

Better Regulation in EU Company Law

- Different classes of shares and other voting arrangements



Efficient Securities Transactions

Briefing by
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2006-10-05

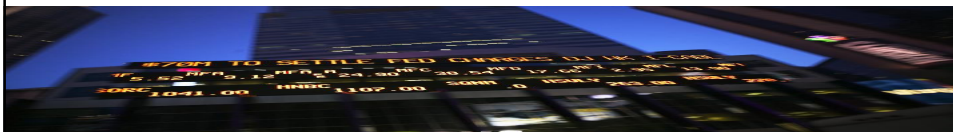
The new Finnish Companies Act



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"Differences in voting right will naturally affect the trading interest in different classes of shares, and the prices which investors are willing to pay for such shares"

(Quote from the Government Bill as justification for the proposal in respect of differentiated voting rights)



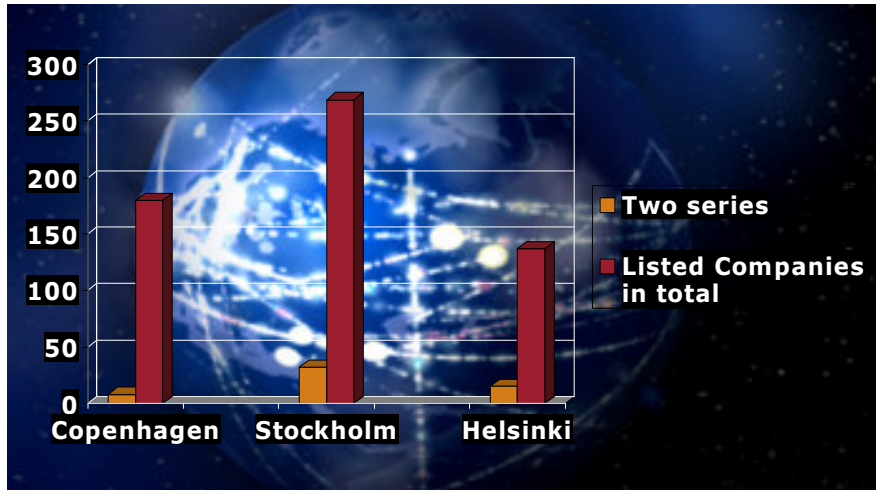
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Number of companies with two classes of shares admitted to trading, September 2006



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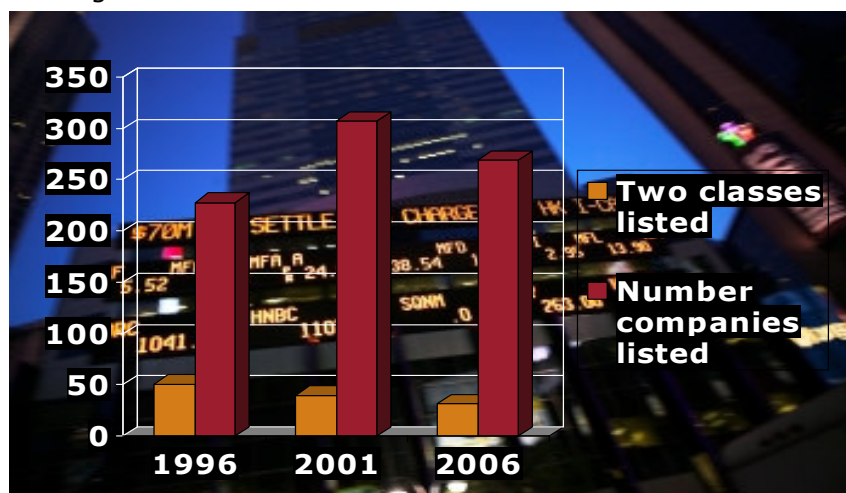
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Number of companies with two classes of shares admitted to trading at the Stockholm Stock Exchange



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Recent IPOs with two classes of shares on Stockholm Stock Exchange



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- Five companies of the 32 latest IPOs (2004-2006) have a second class that is not listed;
 - *Invik & Co., Hakon Invest, Svithoid Tankers, Securitas Direct and Securitas Systems*
- Only one "IPO" with two classes of shares during the last three years;
 - *Husqvarna – a debated spin-off from Electrolux*
- Not a single IPO with sale of shares in two classes has taken place during the last three years



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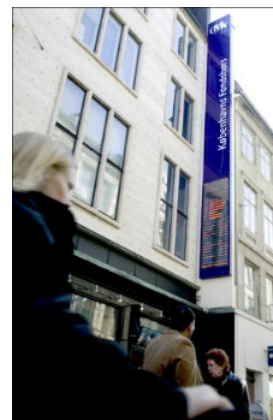
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Effects on the price formation process



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- The vast majority of the companies with two classes of shares listed have had an unchanged price relation between the two share classes during the last 12 months
- A negative price spread has been established in
 - *MTG, Metro, Transcom and Latour*
- A positive price spread has been established in
 - *Atlas Copco, Electrolux, Holmen, Industrivärden, SEB and SSAB*
- Almost no spread in price between the share classes in
 - *Ericsson, Investor, NCC, Ratos, SCA and SKF*
- The price spread has during the last 12 months changed from negative to positive in
 - *Scania and Volvo*



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To sum up.....

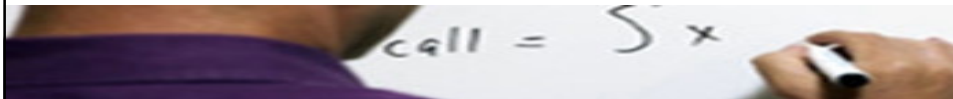


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- ✓ It is most likely that differentiated voting rights is only an issue in respect of "older" already listed companies
 - Investor preferences drive companies subject to an IPO to only have one class of shares
- ✓ The trend is that the number of listed companies that apply shares with differentiated voting rights is reduced over time due to market expectations



The statistics implies no market failure, and it is not evident that regulatory intervention is needed



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