

Nasdaq Stockholm

Deflamo AB

Decision

The Disciplinary Committee issues a reprimand to Deflamo AB (publ)

Request

The shares in Deflamo AB (publ) ("Deflamo" or the "Company") are admitted for trading on the Nasdaq First North trading platform at Nasdaq Stockholm (the "Exchange"). Deflamo has signed an undertaking to comply with the Exchange's Rule Book for Nasdaq First North applicable from time to time (the "Rule Book").

The Exchange has, with reference to section 7.3 and Supplement B in the Rule Book, requested the Disciplinary Committee to review Deflamo's violation of generally accepted behaviour in the securities market and that the Committee impose a reasonable sanction.

Deflamo has admitted to a violation but argued that the Company intended to fulfill its obligations in accordance with the Rule Book.

On July 9, 2016, a hearing was held in the matter at which the Exchange was represented by Karin Ydén (Head of Issuer Surveillance), Andreas Blomquist (Senior Legal Counsel) and Niklas Ramstedt (Regulatory Compliance Specialist). Deflamo was represented by the members of the board of directors Jan Blomquist and Åsa Hansdotter.

The Disciplinary Committee's assessment

Background

On September 8, 2015, Deflamo published a press release containing the following: "Deflamo is reducing the subscription price and extending the subscription period for series TO 2 B warrants." Among other things, the press release contained information regarding the fact that the Company had resolved to adjust the terms and conditions for outstanding series TO 2 B warrants since the Company's share price at the time was below the subscription price of the warrants and that the warrant holders would most likely exercise their warrants if the subscription price was adjusted to an appropriate level. Since there was interest by investors in Deflamo, the Company saw a benefit in increasing the prospects for subscription with support from the outstanding warrants, rather than allowing the subscription period to expire without taking further measures.

On September 28, 2015 (during the pending subscription period), the Exchange contacted Deflamo's Certified Adviser (the "CA") and requested the Company and the CA to provide an explanation concerning how the change in the terms and conditions of the warrants complied with generally accepted behaviour in the securities market and, in such context, in particular, in relation to statement AMN 2010:08 issued by the Swedish Securities Council. Later the same day, the Exchange notified the CA that it expected the Company to submit the issue as soon as possible to the Swedish Securities Council. The same evening, Deflamo confirmed that the Company would contact the Council and, thereafter, provide feedback to the Exchange.

However, Deflamo completed the description offer in accordance with the press release. The course of events between the parties is uncontested.

Deflamo has adduced the following. Prior to the change in the terms and conditions for the warrants, the Company tried to act in a correct manner primarily by contacting its CA, but also the Exchange. When it was clear to Deflamo that the change of the warrant terms and conditions was not compatible with generally accepted behaviour on the securities market, the new terms and conditions had already been registered with the Swedish Companies Registration Office and the Company made the decision that a change back to the previous terms and conditions would entail a new violation.

Considerations

The Disciplinary Committee concludes that the Swedish Securities Council has, in several statements, addressed matters regarding changes in terms and conditions with respect to convertible securities (AMN 1988:6, 1992:7, 1996:1, 2006:46 and 2010:08) and has taken the position in these statements that restraint is recommended and that changes in terms and conditions may be acceptable only where there are special circumstances, such as when it relates to protecting holders of convertible securities and preserving the value of the convertible securities in connection with exceptional dividends.

It must be deemed the responsibility of listed companies to keep informed regarding what is generally accepted behaviour in the securities market. In light of the main principle that trading in the securities market must take place based on predictable terms, it should, *per se*, have been clear that the statements made by the Swedish Securities Council regarding convertible securities was also applicable to warrants. The Swedish Securities Council has, however,

through its initiative statement AMN 2015:26, considered itself called upon to clarify its previous statements to also include warrants. In consideration of the fact that this statement was published during the pending subscription period, and that there were a number of previous cases in which companies listed on, *inter alia*, First North changed subscription terms and conditions, the circumstances are deemed to be mitigating to a certain extent.

The Disciplinary Committee concludes that Deflamo has acted in violation of generally accepted behaviour in the securities market and that the Company has thereby damaged the public's confidence in the Exchange, Nasdaq First North and the securities market in general. Such an act would typically result in a fine; however, taking into consideration the special circumstances in the case, the sanction of a reprimand is sufficient. The Disciplinary Committee issues a reprimand to the Company in accordance with section 7.3 of the Rule Book and section 7.2 of Supplement B to the Rule Book.

On behalf of the Disciplinary Committee

A handwritten signature in black ink, appearing to read 'Marianne Lundius', with a stylized flourish at the end.

Marianne Lundius

Former Justice of the Supreme Court Marianne Lundius, Justice of the Supreme Court Ann-Christine Lindeblad, Director Anders Oscarsson, Director Carl-Johan Högbom and former Authorised Public Accountant Bo Magnusson participated in the Committee's decision.