator

Section 29 Where a liquidator requests to resign and shows reasons therefor, the liquidator shall be removed. A liquidator shall also be removed if he or she is not suitable or should be removed from the appointment for any other reason.

A liquidator shall be removed by a court or, where the liquidator has been appointed by the Swedish Companies Registration Office and personally requests to be removed, by the Swedish Companies Registration Office.

An application to the court to issue a removal order may be made by the Swedish Companies Registration Office, the liquidator, a shareholder or any other party whose rights are affected by the liquidation.

The party that removes a liquidator shall immediately appoint a new liquidator. However, the aforesaid shall not apply where there is another liquidator and the appointment of a new liquidator in lieu of the removed liquidator cannot be deemed necessary.

Performance of the liquidation

The position of the liquidator

Section 30 A liquidator shall act in lieu of the board of directors and managing director and shall be charged with the duty of carrying out the liquidation. The provisions of this Act and the applicable annual reports legislation with respect to the board of directors and members of the board of directors shall also apply to the liquidator, unless otherwise stated in this Chapter.

Where the general meeting has resolved that the company shall go into liquidation, the company shall be represented by the board of directors and, where appropriate, by the managing director until such time as liquidator has been appointed.

Audit and other reviews during the liquidation

Section 31 An appointment as auditor, general examiner or special examiner shall not cease as a consequence of the company going into liquidation. The provisions of Chapters 9 and 10 shall apply during the liquidation.

In the auditor's report, the auditor shall express an opinion whether the liquidation is unnecessarily protracted.

The position of the general meeting during the liquidation

Section 32 The provisions of this Act concerning general meetings shall also apply during the liquidation, unless otherwise prescribed in this Chapter or by the purpose of the liquidation.

Reporting in respect of the period prior to the appointment of a liquidator

Section 33 Where the company has gone into liquidation and a liquidator has been appointed, the board of directors and the managing director shall immediately submit a report in respect of their management of the company's affairs during the period of time for which accounting documents have not previously been presented to the general meeting. Such a report shall be prepared in accordance with the applicable annual reports legislation and reviewed pursuant to the audit provisions set forth in Chapter 9 of this Act. The report and the auditor's report shall be presented to the general meeting as soon as possible. The provisions of Chapter 7, section 11, point 3 and section 25 regarding the handling by the general meeting of the issue of discharge from liability and the provision of documents prior to the general meeting shall be applied.

Where the period of time to which the report relates shall also cover any preceding financial year, a special report shall be prepared in respect of such year and, where the company is a parent company which is obliged to prepare group accounts, special group accounts shall be prepared.

Notice to unknown creditors

Section 34 The liquidator shall, immediately upon assuming his or her position, apply to summon the company's unknown creditors pursuant to the Notice to Unknown Creditors Act (*SFS 1981:131*).

Winding up of the business

Section 35 The liquidator shall, as soon as possible, through a sale at a public auction or in some other appropriate manner, convert the company's assets into cash to the extent necessary for the liquidation and shall settle the company's debts. The business operations of the company may be continued if so required for an expedient winding up of the business or to afford the employees reasonable time to secure new employment.

Insolvency

Section 36 Where the company is insolvent, the liquidator shall petition to place the company into insolvent liquidation.

Reporting during the liquidation

Section 37 The liquidator shall prepare an annual report for each financial year, which shall be presented at the annual general meeting. The following provisions shall not apply in respect of the general meeting and the reports:

Chapter 7, section 11, point 2 of this Act;

Chapter 2, section 1, second paragraph, Chapter 5, sections 18-25 and Chapter 6, sections 2 and 5 of the Annual Reports Act (*SFS 1995:1554*); and

Chapter 5, section 2, point 3 and Chapter 6, section 3 of the Annual Reports (Credit Institutions and Securities Companies) Act (*SFS 1995:1559*).

Shareholders' equity may be reported as an item on the balance sheet. The balance sheet shall contain information concerning the share capital, where appropriate divided into different classes of shares.

An asset may not be reported at a value greater than that at which it is expected to be sold, less the sales costs. Where an asset can be expected to realise a significantly higher amount than the value reported in the balance sheet, the estimated amount shall be stated specifically beside the asset item. Where the sum necessary to settle a debt or liquidation cost can be expected to deviate significantly from the reported debt, the estimated amount shall be noted beside the liability item.

The provisions regarding group accounts and interim reports in the applicable annual reports legislation shall not apply to companies in liquidation.

Distribution of assets

Section 38 Where the notification period set forth in the notice to unknown creditors has expired and all known debts have been paid, the liquidator shall distribute the company's remaining assets. Where a dispute prevails concerning a debt or where a debt has not become due and payable or for some other reason cannot be paid, money for payment of the debt shall be set aside and the remaining assets shall be distributed.

Proceedings against distribution of assets

Section 39 A shareholder who is dissatisfied with the distribution of assets may commence proceedings against the company not later than three months following presentation of a final report to the general meeting pursuant to section 40.

Where the distribution is modified as a consequence of proceedings pursuant to the first paragraph, any person who has received an excess amount shall return the excess portion. The recipient shall pay interest pursuant to *section 5* of the Interest Act (SFS 1975:635) on the value of the property that is to be returned, from the date that the property was distributed until such time that interest is payable pursuant to *section 6* of the Interest Act as a consequence of *sections 3* or *4* of the same Act. In the event of a deficiency in conjunction with the restitution, the persons who have participated in the distribution shall be liable therefor pursuant to the provisions of Chapter 17, section 7.

Final report

Section 40 As soon as possible following completion of the engagement as liquidator, the liquidator shall prepare a final report concerning the management in the form of a management report relating to the liquidation in its entirety. Such report shall also contain a description of the distribution of assets. Accounting documents covering the entire liquidation period shall be presented together with the report.

The report and the accounting documents shall be submitted to the company's auditor. The auditor shall, within one month thereafter, present an auditor's report in respect of the final report and the management during the liquidation.

Following presentation of the auditor's report to the liquidator, he or she shall immediately convene a general meeting to examine the final report. The management report, together with appended accounting documents and the auditor's report, shall be made available to the shareholders at the company's offices. Copies of the documents shall be sent, immediately and free of charge, to the shareholders who so request and state their postal address. The documents shall be presented at the general meeting.

The general meeting shall adopt a resolution concerning discharge from liability for the liquidator. The provisions of Chapter 7, section 14, second paragraph shall govern such resolution.

Dissolution of the company

Section 41 The company shall be deemed dissolved upon presentation of the final report by the liquidator. The liquidator shall immediately notify the same for registration in the Companies Register. Copies of the documents referred to in section 40, third paragraph shall be appended to the notice.

Limitations period regarding the right to a share of the assets

Section 42 A shareholder who fails to give notice for payment of his or her share in the distribution within five years following the presentation of the final report at the general meeting shall be deemed to have forfeited his or her right in the distributed assets. The remaining assets shall thereupon be distributed among the company's other shareholders pursuant to section 44. Where the assets are of insignificant value, a court of general jurisdiction may, upon request by the liquidator, order that the assets shall inure to the State Inheritance Fund.

Action in damages

Section 43 Notwithstanding the provisions of section 41, owners of one-tenth of all shares may present a demand to the liquidator that a general meeting be convened to consider the issue of an action in damages by the company pursuant to Chapter 29, sections 1-3. In such case, the provisions of Chapter 7, section 17, second paragraph shall apply.

Continued liquidation

Section 44 Where an asset becomes available to the company following its dissolution pursuant to section 41 or where proceedings are commenced against the company or where liquidation measures are required for any other reason, the liquidation shall continue.

The liquidator shall immediately give notice of the continued liquidation for registration in the Companies Register. Notice to attend the first general meeting following resumption of the liquidation shall

be given in accordance with the articles of association. Written notice to attend shall also be sent to each shareholder whose postal address is entered in the share register or is otherwise known to the company.

Where the asset referred to in the first paragraph is of insignificant value, a court of general jurisdiction may, upon application by the liquidator, decide that the asset shall instead inure to the State Inheritance Fund.

Termination of liquidation

Section 45 Where the company has gone into liquidation as a consequence of a resolution by the general meeting or, in those cases referred to in section 17 and section 51, first paragraph, as a consequence of a court order, the general meeting may, following a statement by the company's auditor, resolve that the liquidation shall terminate and that the company's operations shall be resumed. Such a resolution may not be adopted, however, where:

1. grounds exist for involuntary liquidation pursuant to sections 11 or 12;
2. according to the auditor's statement, the company's shareholders' equity calculated pursuant to section 14 does not amount to the registered share capital; or
3. a distribution of assets has taken place.

Where the general meeting resolves that the liquidation shall terminate, it shall contemporaneously elect a board of directors.

The liquidator shall ensure that the resolution concerning termination of the liquidation and the election of a board of directors are immediately notified for registration in the Companies Register. The resolution may not be implemented prior to registration.

Section 46 Where a liquidation order which has been implemented is set aside through a court judgment or order which has become final, the liquidator shall immediately notify the same for registration in the Companies Register and, where the rescinded liquidation order is such as referred to in sections 11, 12, 17 or 21, convene a general meeting for election of a board of directors. (*SFS 2005:812*).

Section 47 Where a liquidation has terminated pursuant to sections 45 or 46, section 40 shall apply. Copies of the documents referred to in section 40, third paragraph shall be submitted to the Swedish Companies Registration Office.

Insolvent liquidation

Registration

Section 48 Orders regarding insolvent liquidation and company reorganisation shall be registered in the Companies Register.

Representative of the company in its capacity as debtor in insolvent liquidation

Section 49 During the insolvent liquidation, the company in its capacity as debtor in insolvent

liquidation shall be represented by the board of directors and the managing director or the liquidators who acted at the commencement of the insolvent liquidation. The provisions of this Act regarding the right to resign, removal from office and new appointment shall, however, also apply during the insolvent liquidation.

Dissolution of the company following insolvent liquidation

Section 50 Where the company is placed into insolvent liquidation and such proceedings are completed without any surplus, the company shall be deemed dissolved upon conclusion of the insolvent liquidation. Where, upon conclusion of the insolvent liquidation, assets remain which are not covered by the insolvent liquidation or proceedings are brought against the company or a liquidation measure is required for any other reason, a court of general jurisdiction shall issue a liquidation order upon petition by an affected party. Such an order shall enter into effect immediately. Notice to attend the initial general meeting following such order shall be given pursuant to section 44, second paragraph.

Liquidation following insolvent liquidation with a surplus, etc.

Section 51 Where an insolvent liquidation is concluded with a surplus or is discontinued following a voluntary arrangement or where the property in the insolvent liquidation estate is returned to the company as a consequence of the adoption of a composition with creditors, a court of general jurisdiction shall, in conjunction with the conclusion of the insolvent liquidation, order that the company be placed into liquidation. Such an order shall enter into force immediately.

Where the company was in liquidation at the time it was placed into insolvent liquidation, the liquidation shall continue pursuant to section 44, where the insolvent liquidation is concluded in the manner stated in the first paragraph.

Chapter 26. Change of company category

Change from private to public company

Section 1 A resolution that a private company shall become a public company shall be adopted by the general meeting pursuant to the provisions of Chapter 7 regarding alterations of the articles of association.

Section 2 Where the general meeting which is to resolve upon a change pursuant to section 1 is held not later than six months following the expiry of the most recent financial year for which an annual report and auditor's report have been presented, information shall be presented to the general meeting corresponding to an interim report pursuant to Chapter 9, section 3, first paragraph and section 4 of the Annual Reports Act (*SFS 1995:1554*). With respect to a company covered by the Annual Reports (Credit Institutions and

Securities Companies) Act (1995:1559), information shall also be provided regarding changes in the company's borrowing and lending. The information shall relate to the period from the expiry of the aforementioned financial year until a date which occurs not earlier than three months prior to the date of general meeting.

Section 3 A resolution pursuant to section 1 shall be notified for registration in the Companies Register.

The resolution may only be registered where:

1. the company's registered share capital is not less than the amount stated in Chapter 1, section 14;
2. a statement is presented, signed by an authorised or approved public accountant or a registered accounting firm, evincing that sufficient coverage is available for the registered share capital; and
3. the company's name does not contravene the provisions of Chapter 28, sections 1 and 7 regarding the names of public companies.

Section 4 A private company shall be deemed to have become a public company upon registration of the resolution that the company shall be a public company.

Section 5 The provisions of Chapter 2, sections 29-31 shall also apply where a company which has become a public company pursuant to section 4 enters into an agreement as referred to in Chapter 2, section 29 within two years from the date of registration of the resolution.

Change from public to private company

Section 6 A resolution that a public company shall become a private company shall be adopted by the general meeting pursuant to the provisions of Chapter 7 regarding alterations of the articles of association. The resolution shall, however, be valid only where supported by all shareholders present at the general meeting and where such shareholders together represent not less than nine-tenths of all shares in the company.

Section 7 A resolution pursuant to section 6 shall be notified for registration in the Companies Register.

The resolution may be registered only where the company's name does not contravene the provisions of Chapter 28, sections 1 and 2 regarding the names of private companies.

Section 8 A public company shall be deemed to have become private upon registration of the resolution regarding the change to a private company.

Chapter 27. Registration

The Companies Register

Section 1 The Swedish Companies Registration Office shall maintain a Companies Register for registration pursuant to this Act or any other statutory instrument.

Chapter 13, section 1, first paragraph of the Banking and Financing Business Act (SFS 2004:297) provides that banking companies shall be registered in the Bank Register. References in this Act to the Companies Register shall, with respect to banking companies, be deemed to refer to the Bank Register.

Handling of registration matters

Section 2 Where a party which has made an application for registration has failed to comply with the provisions governing the application, the Swedish Companies Registration Office shall order him or her to comment on the matter or effect rectification within a prescribed period of time. The aforesaid shall also apply where the Office finds that the resolution notified for registration or a document appended to the notification:

1. has not been duly adopted;
2. violates any law or other statutory instrument or the articles of association; or
3. is unclear or misleadingly formulated in any important respect.

Where the party submitting the application fails to comply with an order pursuant to the first paragraph, the notification shall be rejected. Information thereon shall be included in the order.

Where impediments to registration, on which the notifying party has had an opportunity to comment, exist even after the notifying party has submitted comments, the Swedish Companies Registration Office shall refuse registration. The Office may, however, where grounds exist therefor, afford the party making the application an opportunity to comment anew before a decision is made in the matter.

Notwithstanding the provisions of the first to third paragraphs, a resolution adopted by the general meeting may be registered where, pursuant to Chapter 7, section 51, first paragraph, it is no longer possible to bring proceedings against the resolution.

Public notice in Post- och Inrikes Tidningar

Section 3 The Swedish Companies Registration Office shall immediately publish in Post- och Inrikes Tidningar matters that are registered in the Companies Register. However, public notice pursuant to this Act shall not be given in respect of orders regarding insolvent liquidation or company reorganisation.

Public notice in respect of a change in a circumstance which was previously entered in the register shall state only the nature of the change.

Consequences of registration and public notice

Section 4 Any matter which has been entered in the Companies Register pursuant to this Act or separate provisions shall be deemed public knowledge where such matter was published in Post- och Inrikes Tidningar pursuant to section 3. The aforesaid shall not, however, apply to legal acts or other measures taken prior to the sixteenth day following the public

notice where a third party can prove that it was impossible for him or her to have been aware of the matter published.

With respect to legal acts and other measures taken prior to such public notice as referred to in the first paragraph, the company may not invoke any circumstance which has been or should have been entered in the register against any person other than a person whom the company proves was aware of such circumstance.

In the event that a matter published in Post- och Inrikes Tidningar does not correspond to the matter entered in the Companies Register, the company may not invoke the content of the public notice against any third party. A third party may, however, invoke the content of the public notice against the company, unless the company proves that he or she was aware of the matter entered in the Companies Register.

Section 5 Where notification of the identity of a person appointed as a board member or managing director has been entered in the Companies Register and published in Post- och Inrikes Tidningar pursuant to section 3, the company may not invoke against any third party defects or deficiencies in conjunction with the decision to appoint the person registered. The aforesaid shall not, however, apply where the company proves that the third party was aware of the defect or deficiency.

Deregistration of unauthorised representatives

Section 6 Where a member of the board of directors, managing director, special company signatory, other representative of the company, auditor or general examiner has been placed into bankruptcy, has had a guardian appointed pursuant to Chapter 11, section 7 of the Code on Parents, Children and Guardians or has been banned from trading, the Swedish Companies Registration Office shall remove the representative, the auditor or the general examiner from the Companies Register. The aforesaid shall also apply where the approval or authorisation of an auditor ceases to apply.

Deregistration shall take place immediately:

1. upon the entry of a bankruptcy order;
2. upon the entry of an order regarding a temporary ban on trading; or
3. if, in connection with a decision to reject an application for continued approval or authorisation of an auditor or a decision to revoke approval or authorisation of an auditor, it has been decided that the decision shall enter into force immediately.

In other cases, deregistration shall take place when the decision has become final.

Deregistration of company name

Section 7 The Company Names Act (*SFS 1974:156*) contains provisions governing the removal of company names from the register following a final

judgment in respect of rescission of a name registration.

Change in share capital, etc.

Section 8 Resolutions regarding alterations of the provisions of the articles of association concerning the share capital, maximum share capital or minimum share capital or regarding the number of shares shall be registered simultaneously with resolutions regarding an increase or reduction in the share capital, where the alteration of the articles of association or the increase or reduction in the share capital is necessary in order for the size of the share capital to be compatible with the articles of association.

Authorisation

Section 9 The Government or a public authority determined by the Government may issue regulations regarding fees in matters relating to registration pursuant to this Act.

Chapter 28. The company name

Company name

Section 1 A company's name shall contain the word "aktiebolag" or the abbreviation "AB".

The company name shall be distinct from other names previously registered in the Companies Register or in the branch register and which are still in force.

Where the company's name is to be registered in two or more languages, each wording shall be stated in the articles of association.

Section 2 A private company's name may not include the word "publikt".

Provisions with respect to names of public companies are set forth in section 7.

Secondary name

Section 3 The company's board of directors may adopt a secondary name. The provisions of section 1 regarding company name shall apply also to secondary names. The words "aktiebolag", "privat" or "publikt" or the abbreviations "AB" may not, however, be included in a secondary name.

Other provisions regarding company names

Section 4 In addition to the provisions of sections 1-3, the registration of a company name shall be governed by the provisions of the Company Names Act (*SFS 1974:156*). That Act also contains provisions regarding prohibitions on the use of company names and the rescission of company name registrations.

Information regarding company name, etc. on letterheads, invoices and order forms

Section 5 A company's letterhead, invoices and order forms shall state the name of the company, the locality in which its registered office is situated as

well as the company's registration number pursuant to the Identity Designation (Legal Persons) Act (*SFS 1974:174*). Where the company has gone into liquidation, such fact shall also be stated.

Signatures

Section 6 Written documents which are issued on behalf of a company shall be signed using the company's name, unless the name is evident in some other manner.

Where the board of directors or any other representative of the company has issued a document without a company signature, the parties that have signed the document shall bear primary joint and several liability in respect of the obligations under the document. However, the aforesaid shall not, apply where it is evident from the content of the document that it has been issued on behalf of the company. Nor shall the aforesaid apply where:

1. it is evident from the circumstances of the execution of the document that it was issued on behalf of the company; and
2. the recipient of the document receives a duly signed approval of the document as soon as possible after he or she has requested such or asserted personal liability against the signatories to the document.

Special provisions regarding public companies

Section 7 A public company's name shall be followed by the designation "(publ)", unless it is evident from the company's name that the company is public. The company name may not include the word "privat".

Chapter 29. Damages

Liability in damages of founders, board members and managing directors

Section 1 A founder, member of a board of directors or managing director who, in the performance of his or her duties, intentionally or negligently causes damage to the company shall compensate such damage. The aforesaid shall also apply where damage is caused to a shareholder or other person as a consequence of a violation this Act, the applicable annual reports legislation or the articles of association.

Where the company has prepared a prospectus, offer documents as referred to in Chapter 2a, section 3 of the Financial Instruments Trading Act (*SFS 1991:980*) or such a document as referred to in Chapter 2a, section 1 or Chapter 2b, section 2 of the same Act, the provisions of the first paragraph, second sentence shall also apply to damage caused through violation of Chapters 2, 2a or 2b of the aforesaid Act or Commission Regulation (EC) No 809/ 2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the

format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.² (*SFS 2005:836*).

Liability in damages of auditors, general examiners and special examiners

Section 2 An auditor, general examiner, or special examiner shall be liable pursuant to the principles stated in section 1. He or she shall also compensate damage which is caused, intentionally or through negligence, by his or her assistants. In the cases referred to in Chapter 9, section 44 of this Act and section 9 of the Measures against Money Laundering Act (*SFS 1993:768*), the auditor shall, however, be liable only for damage resulting from incorrect information which the auditor or the auditor's assistant had reasonable cause to believe was incorrect.

Where a registered accounting firm has been appointed as auditor or special examiner, such firm and the auditor-in-charge for the audit or the examination shall be so liable.

Liability in damages of the shareholders

Section 3 A shareholder shall compensate damage which he or she causes to the company, a shareholder or another person as a consequence of participating, intentionally or through gross negligence, in any violation of this Act, the applicable annual reports legislation or the company's articles of association.

Shareholders' buy-out obligation in the event of fraud on the minority

Section 4 Where justified taking into consideration the risk of continued fraud on the minority and the circumstances in general, a shareholder as referred in section 3 shall also be obliged to buy-out the shares of shareholders suffering damage. The purchase price shall be determined at an amount which is reasonable taking into consideration the company's financial position and other circumstances.

Adjustment of damages

Section 5 Where any party is liable in damages pursuant to sections 1-3, the damages may be adjusted in accordance with what is reasonable taking into consideration the nature of the act, the extent of the damage and the circumstances in general.

Joint and several liability

Section 6 Where several persons are liable for the same damage, they shall be jointly and severally liable insofar as the liability for any of them is not adjusted pursuant to section 5. Reimbursement of damages paid by any of them may be sought through recourse to the other parties in accordance with what is reasonable in the circumstances.

2 EUT L 186, 18.7.2005, s. 3 (Celex 32004R0809).

Claims regarding damage to the company

Section 7 Claims regarding damage to the company pursuant to sections 1-3 may be brought where the majority or a minority consisting of owners of not less than one-tenth of all shares in the company have, at a general meeting, supported a resolution to bring such a claim in damages or, with respect to a member of the board of directors or the managing director, have voted against a resolution regarding discharge from liability.

Section 8 A settlement in respect of liability in damages to the company pursuant to sections 1-3 may be entered into only by the general meeting and only on condition that the owners of not less than one-tenth of all shares in the company do not vote against the proposed settlement.

Where a claim in damages is brought by a shareholder on behalf of the company, a settlement may not be reached without his or her consent.

Section 9 Owners of not less than one-tenth of all shares in the company may, in their own name, commence an action regarding damage to the company pursuant to sections 1-3. Where a shareholder subsequently withdraws from the proceedings, the remaining shareholders may nevertheless continue to pursue the proceedings.

A person who has commenced the proceedings shall bear the litigation costs but shall be entitled to reimbursement from the company for costs which are covered by damages awarded to the company in the proceedings.

Time for commencement of proceedings

Section 10 Proceedings on behalf of the company against a member of the board of directors or the managing director for damages as a consequence of decisions or measures taken during a financial year shall be brought not later than one year from the date on which the annual report and the auditor's report for such financial year were presented to the general meeting.

Section 11 Where the general meeting has adopted a resolution to grant discharge from liability or not to commence an action in damages, without such a number of shareholders as stated in section 7 having voted against such resolution, or where the period of time for the commencement of an action has expired pursuant to section 10, an action may nevertheless be brought pursuant to sections 7 or 9 where, in the annual report or the auditor's report or otherwise, materially correct and complete information was not provided to the general meeting regarding the resolution or the measure on which the proceedings are based.

Section 13 provides that the limitation period for the commencement of proceedings may also be restricted in cases referred to in the first paragraph.

Section 12 Notwithstanding the provisions of sections 7-11, the board of directors may commence

an action in damages where the damage was incurred as a result of a crime.

Section 13 Proceedings on behalf of the company pursuant to sections 1-3 which are not based on criminal acts may not be brought against:

1. a founder, where five years have elapsed since the formation of the company;
2. a member of the board of directors or the managing director, where five years have elapsed since the expiry of the financial year in which the resolutions or measures on which the action is based were adopted or taken;
3. an auditor, where five years have elapsed since the expiry of the financial year to which the auditor's report relates;
4. a general examiner, where five years have elapsed since the expiry of the financial year to which the examination report relates;
5. a special examiner, where five years have elapsed since the date on which the statement regarding the special examination was presented at the general meeting;
6. a shareholder, where two years have elapsed since any resolution or measure on which the action is based.

Locus standi of an estate in insolvent liquidation

Section 14 Where the company has been placed into insolvent liquidation pursuant to a petition which was filed prior to the expiry of the period of time set forth in section 13, the estate in insolvent liquidation may bring proceedings pursuant to sections 1-3 notwithstanding that discharge from liability has been granted pursuant to sections 7, 8 or 10. Following the expiry of the period of time stated in section 13, such proceedings may not, however, be brought later than six months from the date of the hearing in respect of administration of oaths.

Chapter 30. Penalties and conditional fines

Penalties

Section 1 Fines or terms of imprisonment not exceeding one year shall be imposed on any person who:

1. intentionally violates the provisions of Chapter 1, sections 7 or 8;
2. intentionally or through negligence fails to maintain a share register pursuant to this Act or to make such share register available;
3. intentionally or through negligence violates the provisions of Chapter 8, section 18, second sentence, section 20, first paragraph or section 21, second paragraph; or
4. intentionally or through gross negligence violates Chapter 21, sections 1, 3, 5 or 10.

The failure of a central securities depository to perform the duties stated in Chapter 5, section 12, second paragraph shall not result in liability pursuant to the first paragraph, point 2.

Penalties as stated in the first paragraph shall also be imposed on any person who intentionally participates in a resolution to appoint a member of the board of directors, an alternate member of the board of directors, managing director or deputy managing director in violation of Chapter 8, sections 12 or 32, where the measure was intended to conceal the identity of the person or persons who exercise or have exercised the actual management of the company. The aforesaid shall also apply to any person who intentionally undertakes such an appointment in violation of Chapter 8, sections 12 or 32.

Notwithstanding the provisions of Chapter 35, section 1 of the Penal Code, penalties may be imposed pursuant to the first paragraph, point 4 as a consequence of criminal acts in violation of Chapter 21, sections 1, 3 or 5, provided the accused has been remanded in custody or charged within five years from the date of the commission of the crime.

No liability pursuant to Chapter 20, section 3 of the Code of Judicial Procedure shall be imposed in those cases specified in Chapter 9, section 41 and Chapter 10, section 16.

Conditional fines

Section 2 The Swedish Companies Registration Office may order the managing director or a member of the board of directors, upon pain of fine, to perform obligations pursuant to this Act or any other statutory instrument to:

1. file an authorised notification with the Office for registration in the Companies Register;
2. provide such information as stated in Chapter 28, section 5 on the company's letterhead, invoices and order forms.

Orders pursuant to the first paragraph, point 1 may not be issued where, as a consequence of the failure to file notification, the matter resolved upon by general meeting or the board of directors lapses, or the company is obliged to go into liquidation.

Matters regarding the imposition of conditional fines shall be heard by the Swedish Companies Registration Office.

Chapter 31. Appeals

Appeal of decisions by the Swedish Companies Registration Office

Section 1 Decisions by the Swedish Companies Registration Office in authorisation matters pursuant to Chapter 2, section 1, third paragraph, Chapter 8, section 9, section 30 or section 37, second paragraph as well as Chapter 9, section 15 may be appealed to the Government.

Section 2 The following decisions by the Swedish Companies Registration Office may be appealed to general administrative courts:

1. decisions in authorisation matters pursuant Chapter 20, section 23, Chapter 23, sections 20 or 33 and Chapter 24, section 22;
2. decisions pursuant to Chapter 23, sections 27 or 35 or Chapter 24, section 29 to declare that the issue of merger or demerger has lapsed;
3. decisions pursuant to Chapter 27, section 2 to reject an application for registration or to refuse registration;
4. decisions to deregister representatives pursuant to Chapter 27, section 6;
5. decisions to impose or execute conditional fines pursuant to Chapter 30, section 2.

Written appeals must be submitted to the Swedish Companies Registration Office within two months from the date of the decision.

Section 3 Decisions by the Swedish Companies Registration Office in matters pursuant to Chapter 25, sections 11, 28 or 29 shall be appealed to the District Court in the locality in which the company's registered office is situated.

Written appeals shall be submitted to the Swedish Companies Registration Office within three weeks from the date of a decision.

The provisions of the Examination of Non-Contentious Matters Act (*SFS 1996:242*) shall apply to appeals pursuant to the first paragraph.

Appeal of decisions by the County Administrative Board

Section 4 Decisions by the County Administrative Board in matters pursuant to Chapter 7, section 17, Chapter 9, sections 9, 25, 26 or 27 and Chapter 10, section 22 may be appealed to general administrative courts.

Appeal of decisions by the Swedish Tax Agency

Section 5 Decisions by the Swedish Tax Agency in matters pursuant to Chapter 21, section 8 or section 10, third paragraph may be appealed to the Government.

Appeal of decisions by the Swedish Financial Supervisory Authority

Section 6 Decisions by the Swedish Financial Supervisory Authority in matters pursuant to Chapter 19, section 14, first paragraph, point 2 and section 32, first paragraph, point 2 may be appealed to general administrative courts.

Section 7 Decisions by the Financial Supervisory Authority in matters pursuant to Chapter 21, section 8 or section 10, third paragraph may be appealed to the Government.

Permission to appeal

Section 8 Leave to appeal is required for appeals to an Administrative Court of Appeal in cases referred to in sections 2, 4 or 6.

Chapter 32. Companies with special limitation on dividends

Scope

Section 1 In conjunction with the formation of a private company or through a subsequent resolution pursuant to section 16, it may be determined that the company shall be a company with special limitation on dividends. The provisions of this Chapter shall apply to such a company and, unless otherwise stated in this Chapter, other provisions of this Act with respect to private companies shall apply. (*SFS 2005:812*).

Content of the articles of association

Section 2 The articles of association of a company with special limitation on dividends shall state that the company shall be such a company. (*SFS 2005:812*).

Audit

Section 3 In a company with special limitation on dividends the auditor shall examine that the company has not violated the provisions of sections 5 or 8. Where the auditor finds that the company has violated any of the aforesaid provisions, such shall be noted in the auditor's report.

The auditor shall immediately send a copy of the auditor's report to the Swedish Companies Registration Office in the event the auditor's report contains criticisms as stated in the first paragraph. (*SFS 2005:812*).

Section 4 The auditor's report shall contain a statement whether the board of directors and the managing director, where appropriate, have prepared a schedule of certain loans and security pursuant to section 10. (*SFS 2005:812*).

Value transfers of from the company

Section 5 In a company with special limitation on dividends, in addition to the provisions of Chapter 17, sections 3 and 4, the following shall apply. The company's value transfers may not, during the period referred to in Chapter 17, section 4, exceed the total of:

1. an amount corresponding to the interest - calculated as the Government borrowing rate applicable upon the expiry of the preceding financial year, plus one percentage point - on the capital which shareholders, upon the expiry of the preceding financial year, have contributed to the company as payment for shares; and
2. an amount corresponding to that which, pursuant to section 1, has been available for

value transfer at the annual general meeting during each of the preceding five financial years, less any value transfers that have occurred.

References in this Act to Chapter 17, section 3 shall, in respect of a company with special limitation on dividends, be deemed to refer also to the provisions of this section. (*SFS 2005:812*).

Section 6 The provisions of Chapter 17, section 6 regarding restitution obligation and Chapter 17, section 7 regarding deficient coverage liability in the event of unlawful value transfers shall apply also where a value transfer has been made in violation of section 5. (*SFS 2005:812*).

Dividend-linked participating debentures and principal-linked participating debentures

Section 7 A company with special limitation on dividends may not raise loans where the interest or the amount by which repayment shall take place is dependent, in whole or in part, on the dividends to the shareholders, changes in the price of the company's shares, the company's results or the company's financial position. (*SFS 2005:812*).

Group circumstances

Section 8 A company with special limitation on dividends which is included in a group may not, other than in cases referred to in section 5, transfer funds to another company in the group in an amount which - together with the company's value transfers during the period of time referred to in Chapter 17, section 4 - exceeds the maximum amount for value transfers pursuant to section 5. Transfers may, however, take place where such are of a purely commercial nature for the company. (*SFS 2005:812*).

Section 9 Where a transfer to another company in the group has taken place in violation of the provisions of section 8, the recipient shall return that which has been received, provided the company can prove that the recipient knew or should have realised that the transfer was in violation of the provisions of section 8.

Interest pursuant to *section 5* of the Interest Act (*SFS 1975:635*) shall be payable on the value of the property which is to be returned, commencing the date on which the transfer took place until such time as interest is payable pursuant to section 6 of the Interest Act by virtue of sections 3 or 4 of the same Act.

In the event of any deficiency in conjunction with restitution pursuant to the first or second paragraphs, the provisions regarding deficient coverage liability in Chapter 17, section 7 shall apply. (*SFS 2005:812*).

Section 10 The board of directors and the managing director shall, each financial year, prepare a special schedule of loans and security provided pursuant to the provisions of Chapter 21, section 2, first paragraph, point 2. The provisions of Chapter 21, section 10, second to fourth paragraphs shall apply, where relevant, in respect of the schedule.

Any person who, intentionally or through gross negligence, violates the provisions of the first paragraph shall be sentenced to a fine or imprisonment for a term not exceeding one year. (*SFS 2005:812*).

Merger

Section 11 A company with special limitation on dividends may participate in a merger pursuant to Chapter 23 as the transferor company only where the transferee company is a company with special limitation on dividends. (*SFS 2005:812*).

Demerger

Section 12 A company with special limitation on dividends may participate in a demerger pursuant to Chapter 24 as a transferor company only where the transferee company or companies is or are companies with special limitation on dividends. (*SFS 2005:812*).

Liquidation

Section 13 Courts of general jurisdiction shall order that a company with special limitation on dividends shall go into liquidation where the company has violated the provisions of sections 5 or 8.

A matter concerning liquidation pursuant to the first paragraph shall be tried upon a complaint by the Swedish Companies Registration Office or upon petition by the board of directors, a member of the board of directors, the managing director, an auditor of the company or a shareholder.

A liquidation order shall not be issued where, during the adjudication of the matter in the District Court, it is proven that the value which was transferred in violation of the provisions of sections 5 or 8 has been returned to the company.

Chapter 25, section 25 shall govern proceedings before courts of general jurisdiction.

The liquidation order shall enter into force immediately. (*SFS 2005:812*).

Section 14 In conjunction with a distribution of assets in connection with liquidation of a company with special limitation on dividends, the shareholders shall be allocated not more than an amount corresponding to:

1. the capital contributed to the company as payment for shares; and
2. a portion of the remaining assets, subject to the restrictions set forth in section 5.

Any assets remaining thereafter shall inure to the other company or companies with special limitation on dividends as stated in the articles of association. Where the articles of association contain no provisions concerning such a company or where such company or companies as stated in the articles of association do not exist, the assets shall inure to the State Inheritance Fund. (*SFS 2005:812*).

Change of company category, etc.

Section 15 In a company with special limitation on dividends, a resolution may not be adopted that the company shall no longer be a company with special limitation on dividends. (*SFS 2005:812*).

Section 16 A resolution that such a private company which is not covered by the provisions of this Chapter shall be a company with special limitation on dividends may be adopted by the general meeting pursuant to the provisions of Chapter 7 regarding alterations of the articles of association. The resolution shall, however, be valid only where supported by all shareholders present at the general meeting where such shareholders together represent not less than nine-tenths - or such higher portion as prescribed in the articles of association - of all shares in the company.

A resolution pursuant to the first paragraph shall be notified for registration in the Companies Register.

The company shall be deemed to have become a company with special limitation on dividends upon registration of the resolution that the company shall be such a company. (*SFS 2005:812*).

The company name

Section 17 The name of a company with special limitation on dividends shall be followed by the designation "(svb)" unless it is evident from the company's name that it is such a company. (*SFS 2005:812*).

Section 18 Companies other than companies with special limitation on dividends may not use the designation "(svb)". (*SFS 2005:812*).

Entry into force and transitional provisions

2005:551 Pursuant to Act (2005:552), this Act shall enter into force on 1 January 2006.

2005:812 (Published 2 Dec. 2005)

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