

Press release, April 28, 2008

# Sandvik fined by the Disciplinary Committee of the OMX Nordic Exchange Stockholm

**The exchange-listed company Sandvik contravened generally acceptable practices in the securities market by circumventing the Swedish Companies Act's so-called Lex Leo rules. According to these rules, an exchange-listed company may not transfer the shares of a subsidiary to its president without the approval of a general meeting of shareholders. In the case in question, Sandvik transferred the shares in the subsidiary to a holding company owned by the president's daughter. The Exchange's Disciplinary Committee rules that Sandvik must pay a fine of one annual fee, corresponding to SEK 3 million.**

According to the Exchange's listing agreement, the Disciplinary Committee must decide on sanctions against a company that disregards generally acceptable practices in the securities market. According to Swedish Companies Act's Lex Leo rules, a public limited-liability company must obtain approval of a general meeting of shareholders for the transfer of shares in a subsidiary to the president of a group company or a legal entity over which that person has a controlling influence.

In May 2006, Sandvik sold all of the shares in its wholly owned subsidiary Edmeston AB to Edmeston Holding AB for slightly more than SEK 8 million. At that time, all of the shares in Edmeston Holding were owned by a 24-year-old daughter of Edmeston's president. In conjunction with the transfer, the holding company was represented by the father, who comprised the board of directors of the holding company. In March 2007, the daughter transferred all of the shares in the holding company to the father, who had been the president of Edmeston the whole time.

The Disciplinary Committee notes that Sandvik was not permitted to transfer the shares in Edmeston to its president or to a company in which he had a controlling influence without approval by a general meeting of shareholders. According to the Committee, it is difficult to see that the structure of the transaction would be relevant in any way other than as an attempt to circumvent the Lex Leo rules. The circumvention took place in such a manner that there can be no doubt that Sandvik disregarded generally acceptable practices in the securities market. This infringement cannot be deemed minor or excusable. In determining disciplinary measures, the Committee takes into consideration the fact that the transaction involved relatively limited values and that there is nothing that indicates that the transaction did not benefit the shareholders.

The Disciplinary Committee fined Sandvik AB one annual fee, corresponding to SEK 3 million.

The following persons participated in the Committee's decision: Johan Munck, Hans Mertzig, Hans Edenhammar, Carl-Johan Högbom and Jack Junel.

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The Nordic Exchange

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## **For further information:**

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

Members: Supreme Court Justice Johan Munck (Chairman), Supreme Court Justice Marianne Lundius (Deputy Chairman), Madeleine Leijonhufvud (professor), Stefan Erneholm (company director) and Hans Mertzig (company director). Deputy Members: Hans Edenhammar (MBA), Claes Beyer (lawyer), Jack Junel (company director), Ragnar Boman (MBA) and Carl Johan Högbom (MBA).