

# ASSA ABLOY

**ASSA ABLOY AB (publ)**

*(incorporated with limited liability in the Kingdom of Sweden)*

**ASSA ABLOY FINANCIAL SERVICES AB (publ)**

*(incorporated with limited liability in the Kingdom of Sweden)*

**€1,500,000,000**

## **Global Medium Term Note Programme**

*unconditionally and irrevocably guaranteed in the case of Notes issued by ASSA ABLOY Financial Services AB (publ) by  
ASSA ABLOY AB (publ)*

On 20 September 2001 ASSA ABLOY AB (publ) (**AA**) established this €1,500,000,000 Global Medium Term Note Programme (the **Programme**). On 24 May 2007 ASSA ABLOY Financial Services AB (publ) (**AAFS**) acceded as an issuer under the Programme. This Offering Circular supersedes all previous offering circulars. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes already in issue. Pursuant to the Programme, AA and AAFS (each an **Issuer** and together the **Issuers**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). The payments of all amounts owing in respect of the Notes issued by AAFS (**Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by AA (the **Guarantor**).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,500,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by AA (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".**

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Regulated Market and have been admitted to the Official List. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Offering Circular to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in the Offering Circular in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

Application may also be made to have certain Series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System (**PORTAL**) of the National Association of Securities Dealers, Inc.

Neither the Notes nor the Guarantee have been or will be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered or sold or, in the case of Bearer Notes, delivered in the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale and Transfer and Selling Restrictions".

AA has been rated A2 (short-term rating) and A- (long-term rating) by Standard & Poor's Credit Market Services Europe Limited (**S & P**) and P2 (short-term rating) by Moody's Investors Service Limited (**Moody's**). The Programme has been rated A- by S & P. For the purposes of any credit ratings included and referred to in this Offering Circular and/or the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes), each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger**

**The Royal Bank of Scotland**

*Dealers*

**Barclays  
Commerzbank  
ING  
SEB  
Swedbank**

**Citigroup  
Danske Bank  
Nordea  
Société Générale Corporate and Investment Banking  
The Royal Bank of Scotland**

The date of this Offering Circular is 12 November 2013.

## **IMPORTANT INFORMATION**

This Offering Circular comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the Prospectus Directive). Each Issuer and the Guarantor accept(s) responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of each of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below). In addition, copies of each Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's Regulated Market will be available at the website of the Regulatory News Service operated by the London Stock Exchange. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Save for the Issuers, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by any of the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by any of the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Guarantor or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by any of the Issuers, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning any of the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of any of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Each of the Issuers, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any of the Issuers, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United

States, the European Economic Area (including the United Kingdom and the Kingdom of Sweden (Sweden)) and Japan, see "*Subscription and Sale*".

This Offering Circular has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the relevant Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor and the terms of the Notes being offered, including the merits and risks involved. Neither the Notes nor the Guarantee have been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers, the Issuers or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

## U.S. INFORMATION

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A under the Securities Act (Rule 144A).

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together Legended Notes) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## **AVAILABLE INFORMATION**

**To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, each Issuer and the Guarantor (in the case of Guaranteed Notes) has undertaken in a deed poll dated 12 November 2013 (the Deed Poll) to furnish, upon the request of a holder of its Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the relevant Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Guarantor is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.**

## **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

**Each Issuer and the Guarantor are corporations organised under the laws of Sweden. The majority of the officers and directors of each Issuer and the Guarantor (in the case of Guaranteed Notes) reside outside the United States and all or a substantial portion of the assets of each of the Issuers and the Guarantor and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Sweden upon the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) or such persons, or to enforce judgments against them obtained in courts outside Sweden predicated upon civil liabilities of the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) or such directors and officers under laws other than Swedish law, including any judgment predicated upon United States federal securities laws. Each of the Issuers and the Guarantor (in the case of Guaranteed Notes) has been advised by Mannheimer Swartling Advokatbyrå AB, their Swedish counsel, that there is doubt as to the enforceability in Sweden in original actions or in actions for enforcement of judgments of United States courts of civil liabilities.**

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

**AAFS maintains its financial books and records and prepares its financial statements in SEK and in accordance with generally accepted accounting principles in Sweden.**

**AA maintains its financial books and records and prepares its financial statements in SEK and its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.**

**All references in this document to "U.S. dollars", "U.S.\$", "USD" and "\$" refer to United States dollars and to "Swedish krona" and "SEK" refer to the currency of Sweden. In addition, references to "CAD" refer to the currency of Canada, references to "CNY" refer to the lawful currency of the PRC, references to "PLN" refer to the currency of Poland, references to "Sterling", "GBP" and "£" refer to pounds sterling and to "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of**

**European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.**

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### STABILISATION

**In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the Stabilising Manager(s)) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**



## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes and, if appropriate, a new Offering Circular will be published.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the Prospectus Regulation).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

<b>Issuers:</b>	ASSA ABLOY AB (publ) ASSA ABLOY Financial Services AB (publ)
<b>Guarantor:</b>	ASSA ABLOY AB (publ) (in respect of Guaranteed Notes)
<b>Risk Factors:</b>	There are certain factors that may affect AA's and/or AAFS's ability to fulfil its obligations under Notes issued under the Programme or the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see " <i>Risk Factors</i> ".
<b>Description:</b>	Global Medium Term Note Programme
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	Barclays Bank PLC Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Danske Bank A/S ING Bank N.V. Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Société Générale Swedbank AB (publ) The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ") including the following restrictions applicable at the date of this Offering Circular.

### **Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a

limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".

**Issuing and Principal  
Paying Agent:**

Citibank, N.A., London Branch

**Registrar:**

Citigroup Global Markets Deutschland AG

**Programme Size:**

Up to €1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

**Distribution:**

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

**Currencies:**

Notes may be denominated in euro, Sterling, U.S. dollars, yen and subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer.

**Maturities:**

The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

**Issue Price:**

Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:**

The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms, or, in the case of Exempt Notes, the Pricing Supplement) and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Exempt Notes:**

The relevant Issuer may issue Exempt Notes which may for example be Index Linked Notes or Dual Currency Notes.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

***Dual Currency Notes:*** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

The relevant Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

**Redemption:**

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

**Denomination of Notes:**

The Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.

<b>Taxation:</b>	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 9. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
<b>Negative Pledge:</b>	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
<b>Cross Default:</b>	The terms of the Notes will contain a cross default provision as further described in Condition 11.
<b>Status of the Notes:</b>	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
<b>Status of the Guarantee:</b>	<p>Only Notes issued by AAFS will be unconditionally and irrevocably guaranteed by the Guarantor.</p> <p>The obligations of AAFS and the Guarantor under the Guaranteed Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of AAFS and the Guarantor and will rank <i>pari passu</i> amongst themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of AAFS and the Guarantor, from time to time outstanding.</p>
<b>Rating:</b>	The Programme has been rated A- by S & P. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Listing and admission to trading:</b>	<p>Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.</p> <p>Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer in relation to the Series.</p> <p>In particular, whilst it is not their intention to do so concurrently with the approval of this Offering Circular, the Issuers and the Guarantor may request that the UKLA provide a certificate of approval to the competent authorities in Luxembourg and Sweden, which (subject to compliance with any requirements in connection with such listing) will permit Notes to be listed on the regulated markets in Luxembourg and Sweden.</p> <p>The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p>

<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
<b>Selling Restrictions:</b>	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Sweden) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
<b>United States Selling Restrictions:</b>	Regulation S, Category 2 – TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

## **RISK FACTORS**

*Each of AA and AAFS believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither AA nor AAFS is in a position to express a view on the likelihood of any such contingency occurring.*

*In purchasing Notes, investors assume the risk that AA and AAFS may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in AA and AAFS becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as AA and AAFS may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside their control. AA and AAFS have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of AA and AAFS believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer or the Guarantor (in the case of Guaranteed Notes) to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and none of the Issuers nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including the documents incorporated by reference) and reach their own views prior to making any investment decision.*

### **Factors that may affect AAFS's ability to fulfil its obligations under Notes issued under the Programme**

AAFS is responsible for interest-bearing assets and liabilities, currency trading, derivatives and borrowing within the Group (as defined in the business description of AA). AAFS operations are carried out according to centrally determined risk mandates and limits, intended to limit the currency, interest rate, financing and credit risks in relation to financial instruments to which the Group is exposed.

In conducting its operations, AAFS is exposed to various types of financial risks (as further described under the heading "Financial risks" on page 16 of this Offering Circular). One of the risks that can affect AAFS's obligations under the Programme is credit risk; a counterparty's failure to fulfil its contractual obligations under loan agreements and/or derivative contracts. Other risks that can be encountered are currency risk, interest rate risk, financing risk and risk related to financial instruments.

### **Factors that may effect AA's ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantee**

As an international group with a wide geographic spread, the Group is exposed to various forms of strategic, operational and financial risks. Strategic risks refer to changes in the business environment with potentially significant effects on the Group's operations and business objectives. Operational risks comprise risks directly attributable to business operations. Financial risks mainly comprise currency risk, interest rate risk, financing risk, credit risk, and risk associated with the Group's pension obligations. Strategic risks, operational risks as well as financial risks entail a potential impact on the Group's financial position and performance.

#### ***Strategic and operational risks***

##### ***Environmental cost and liabilities***

AA cannot guarantee that the Group can meet all local environmental laws, controls and regulations or that all such laws, controls and regulations have been met in the past. In the event of changes to environmental laws, regulations, enforcement policies or of the legal environment or in case of accidental environmental pollution, there can be no assurance that increased costs and liabilities will not be incurred, which could have an adverse effect on the Group's business, operational results and financial condition.

### *Competitors*

Actions of competitors may affect demand for different products and their profitability. In recent years low-price competition, mainly from Asia, has increased in some segments. Quality features, total solutions and breadth of product range have become natural responses to reduce such risks.

### *Acquisition and divestment*

The Group regularly engages in the acquisition of companies operating in the same or adjacent line of business. Growth by acquisition is a risk factor due to the difficulties of integrating different businesses and employees. From time to time the Group may also divest parts that do not, in the long-term, fit the Group's operations. The Group may encounter large administrative cost as well as restructuring costs connected with acquisitions and divestments. AA cannot guarantee that acquisitions or divestments are successful or that the Group will succeed in integrating acquired businesses or that they will perform as expected once acquired.

### *Restructuring measures*

The Group implements specific restructuring programmes, which entail some production units changing focus, mainly to final assembly, while certain units are closed. The restructuring programmes are carried on as a series of projects with stipulated activities and schedules. The various projects are systematically monitored on a regular basis. However, there can be no assurances that these measures will generate the level of cost savings that the Group has estimated going forward.

### *Commodity risk*

The Group is exposed to price risk related to purchases of certain commodities (primarily metals) used as raw materials in its business. Unanticipated increases in the prices of raw material or components could adversely affect the financial results of the Group's business, even though the Group historically has been successful in passing on such increases to distributors and end-customers.

### *Intellectual property*

The Group owns or otherwise has rights to a number of patents and trademarks, relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks have been of value in the growth of the Group's business and may continue to be of value in the future. AA does not regard any of the Group's businesses as being dependent upon any single patent or trademark (or group of patents or group of trademarks). However, an inability to protect intellectual property may have an adverse effect on the Group's business, operational results and financial condition.

### *Property and product liability insurance*

The Group has insurance programmes with respect to, among other things, the Group's property, business interruption and product liability risks. As a natural part of the Group's different activities, measures to limit the effects of damages are continually taken, often in co-operation with external insurance advisors. In such context, standards for desired safeguard levels are established in order to reduce the probability of material damage and to guarantee deliveries to the customers. While the Group holds property insurance, including business interruption, and product liability insurance, in amounts AA believes to be appropriate, there can be no assurances that the Group will be able to fully recover such amounts or that recovered amounts will be sufficient to cover the Group's losses.

### *Legal risks*

AA continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. From time to time the Group is involved in legal disputes, mainly concerned with such matters as product liability, protection of intangible rights, the environment, and the interpretation of supplier, distribution and employment contracts. Where it is considered necessary, local legal expertise is engaged to deal with these matters. With the aim of charting and controlling legal risks, there is a system of regular Group-wide reporting of outstanding legal matters. This is managed and coordinated by the Group's central legal function. At present there are no legal disputes that it is believed could lead to significant costs for the Group. However, there can be

no assurance that the Group will not become subject to legal disputes that may have an adverse effect on the Group's business, operational results and financial condition.

#### *Country-specific, political, economic and regulatory risks*

The Group has global market penetration, with sales and production in a large number of countries, and is subject to the effects of general global economic conditions as well as conditions unique to a specific country or region. The emphasis is on West Europe and North America, but the proportion of sales in Asia and in Central and East Europe has increased in recent years. Its business operations in emerging markets may to a greater extent be subject to various political, economic and social conditions which may include nationalisation of assets, social, political or economic instability, volatility in currency exchange rates and restrictions on repatriation of profits and transfers of cash which all could have an adverse effect on the Group's business, operational results and financial condition.

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries where the Group is doing business could limit its operations and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some regions could limit the Group's ability to enforce its rights. In addition the Group must comply with the export control regulations of the countries and any trade embargoes in force. Although the Group seeks to comply with all such regulations, there can be no assurance that the Group will be compliant with all relevant regulations and such violations, even unintentional violations could have an adverse effect on its business and operational results.

#### **Financial risks**

##### *Currency risk*

Since the Group sells its products in countries worldwide and has companies all over the world, the Group is exposed to the effects of exchange rate fluctuations. Such changes affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish krona (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in U.S. dollars and euro. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is fairly limited in the Group, though it is expected to increase over time due to rationalisation in production and purchasing. In accordance with the financial policy, the Group in principle does not currently hedge any transaction currency flows. As a result exchange rate fluctuations may have a direct impact on the Group's business, operational results and financial condition.

Exchange rate fluctuations also affect the Group's debt-equity ratio and equity. The difference between the assets and liabilities of foreign subsidiaries in the respective foreign currency is affected by exchange rate fluctuations and causes a translation difference which affects the Group's comprehensive income. A general weakening of the Swedish krona leads to an increase in net debt, but at the same time increases Group equity.

##### *Interest rate risk*

Interest rate fluctuations have a direct impact on the Group's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition.

The Group manages its exposure to changes in interest rates through a mix of fixed rate debt and variable rate debt in its total debt portfolio. In addition to raising variable-rate and fixed-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity. There can be no assurance, however, that existing or future interest rate derivatives will manage the interest rate risk successfully, if at all.

##### *Financing risk*

Financing risk refers to the risk that financing the Group's capital requirements and refinancing outstanding loans become more difficult or more expensive. Financing risk can be reduced by maintaining an even maturity profile for loans and a high credit rating. The Group strives to have access, on every occasion, to both short-term and long-term loan facilities. However, there can be no guarantee that the Group would be able to obtain



external credit or at prices acceptable to the Group. The Group's access to funding is dependant upon its credit rating and may decrease or become more expensive as a result of the Group's operational and financial condition and market conditions.

#### *Credit risk*

Credit risk arises in ordinary business operations and as a result of the financial transactions carried out by Group Treasury. Accounts receivable are spread across a large number of customers, which reduces the credit risk. Credit risks relating to operational business activities are managed locally at company level and reviewed at division level.

Financial risk management exposes the Group to certain counterparty risks. Such exposure may arise, for example, from the placement of surplus cash, borrowings and derivative financial instruments.

The Group's policy is to limit the potential credit risk from cash surplus by having limited cash in local bank accounts and by using cash available from subsidiaries to amortise AA's debt. Credit risk in derivative financial instruments is monitored and calculated according to risk factors set in the Group policy to limit counterparty risk.

#### *Financial instruments*

Derivative financial instruments such as currency and interest-rate forwards are used to the extent necessary. The use of derivative financial instruments is to reduce exposure to financial risks. Derivative financial instruments are not used with speculative intent.

#### *Goodwill and other fixed assets*

The value of goodwill and other intangible assets of the Group as well as other fixed assets is evaluated regularly to determine whether events or circumstances indicate that the value of the fixed assets are impaired. These evaluations include judgments made by management. Future events could cause the Group to conclude that impairment indicators exist and that a fixed asset is impaired. Any resulting impairment loss could have a material adverse impact on the Group's business, operational results and financial condition.

#### *Provision for pensions and similar obligations*

As of 31 December 2012 the Group had provision for pensions and similar obligations of SEK 1,224 million. Calculating pension and similar obligations require management to make assumptions on discount rate, expected return on plan assets and rate of compensation increase. Actual results could differ from the assumptions made. Contribution of additional amounts to the Group's pension schemes may be required which could have a negative effect on the Group's operational results and financial condition.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### ***Risks related to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

- ***Risks applicable to all Notes***

*If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

- ***Risks applicable to certain types of Exempt Notes***

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor

should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

- ***Risks related to Notes generally***

Set out below is a description of material risks relating to the Notes generally:

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Agent, the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may agree, without the consent of the Noteholders or Couponholders, to:

- (a) certain modifications of the Notes, the Coupons or the Agency Agreement which are not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders.

***Withholding under the EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of

Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. AA and AAFS are required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

#### *U.S. Foreign Account Tax Compliance Withholding*

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) will affect the amount of any payment received by the clearing systems (see *Foreign Account Tax Compliance Act* in the *Taxation* section). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The relevant Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the clearing systems (as bearer of the Notes) and the relevant Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

#### *The value of the Notes could be adversely affected by a change in English law or administrative practice*

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

#### *Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures*

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a

nominee for DTC (each as defined under "Form of the Notes"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the relevant Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

- ***Risks related to the market generally***

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the relevant Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a

recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by its assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been filed with the Financial Conduct Authority, shall be incorporated in and form part of the Offering Circular:

- (i) the audited consolidated and non-consolidated annual financial statements (including the notes thereto) and the auditors report of AA in respect of the financial year ended 31 December 2011 (set out on pages 76 to 119 of the Annual Report of AA in respect of the financial year ended 31 December 2011);
- (ii) the audited consolidated and non-consolidated annual financial statements (including the notes thereto) and the auditors report of AA in respect of the financial year ended 31 December 2012 (set out on pages 78 to 121 of the Annual Report of AA in respect of the financial year ended 31 December 2012);
- (iii) the Interim Report of AA in respect of the nine months ended 30 September 2013 (save for the section headed "Outlook" on page 8); and
- (iv) the Terms and Conditions of the Notes set out on pages 33 to 59 of the Offering Circular dated 22 September 2008, pages 39 to 65 of the Offering Circular dated 15 November 2011 and pages 30 to 58 of the Offering Circular dated 16 November 2012.

The financial statements, auditors reports and Interim Report referred to in (i), (ii) and (iii) above constitute direct and accurate English translations of the original documents.

For the avoidance of doubt, information, documents or statements expressed to be incorporated by reference into any, or expressed to form part of any, of the documents referred to above do not form part of this Offering Circular.

Certain information contained in the documents listed above has not been incorporated by reference in this Offering Circular. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Offering Circular.

Following the publication of this Offering Circular a supplement may be prepared by the Issuers and (in the case of Guaranteed Notes) the Guarantor and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular are available for viewing at, and copies may be obtained from, the registered office of the relevant Issuer and the specified office of the Paying Agents in London. In addition, copies of the documents will be available at the website of the Regulatory News Service operated by the London Stock Exchange.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuers and (in the case of Guaranteed Notes) the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

*Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.*

The Notes of each Series will either be in bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and together with a Temporary Bearer Global Note, each a **Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and (ii) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the relevant Issuer whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility.

Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms, provided that the applicable Final Terms may not specify the option described in paragraph (ii) above if the Specified Denominations of the Notes consists of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.



Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event, provided that the applicable Final Terms may not specify the option described in paragraph (i) above if the Specified Denominations of the Notes consists of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences as a result of legislative changes in the domicile of the relevant Issuer which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary or the common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) and who execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*") in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will

be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, each a **Registered Global Note**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**) for its own account or for the accounts of Euroclear and Clearstream, Luxembourg or (ii) be deposited with a common depository or a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuers, the Guarantor (in the case of Guaranteed Notes) any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as the case may be, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the

relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the relevant Issuer whether or not Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility.

Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

### Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "Subscription and Sale and Transfer and Selling Restrictions".**

### General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined under Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and their respective agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and their respective agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 12 November 2013 and executed by each of the Issuers. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

The relevant Issuer and, in the case of Guaranteed Notes, the Guarantor, may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes, which are not Exempt Notes, issued under the Programme.*

[Date]

**[ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €1,500,000,000  
Global Medium Term Note Programme**

### PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 12 November 2013 ([the Offering Circular together with the supplement[s] to it dated [date] [and [date]], ]the **Offering Circular**). The Offering Circular constitutes a base prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)).]

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated 12 November 2013. This document constitutes the Final Terms of the Notes described herein for the purpose of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospective Directive**) and must be read in conjunction with the Offering Circular dated 12 November 2013, [and the supplement[s] to it dated [date] [and [date]]] (the **Offering Circular**) which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)).]

- |    |      |                 |  |
|----|------|-----------------|--|
| 1. | (i)  | Issuer:         | [ASSA ABLOY AB (publ)/ASSA<br>ABLOY Financial Services<br>AB (publ)] |
|    | (ii) | [Guarantor:     | [ASSA ABLOY AB (publ)]]  |
| 2. | (i)  | Series Number:  | [     ]  |
|    | (ii) | Tranche Number: | [     ]  |

- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [ ]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]
- (ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [ ]/[Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
(see paragraph 13/14/15 below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11. Change of Interest Basis: [Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [13/14] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [13/14] applies]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Make-whole Redemption by Issuer]  
[(see paragraph [16/17/18] below)]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the

		Interest Payment Date falling [in/ on][ ]][Not Applicable]
	(v) Day Count Fraction:	[30/360] [Actual/ Actual (ICMA)]
	(vi) Determination Date(s):	[[ ] in each year] [Not Applicable]
14.	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
	(iii) Additional Business Centre(s):	[ ]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ]
	(vi) Screen Rate Determination:	
	– Reference Rate, Specified Time and Relevant Financial Centre:	Reference Rate: [ ] month [LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR /TIBOR/BUBOR/PRIBOR/WIBOR/TRYIBOR/ ROBOR/SIBOR/HIBOR/SHIBOR/JIBAR/TIIE] Specified Time: [ ] Relevant Financial Centre: [London/Brussels/Stockholm/Oslo/Copenhagen/ Tokyo/Budapest/Prague/Warsaw/Istanbul/Bucharest/ Singapore/Hong Kong/Shanghai/Johannesburg/ Mexico City]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
	(vii) ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
	(viii) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long Interest Period</i> )]
	(ix) Margin(s):	[+/-] [ ] per cent. per annum
	(x) Minimum Rate of Interest:	[ ] per cent. per annum
	(xi) Maximum Rate of Interest:	[ ] per cent. per annum
	(xii) Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual]

- [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360][360/360][Bond Basis]  
 [30E/360][Eurobond Basis]  
 [30E/360 (ISDA)]
15. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
17. Make-whole Redemption by the Issuer: [Applicable/Not Applicable]
- (i) Make-whole Redemption Date(s): [ ]
- (ii) Make-whole Redemption Margin: [[ ] basis points/Not Applicable]
- (iii) Reference Bond: [CA Selected Bond/[ ]]
- (iv) Quotation Time: [5.00 p.m. [Brussels/London/[ ]] time/Not Applicable]
- (v) Reference Rate Determination Date: [The [ ] Business Day preceding the relevant Make-whole Redemption Date/Not Applicable]
- (vi) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
18. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of [ ] per Calculation Amount



default:

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:
- (i) Form: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]]
- Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.
- [Registered Notes:
- [Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Definitive IAI Registered Notes]]
- (ii) New Global Note: [Yes] [No]
22. Additional Financial Centre(s): [Not Applicable/[ ]]
23. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]:

By: \_\_\_\_\_

*Duly authorised*

[Signed on behalf of ASSA ABLOY AB (publ):

By:\_\_\_\_\_

*Duly authorised]*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [London][Luxembourg][Stockholm][Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings:
- [The Notes to be issued [[have been]/[are expected to be]] rated:][The following rating[s] reflect[s] ratings assigned to Notes of this type issued under the Programme generally:]
- [Moody's: [ ]]
- [S & P: [ ]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. YIELD

- Indication of yield: [ ]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number (s): [Not Applicable/[ ]]
- (iv) Names and addresses of initial Paying Agent(s) (if any): [ ]
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]

### 6. DISTRIBUTION

- U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes issued under the Programme.

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT IN CONNECTION WITH EXEMPT NOTES.**

[Date]

**[ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €1,500,000,000**

**Global Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 12 November 2013 [as supplemented by the supplement[s] dated [date[s]]] (the **Offering Circular**). Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)).

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date]] which are incorporated by reference in the Offering Circular<sup>1</sup>. Any reference in the Conditions to "relevant Final Terms" shall be deemed to include a reference to "relevant Pricing Supplement", where relevant.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]*

- |    |       |  |   |
|----|-------|--|---|
| 1. | (i)   | Issuer:  | [ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]  |
|    | (ii)  | [Guarantor:  | [ASSA ABLOY AB (publ)]]   |
| 2. | (i)   | Series Number:   | [ ]   |
|    | (ii)  | Tranche Number:  | [ ]   |
|    | (iii) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [date]] [Not Applicable] |
| 3. |       | Specified Currency or Currencies:                                      | [ ]   |
| 4. |       | Aggregate Nominal Amount:  |   |

<sup>1</sup> Only include this language for a fungible issue and the original tranche was issued under an Offering Circular with a different date.

- (i) Series: [      ]
- (ii) Tranche: [      ]
5. Issue Price of Tranche: [      ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denominations: [      ]
- (ii) Calculation Amount: [      ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date: [      ]
- (ii) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: *[Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month]]*
9. Interest Basis: *[[      ] per cent. Fixed Rate]  
[[specify Reference Rate] +/- [      ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par]  
[specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]*
12. Put/Call Options: *[Not Applicable]  
[Investor Put]  
[Make-whole Redemption by the Issuer]  
[Issuer Call]  
[(further particulars specified below)]*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions *[Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [      ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [      ] in each year up to and including the Maturity Date  
*(Amend appropriately in the case of irregular coupons)*

- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
(Applicable to Notes in definitive form.)
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (vi) Determination Date(s): [[ ] in each year][Not Applicable]  
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
14. Floating Rate Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination:
- Reference Rate, Specified Time and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/specify other Reference Rate].  
Specified Time: [ ]  
Relevant Financial Centre: [London/Brussels/specify other]
  - Interest Determination Date(s): [ ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: [ ]
- (vii) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long Interest Period*)]
- (ix) Margin(s): [+/-] [ ] per cent. per annum
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]  
[Other]  
*(See Condition 6 for options)*
- (xiii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]
15. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual 365]
16. Index Linked Interest Note [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of*

*this paragraph)*

- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent [give name]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]

17. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## **PROVISIONS RELATING TO REDEMPTION**

18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]



- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice periods (if other than as set out in the Conditions: [ ]
19. Make-whole Redemption by the Issuer: [Applicable/Not Applicable]
- (i) Make-whole Redemption Date(s): [ ]
- (ii) Make-whole Redemption Margin: [[ ] basis points/Not Applicable]
- (iii) Reference Bond: [CA Selected Bond/[ ]]
- (iv) Quotation Time: [5.00 p.m. [Brussels/London/[ ]] time/Not Applicable]
- (v) Reference Rate Determination Date: [The [ ] Business Day preceding the relevant Make-whole Redemption Date/Not Applicable]
- (vi) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (vii) Notice periods (if other than as set out in the Conditions: [ ]
20. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) Notice periods (if other than as set out in the Conditions: [ ]
21. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
22. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8 of the Terms and Conditions of the Notes): [[ ] per Calculation Amount/specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Bearer Notes:
- (i) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes]

[on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event] ((N.B.: *this option may only be used where "TEFRA not applicable" has been specified below.*))]

[Notes shall not be physically delivered in Belgium except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgium Law of 14 December 2005<sup>2</sup>]

[Registered Notes:

[Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Definitive IAI Registered Notes]]

(ii) New Global Note:

[Yes][No]

24. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 14(iii) relates)*

25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

26. Other final terms:

[Not Applicable/give details]

## RESPONSIBILITY

The Issuer accept[s] responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of [ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]:

By:\_\_\_\_\_

*Duly authorised*

---

<sup>2</sup> Include for Notes that are to be offered in Belgium

[Signed on behalf of ASSA ABLOY AB (publ):

By:\_\_\_\_\_

*Duly authorised]*

## PART B – OTHER INFORMATION

### 1. LISTING

[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market - note this should not be a regulated market in the European Economic Area] with effect from [ ].]

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated:][The following rating[s] reflect[s] ratings assigned to Notes of this type issued under the Programme generally:]

[Moody's: [ ]]

[S & P: [ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

### 4. [USE OF PROCEEDS

Use of Proceeds:

[ ]]

*(Only required if the use of proceeds is different to that stated in the Offering Circular)*

### 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as

eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 6. DISTRIBUTION

- |       |   |  |
|-------|---|--|
| (i)   | Method of distribution:                     | [Syndicated/Non-syndicated]  |
| (ii)  | If syndicated, names of Managers:           | [Not Applicable/ <i>give names</i> ]                                 |
| (iii) | Stabilising Manager(s) (if any):            | [Not Applicable/ <i>give name</i> ]                                  |
| (iv)  | If non-syndicated, name of relevant Dealer: | [Not Applicable/ <i>give name</i> ]                                  |
| (v)   | U.S. Selling Restrictions:                  | [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable] |

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer, (in the case of Guaranteed Notes) the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by the Issuer named in the applicable Final Terms (as defined below) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 12 November 2013 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) each made between ASSA ABLOY Financial Services AB (publ) (**AAFS**) as an issuer, ASSA ABLOY AB (publ) (**AA**) as an issuer and as a guarantor of Notes issued by AAFS (in its capacity as such, the **Guarantor**), Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citibank, N.A., London Branch as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to

**applicable Final Terms** shall be deemed to include a reference to **applicable Pricing Supplement** where relevant.

If this Note is issued by AA, references in these Terms and Conditions to Guarantor and Guarantee, and related expressions, are not applicable.

Notes issued by AAFS (**Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to a guarantee (such guarantee as modified and/or supplemented and/or restated from time to time, the **Guarantee**) dated 12 November 2013 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 12 November 2013 and made by, *inter alia*, the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the **Deed Poll**) dated 12 November 2013 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the registered office of each of the Principal Paying Agents, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. In addition, copies of each Final Terms relating to the Notes which are either admitted to trading on the London Stock Exchange's Regulated Market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be available at the website of the Regulatory News Service operated by the London Stock Exchange. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In these Terms and Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. Form, Denomination and Title

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./ N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. Transfers of Registered Notes

### (a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees



of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request and that the transfer is in compliance with the transfer restrictions set forth in such Registered Note. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Notes*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

- (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
  - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
  - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required

by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Exchanges and transfers of Registered Notes generally*

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) *Definitions*

In this Condition, the following expressions shall have the following meanings:

**Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**Institutional Accredited Investor** means **accredited investors** (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

**Legended Notes** means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) issued to QIBs which bear certain legends regarding U.S. restrictions on transfer;

**QIB** means a **qualified institutional buyer** within the meaning of Rule 144A;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Note** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Note** means a Registered Global Note representing Notes sold in the United States to QIBs in reliance on Rule 144A or otherwise in private transactions exempt from the registration requirements of the Securities Act; and

**Securities Act** means the United States Securities Act of 1933, as amended.

**3. Status**

(a) *Status of the Notes*

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) *Status of the Guarantee*

The obligations of the Guarantor under the Guarantee in respect of the Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

**4. Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Agency Agreement):

- (a) the Issuer shall not, and shall procure that no member of the Group (as defined below) shall, create or permit to subsist any encumbrance other than a Permitted Encumbrance (as defined below) over all or any of its present or future revenues or assets to secure any Debt Obligations (as defined below); and
- (b) the Guarantor (in the case of Guaranteed Notes) shall not, and shall procure that no member of the Group (as defined below) shall, create or permit to subsist any encumbrance other than a Permitted

Encumbrance (as defined below) over all or any of its present or future revenues or assets to secure any Debt Obligations (as defined below),

without, in any such case, at the same time (i) securing the outstanding Notes or procuring that the outstanding Notes are secured equally and rateably therewith by the same security or by such other security as the Noteholders may by Extraordinary Resolution (as defined in the Agency Agreement) approve or (ii) according to the Guarantee or causing to be accorded to the Guarantee the same security or such other security as the Noteholders may by Extraordinary Resolution (as defined in the Agency Agreement) approve.

In these Conditions:

an **encumbrance** shall be construed as a reference to (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or (b) any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;

**Group** means at any time the Issuer and its Subsidiaries or (in the case of Guaranteed Notes) the Guarantor and its Subsidiaries;

a **Permitted Encumbrance** means either:

- (a) an encumbrance on the undertaking, assets or revenues of any company becoming a Subsidiary after the date of the creation of such encumbrance which encumbrance was not created in connection with or in contemplation of such entity becoming a Subsidiary; or
- (b) an encumbrance created in the course of a Permitted Securitisation (as defined below);

a **Permitted Securitisation** means any transaction or series of transactions where the Debt Obligations are incurred by a member of the Group in connection with a Securitisation and:

- (a) recourse in relation to those Debt Obligations is substantially limited to the loans, receivables or other financial assets being securitised; and
- (b) such assets comprise all or substantially all of the assets of that member of the Group;

**Subsidiary** means a subsidiary within the meaning of the Swedish Companies Act (2005:551); and

**Debt Obligations** means any indebtedness, which is in the form of, or represented by, notes, bonds or other securities which are, or are to be, or are capable of being, quoted, listed or dealt in or on any stock exchange or over-the-counter market.

## 5. Redenomination

This Condition 5 has been deleted intentionally.

## 6. Interest

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

**Determination Period** means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.; and

**Relevant Notes** means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the European Economic Area.

- (b) *Interest on Floating Rate Notes*
  - (i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

If no Minimum Rate of Interest is specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or, in the case of (2) above, fewer than three offered quotations appear, in each case as at the Specified Time in the Relevant Financial Centre, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time in the Relevant

Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time in the Relevant Financial Centre on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) or the Copenhagen inter-bank market (if the Reference Rate is CIBOR) or the Tokyo inter-bank market (if the Reference Rate is TIBOR) or the Budapest inter-bank market (if the reference rate is BUBOR) or the Prague inter-bank market (if the reference rate is PRIBOR) or the Warsaw inter-bank market (if the reference rate is WIBOR) or the Istanbul inter-bank market (if the reference rate is TRYIBOR) or the Bucharest inter-bank market (if the reference rate is ROBOR) or the Singapore inter-bank market (if the reference rate is SIBOR) or the Hong Kong inter-bank market (if the reference rate is HIBOR) or the Shanghai inter-bank market (if the reference rate is SHIBOR) or the Johannesburg inter-bank market (if the Reference Rate is JIBAR) or the Mexico City inter-bank market (if the reference rate is TIIE) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time in the Relevant Financial Centre on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer and (in the case of Guaranteed Notes) the Guarantor suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) or the Copenhagen inter-bank market (if the Reference Rate is CIBOR) or the Tokyo inter-bank market (if the Reference Rate is TIBOR) or the Budapest inter-bank market (if the reference rate is BUBOR) or the Prague inter-bank market (if the reference rate is PRIBOR) or the Warsaw inter-bank market (if the reference rate is WIBOR) or the Istanbul inter-bank market (if the reference rate is TRYIBOR) or the Bucharest inter-bank market (if the reference rate is ROBOR) or the Singapore inter-bank market (if the reference rate is SIBOR) or the Hong Kong inter-bank market (if the reference rate is HIBOR) or the Shanghai inter-bank market (if the reference rate is SHIBOR) or the Johannesburg inter-bank market (if the Reference Rate is JIBAR) or the Mexico City inter-bank market (if the reference rate is TIIE) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the



last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Terms and Conditions:

**Interest Determination Date** means the date specified as such in the Final Terms or if none is so specified:

- (1) if the Reference Rate is the London interbank offered rate (**LIBOR**) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (2) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (3) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (**EURIBOR**), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (4) if the Reference Rate is the Stockholm interbank offered rate (**STIBOR**), the second Stockholm business day prior to the start of each Interest Period;
- (5) if the Reference Rate is the Norwegian interbank offered rate (**NIBOR**), the second Oslo business day prior to the start of each Interest Period;
- (6) if the Reference Rate is the Copenhagen interbank offered rate (**CIBOR**), the second Copenhagen business day prior to the start of each Interest Period;
- (7) if the Reference Rate is the Tokyo interbank offered rate (**TIBOR**), the second Tokyo business day prior to the start of each Interest Period;
- (8) if the Reference Rate is the Budapest interbank offered rate (**BUBOR**), the second Budapest business day prior to the start of each Interest Period;
- (9) if the Reference Rate is the Prague interbank offered rate (**PRIBOR**), the second Prague business day prior to the start of each Interest Period;
- (10) if the Reference Rate is the Warsaw interbank offered rate (**WIBOR**), the second Warsaw business day prior to the start of each Interest Period;
- (11) if the Reference Rate is the Istanbul interbank offered rate (**TRYIBOR**), the first day of each Interest Period;
- (12) if the Reference Rate is the Romanian interbank offered rate (**ROBOR**), the second Bucharest business day prior to the start of each Interest Period;
- (13) if the Reference Rate is the Singapore interbank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period;
- (14) if the Reference Rate is the Hong Kong interbank offered rate (**HIBOR**), the first day of each Interest Period;
- (15) if the Reference Rate is the Shanghai interbank offered rate (**SHIBOR**), the second Shanghai business day prior to the start of each Interest Period;
- (16) if the Reference Rate is the Johannesburg interbank agreed rate (**JIBAR**), the first day of each Interest Period; and
- (17) if the Reference Rate is the Tasa de Interés Interbancaria de Equilibrio (Interbank Equilibrium Interest Rate) (**TIE**), the first day of each Interest Period;

**Reference Banks** means (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the

Euro-zone inter-bank market, (iii) in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market, (iv) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo inter-bank market, (v) in the case of a determination of CIBOR, the principal Copenhagen office of four major banks in the Copenhagen inter-bank market, (vi) in the case of a determination of TIBOR, the principal Tokyo office of ten major banks in the Tokyo inter-bank market, (vii) in the case of a determination of BUBOR, the principal Budapest office of four major banks in the Budapest inter-bank market, (viii) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague inter-bank market, (ix) in the case of a determination of WIBOR, the principal Warsaw office of five major banks in the Warsaw inter-bank market, (x) in the case of a determination of TRYIBOR, the principal Istanbul office of five major banks in the Istanbul inter-bank market, (xi) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Bucharest inter-bank market, (xii) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore inter-bank market, (xiii) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, (xiv) in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, (xv) in the case of a determination of JIBAR, the principal Johannesburg office of four major banks in the Johannesburg inter-bank market and (xvi) in the case of a determination of TIIE, the principal Mexico City office of four major banks in the Mexico City inter-bank market, in each case selected by the Principal Paying Agent;

**Reference Rate** means (i) LIBOR, (ii) EURIBOR, (iii) STIBOR, (iv) NIBOR, (v) CIBOR, (vi) TIBOR, (vii) BUBOR, (viii) PRIBOR, (ix) WIBOR, (x) TRYIBOR, (xi) ROBOR, (xii) SIBOR, (xiii) HIBOR, (xiv) SHIBOR, (xv) JIBAR or (xvi) TIIE, in each case for the relevant period, as specified in the applicable Final Terms;

**Relevant Financial Centre** means (i) London, in the case of a determination of LIBOR, (ii) Brussels, in the case of a determination of EURIBOR, (iii) Stockholm, in the case of a determination of STIBOR, (iv) Oslo, in the case of a determination of NIBOR, (v) Copenhagen, in the case of a determination of CIBOR, (vi) Tokyo, in the case of a determination of TIBOR, (vii) Budapest, in the case of a determination of BUBOR, (viii) Prague, in the case of a determination of PRIBOR, (ix) Warsaw, in the case of a determination of WIBOR, (x) Istanbul, in the case of a determination of TRYIBOR, (xi) Bucharest, in the case of a determination of ROBOR, (xii) Singapore, in the case of a determination of SIBOR, (xiii) Hong Kong, in the case of a determination of HIBOR, (xiv) Shanghai, in the case of a determination of SHIBOR, (xv) Johannesburg, in the case of a determination of JIBAR and (xvi) Mexico City, in the case of a determination of TIIE, as specified in the applicable Final Terms; and

**Specified Time** means (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of STIBOR, 11.00 a.m., (iv) in the case of NIBOR, 12.00 noon, (v) in the case of CIBOR, 11.00 a.m., (vi) in the case of TIBOR, 11.00 a.m., (vii) in the case of BUBOR, 12.30 p.m., (viii) in the case of PRIBOR, 11.00 a.m., (ix) in the case of WIBOR, 11.00 a.m., (x) in the case of TRYIBOR, 11.15 a.m., (xi) in the case of ROBOR, 11.00 a.m., (xii) in the case of SIBOR, 11.00 a.m., (xiii) in the case of HIBOR, 11.00 a.m., (xiv) in the case of SHIBOR, 11.30 a.m., (xv) in the case of JIBAR, 11.00 a.m. and (xvi) in the case of TIIE, 11.00 a.m., as specified in the applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance

with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for each Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on:

- (i) the relevant Reference Rate (where Screen Rate Determination is specified in the applicable Final Terms as being the manner in which the Rate of Interest is to be determined); or
- (ii) the relevant Floating Rate Option (where ISDA Determination is specified in the applicable Final Terms as being the manner in which the Rate of Interest is to be determined),

one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purposes of this Condition 6(b)(v) **Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, (in the case of Guaranteed Notes) the Guarantor and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection

with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Exempt Notes*

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 6(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Principal Paying Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

**7. Payments**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below) and save as provided in Condition 7(f)) should be presented for payment together with all unmaturing

Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is

Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, (in the case of Guaranteed Notes) the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *Specific provisions in relation to payments in respect of certain types of Exempt Notes*

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(f) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:



- (i) the Issuer and (if applicable) the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and (in the case of Guaranteed Notes) the Guarantor, adverse tax consequences to the Issuer and (in the case of Guaranteed Notes) the Guarantor.

(g) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(h) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8(f)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

## 8. Redemption and Purchase

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### (b) *Redemption for tax reasons*

Subject to Condition 8(f), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or (b) (in the case of Guaranteed Notes) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### (c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at

their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

- (d) If Make-whole Redemption by the Issuer is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Make-whole Redemption Date**)), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the Notes then outstanding on any Make-whole Redemption Date and at the Make-whole Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Make-whole Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Redeemed Notes will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, on a Selection Date not more than 30 days prior to the Make-whole Redemption Date. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the Make-whole Redemption Date. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the Make-whole Redemption Date pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

In this Condition 8(d), **Make-whole Redemption Amount** means:

(A) the outstanding principal amount of the relevant Note or (B) if higher, the sum, as determined by the Calculation Agent, of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Make-whole Redemption Date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Reference Rate plus the Make-whole Redemption Margin specified in the applicable Final Terms, where:

**CA Selected Bond** means a government security or securities (which, if the Specified Currency is euro, will be a German *Bundesobligationen*) selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

**Calculation Agent** means a leading investment, merchant or commercial bank appointed by the relevant Issuer for the purposes of calculating the Make-whole Redemption Amount, and notified to the Noteholders in accordance with Condition 15;

**Reference Bond** means (A) if CA Selected Bond is specified in the applicable Final Terms, the relevant CA Selected Bond or (B) if CA Selected Bond is not specified in the applicable Final Terms, the security specified in the applicable Final Terms, provided that if the Calculation Agent advises the Issuer that, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Calculation Agent may, with the advice of Reference Market Makers, determined to be appropriate;

**Reference Bond Price** means (i) the average of five Reference Market Maker Quotations for the relevant Make-whole Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, (ii) if the Calculation Agent obtains fewer than five, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;

**Reference Market Maker Quotations** means, with respect to each Reference Market Maker and any Make-whole Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at the Quotation Time specified in the applicable Final Terms on the Reference Rate Determination Day specified in the applicable Final Terms;

**Reference Market Makers** means five brokers or market makers of securities such as the Reference Bond selected by the Calculation Agent or such other five persons operating in the market for securities such as the Reference Bond as are selected by the Calculation Agent in consultation with the relevant Issuer; and

**Reference Rate** means, with respect to any Make-whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Make-whole Redemption Date. The Reference Rate will be calculated on the Reference Rate Determination Day specified in the applicable Final Terms.

(e) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8(e) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg and (in the case of Registered Notes) DTC, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b), accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg or (in the case of Registered Notes) DTC, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or DTC (as the case may be) (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them or by DTC (as the case may be) to the Agent or the Registrar (as the case may be) by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg or DTC (as the case may be) from time to time and, if this Note is represented by a Global Note the terms of which require presentation for recording changes to its nominal amount, at the same

time present or procure the presentation of the relevant Global Note to the Agent or the Registrar (as the case may be) for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this paragraph (e) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(f) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(g) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

(h) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (g) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(i) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (e) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

**9. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or by the Guarantor (in the case of Guaranteed Notes) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7(g)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 10. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

## 11. Events of Default

### (a) Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (i) *Failure to Pay*: the Issuer and (in the case of Guaranteed Notes) the Guarantor fails to pay in the Specified Currency any amount of principal or interest in respect of the Notes on the due date for payment thereof and such failure is not remedied within five Swedish Business Days; or
- (ii) *Other Obligations*: the Issuer or (in the case of Guaranteed Notes) the Guarantor fails duly to perform or comply with any other obligation under or in respect of the Notes and Coupons or the Guarantee and such failure, if capable of remedy, is not remedied within twenty Swedish Business Days of written notice thereof, addressed to the Issuer or the Guarantor (as the case may be) by any Noteholder or Couponholder having been delivered to the Issuer or the Guarantor (as the case may be) or to the Principal Paying Agent; or
- (iii) *Cross Default*: any indebtedness for borrowed money of the Issuer, (in the case of Guaranteed Notes) the Guarantor or any Principal Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor becomes, or is declared, due and payable prior to the scheduled maturity as a result of a default thereunder or any such indebtedness for borrowed money or interest thereon is not paid when due or within any applicable grace period therefor or any guarantee or indemnity given by the Issuer, (in the case of Guaranteed Notes) the Guarantor or any Principal Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor in respect of any borrowed money is not honoured when due and called upon or within any applicable grace period therefor provided that any such event shall not constitute an Event of Default unless the indebtedness for borrowed money or the liability of the Issuer, (in the case of Guaranteed Notes) the Guarantor or any Principal Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor under the guarantee or indemnity concerned exceeds €25,000,000 (or its equivalent in other currencies); or
- (iv) *Insolvency and Rescheduling*: the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Principal Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor is unable to pay its debts as they fall due, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors; or
- (v) *Winding-up*: save in connection with a Permitted Merger, the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Principal Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, dissolution, administration or re-organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of all or a substantial part of its revenues and assets; or
- (vi) *Execution or Distress*: any execution or distress is levied against, or an encumbrancer takes possession of, the whole or a substantial part of, the property, undertaking or assets of the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Principal Subsidiary of the

- Issuer or (in the case of Guaranteed Notes) the Guarantor and, in any case, such event is not stayed or discharged within seven Swedish Business Days; or
- (vii) *Analogous Events*: any event occurs which under the laws of any jurisdiction has a similar or analogous effect to any of those events mentioned in paragraphs (iv) (*Insolvency and Rescheduling*); (v) (*Winding-up*) or (vi) (*Execution or Distress*); or
  - (viii) *Repudiation*: the Issuer repudiates its obligations in respect of the Notes or does or causes to be done any act or thing evidencing an intention to repudiate such obligations or (in the case of Guaranteed Notes) the Guarantor repudiates its obligations under the Guarantee or does or causes to be done any act or thing evidencing an intention to repudiate such obligations; or
  - (ix) *Validity and Admissibility*: at any time any act, condition or thing required to be done, fulfilled or performed in order (A) to enable the Issuer or (in the case of Guaranteed Notes) the Guarantor lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes or the Guarantee, as the case may be, (B) to ensure that those obligations are legal, valid, binding and enforceable or (C) to make the Notes and the Coupons or, as the case may be, the Guarantee admissible in evidence in the Kingdom of Sweden is not done, fulfilled or performed; or
  - (x) *Illegality*: at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or any of the obligations of the Issuer thereunder are not or cease to be legal, valid and binding or (in the case of Guaranteed Notes) the Guarantee is terminated or ceases to be in full force and effect,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer and (in the case of Guaranteed Notes) the Guarantor or the Principal Paying Agent, effective upon the date of receipt thereof by the Issuer or the Guarantee, as the case may be or the Principal Paying Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at the Early Redemption Amount (as described in Condition 8(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

(b) *Definitions*

For the purposes of this Condition:

**Permitted Merger** means:

- (i) a reconstruction or amalgamation while solvent of any Principal Subsidiary; or
- (ii) a voluntary solvent winding-up or dissolution either in connection with, or following and as a result of, the transfer of the business, undertaking and assets of any Principal Subsidiary to another member or members of the Group, in each case, where Net Worth is not reduced;

a **Principal Subsidiary** of the Issuer or the Guarantor at any time shall mean a Subsidiary of the Issuer or the Guarantor:

- (i) whose total assets (excluding intra-Group items) (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent at least 5 per cent. of the total assets (being the total of fixed assets and current assets), of the Group (as shown in the then latest audited consolidated financial statements of the Group); or
- (ii) whose sales (excluding intra-Group items) (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent at least 5 per cent. of the sales of the Group (as shown in the then latest audited consolidated financial statements of the Group); or
- (iii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer or the Guarantor which immediately before the transfer is a Principal Subsidiary of the Issuer or the Guarantor,

in the case of a Subsidiary of the Issuer or the Guarantor, as calculated from the then latest financial statements (consolidated or, as the case may be, unconsolidated), audited if prepared, of that Subsidiary



and, if that Subsidiary has been acquired after the period with respect to which the then latest published audited consolidated financial statements of the Group were drawn up, such statements shall be adjusted as if such Subsidiary had been a member of the Group during such period.

A report by two of the Directors of the Issuer or, as the case may be, the Guarantor that, in their opinion, a Subsidiary of the Issuer or, as the case may be the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary, shall, in the absence of manifest error, be conclusive and binding on the Noteholders.

**Net Worth** means the aggregate, immediately prior to a Permitted Merger, of the amounts paid up or credited as paid up on the issued share capital of the Group (other than any redeemable shares) and the aggregate amount of the reserves of the Group including:

- (i) any amount credited to share premium account;
- (ii) any capital redemption reserve fund; and
- (iii) any balance standing to the credit of the profit and loss account of the Group, but deducting:
  - (A) any debit balance on the consolidated profit and loss account of the Group;
  - (B) any dividend or distribution declared, recommended or made by any member of the Group to the extent payable to a person who is not a member of the Group and such distribution is not provided for in the most recent financial statements,

and so that no amount shall be included or excluded more than once; and

**Swedish Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Stockholm.

## **12. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **13. Agents**

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the UK Listing Authority or any other stock exchange or relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(f). Any variation, termination, appointment or change shall only take

effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

#### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

#### **15. Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication will be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

#### **16. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement or the Guarantee. Such a meeting may be convened by the Issuer or the Guarantor (in the case of Guaranteed Notes) or Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such

meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

## **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **18. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19. Governing Law and Submission to Jurisdiction**

### **(a) Governing law**

The Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the Notes and the Coupons (and any non-contractual obligations arising out of or in connection with any of the aforementioned) are governed by, and shall be construed in accordance with, English law.

### **(b) Submission to jurisdiction**

The Issuer and (in the case of Guaranteed Notes) the Guarantor agree, for the exclusive benefit of the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons or the Guarantee (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons or the Guarantee) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes and the Coupons or the Guarantee may be brought in such courts.

The Issuer and (in the case of Guaranteed Notes) the Guarantor hereby irrevocably waive any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby

further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

To the extent allowed by law, nothing contained in this Condition shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) *Appointment of Process Agent*

The Issuer and (in the case of Guaranteed Notes) the Guarantor appoint ASSA ABLOY Limited at its registered office at School Street, Willenhall, West Midlands WV13 3PW as its agent for service of process, and undertake that, in the event of ASSA ABLOY Limited ceasing so to act or ceasing to be registered in England, they will appoint another person as their respective agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) *Other documents*

The Issuer has in the Agency Agreement, the Deed of Covenant and the Deed Poll and (in the case of Guaranteed Notes) the Guarantor has in the Agency Agreement and the Guarantee submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes which include making a profit.

## ASSA ABLOY AB (publ)

### History

AA was formed in 1994 as a public limited liability company through the merger of the lock companies of ASSA AB (formerly owned by Securitas AB, Sweden) and ABLOY OY (formerly owned by Metra Oyj Abp, Finland). On 8 November 1994, AA was listed on the Stockholm Stock Exchange (now NASDAQ OMX Stockholm). Since then, AA and its subsidiaries (together the **Group**) have expanded both organically and by further acquisitions.

AA was incorporated as a legal entity on 2 April 1954 under the Swedish Companies Act (2005:551) for an indefinite period of time and its Corporate Organisation number is 556059-3575. AA's registered office is located at P.O. Box 70340 (Klarabergsviadukten 90), SE-107 23 Stockholm, Sweden. Its telephone number is +46 (0)8 506 485 00.

### Business

#### *Overview*

The Group is an international manufacturer and supplier of door opening solutions dedicated to satisfying end-user needs for security, safety and convenience. Organic growth and acquisitions, market-leading technology development and cost-efficiency have transformed the company from a traditional regional company into a modern, multinational security group in intelligent door opening solutions. Since its formation in 1994 the Group's sales have grown from around SEK 3,600 million in the year ended 31 December 1994 to around SEK 47,000 million in the year ended 31 December 2012. Today the Group has around 43,000 employees, compared with 4,700 employees in 1994. The growth in Group profit has been in line with the growth in sales. In each year since 1994 the Group's operating cash flow has been above income before tax.

The Group is represented in both mature and emerging markets worldwide, with a leading position in much of Europe, North America, Asia, Australia and New Zealand. In the fast-growing electromechanical security segment, the Group operates in areas such as access control, identification technology, entrance automation and hotel security.

The Group is focusing its operations on electromechanical and mechanical security products as well as entrance automation and security doors for the global market. The mechanical security product range includes lock cylinders, lock cases, door closers, industrial locks, emergency exit devices and window hardware. In the fast growing electromechanical security segment, the Group's product range includes electronic cylinders, automatic doors, secure identification and various access control products, some of which use radio frequency identification (RFID). Keyless entries are part of the Group's door security solutions with, for example, Seos, a commercial ecosystem for issuing and managing digital keys with NFC (Near Field Communication) technology. Seos provides the customer with a complete system in which cell phones replace ordinary keys and keycards for opening doors in homes, hotels, offices, hospitals, universities and industrial and other commercial buildings. Access control can be centrally managed and security staff can, for example, send temporary digital keys to visitors and service staff. The Seos solution is just one example of how technologies such as NFC and RFID are integrated into locks and keyless or even remote keyless entries. Entrance automation is a fast-growing business within the Group. The technology is usually described as automatic as it is based on sensors, electronics and electric motors that open and close doors without direct user involvement. The Group is also a major manufacturer of steel security doors and door hardware. As the business of door opening solutions is the Group's only business, all companies within the Group can benefit from a transfer of know-how and from extensive benchmarking activities designed to spread best practices and promote excellence.

The Group's main customer segment is the commercial segment comprising institutional and commercial customers, such as schools, hospitals, universities, airports and large office buildings. This commercial segment accounts for around 75 per cent. of Group sales, while the residential segment accounts for around 25 per cent.

The Group has a large number of end-customers with very varied requirements. In today's market, the Group's products mainly reach the end-customer through a variety of distribution channels at various stages in the supply chain depending on the customer's needs, the product and solution, and national and local requirements

and standards. The distribution channels are mainly security systems integrators, locksmiths and security installers, building and lock wholesalers, retailers, DIY, hardware and security stores, OEMs (original equipment manufacturer), door and window manufacturers.

AA believes that the need for security in workplaces and homes is growing in pace with increased welfare and technological development. Demand is driven by increased prosperity and urbanisation, particularly in emerging markets, that lead to new construction and increased demand for doors, locks and access control. Further, the need for increased security drives more advanced solutions and upgrades of existing security systems and, additionally, technological development meets the demand for solutions offering increased convenience and user-friendliness in addition to high security. The Group sees its role as educating its customers and offering products that both meet the world's greater security needs and are more convenient to use.

### ***Strategy***

The overall focus of the Group is to spearhead the trend towards increasing security with a product-driven offering centred on the customer. The primary product areas are the traditional segments of mechanical locks and security doors, as well as the fast-growing segments of electromechanical and electronic locks, access control, identification technology and entrance automation.

The Group's strong development is based on long-term structural growth in demand in mature markets in Europe, North America, Australia and New Zealand, increasing demand in emerging markets in Asia, Eastern Europe, Africa and South America, and success in fast-growing product segments.

The strategic action plans of the Group have been divided into three focus areas: market presence, product leadership and cost-efficiency.

#### ***Market presence***

The Group's market strategy is based on long-term structural demand growth on mature markets in Europe and North America, and fast-growing demand on emerging markets. The Group's strategy to increase its market presence has three main areas:

- Exploiting the strength of the brand portfolio and the sales force.
- Increasing growth in the core business.
- Expanding into new markets and segments.

#### **Exploiting the strength of the brand portfolio and the sales force**

As a result of its many acquisitions, the Group owns a variety of well-known brands. In order to exploit and manage this valuable asset while benefiting from the Group's size, ASSA ABLOY's logotype is combined with the individual product brands. The latter are well known and rooted in local regulations and security standards. Thus, the Group capitalizes on its large global installed base, while increasing the visibility of the ASSA ABLOY master brand, which unites the Group's sales departments and represents competence in total door opening solutions. Around 75 per cent. of the Group's sales are co-branded with the master brand and local brands. The ASSA ABLOY master brand is complemented by four global brands, which are among the leaders in their respective market segments. These brands are HID in access control, secure card issuance and identification technology, Yale in the residential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. The Group also has non endorsed product brands that are not directly associated with ASSA ABLOY, such as Entrematic, Flexiforce and Helton.

In order to compete effectively in a global market, the sales force operates as an integrated organisation and representatives of the ASSA ABLOY master brand. The sales staff creates solutions for the customer using different products manufactured under established local brands. Consequently, customers can be offered total door opening solutions, while recognising the local brands.

#### **Increasing growth in the core business**

Over the past seven years the Group has made a significant strategic shift to an increasingly market-oriented organisation in close collaboration with architects, security consultants, major end-users and distributors. The

main growth potential is found in existing market channels and an increased share of distributor's sales. One important initiative is the focus on increased customer relevance through market segmentation. Sales teams are focusing on different customer segments to gain the industry's best understanding of customer needs, build relationships and generate demand, thereby becoming the end-user's door opening solution expert. Segmentation aims at total door opening solutions customised to the door's applications, security and convenience aspects, special requirements for compliance with standards and regulations, and the need for integration with new or existing security systems and IT networks. This focus includes investments in employees with a clear, direct demand-generating responsibility.

#### Expanding into new markets and segments

The Group intends to expand into new markets and segments by geographical expansion, developing the OEM market, exploiting opportunities on the residential market as well as on the market for electromechanical products and the market for entrance automation. Geographical expansion is achieved principally through acquisitions of leading local companies with well-known brands, in order to build a strong platform on emerging markets in Asia, Eastern Europe, the Middle East, Africa and South America. The Group's position in the OEM market in door and window manufacturing varies between markets, and there is considerable potential for market penetration. The aim is to build a global presence through acquisitions and organic growth. In respect of the residential market, efforts to develop channels and products for the global residential market under the Yale brand are ongoing. The Group's competence and market presence in digital door locks in China and South Korea are also creating a significant basis for global expansion in this future technology. The increased demand for electromechanical products is a clear trend. Increased technical standardisation is driving integration of various components in the security solution. The Group's products aim at open standards to facilitate integration with the customer's other security and administrative systems. The Group's strength in specific technologies is creating interesting new growth areas. One example is RFID, which enables hotel locks to be opened by a card or cell phone. The entrance automation market is a fast-growing market in which the Group has gained a leading position through acquisitions, innovation and organic growth. The total market is still very fragmented. The largest potential is in retail, transport, logistics and manufacturing in the wake of the increased globalisation. The Group has a unique offering of total automatic door opening solutions and comprehensive service concept.

#### *Product leadership*

The Group's vision is to be the most innovative supplier of total door opening solutions, and investments in R&D have increased substantially in recent years. The Group aims to double the innovation rate by means of Group-wide structured innovation process. The Group has a large base of installed locks and lock systems, and its products are well adapted to comply with local and regional standards. The Group builds on this installed lock base to develop tomorrow's solutions, in which electronic codes supplement or replace mechanical identification, such as metal keys. Product leadership is achieved and maintained through the continuous development of products offering enhanced customer value and lower product costs, often in close collaboration with end-users and distributors. A vital activity for achieving this is the use of common product platforms with fewer components. The product development process is under constant improvement and renewal. Customers are increasingly demanding more advanced lock and door products and the technical level is constantly rising, with electromechanical door opening solutions growing considerably faster than traditional mechanical products. Global common product platforms adapted to the local markets have therefore become increasingly important. These platforms are developed by the Group product development function, Shared Technologies, and through collaboration within and between divisions. Customer needs are integrated into the Group's product development and innovation processes as a result of systematic collaboration at many levels and in many dimensions. The Group conducts ongoing studies of various customer segments, giving rise to new product concepts. Future Lab is an internet forum in which the Group can ask customers questions to obtain information on requirements, trends and product initiatives. The implementation of Lean Innovation has shown that development time can be halved and results improved. Using this new approach, the Group has also seen the benefit of continuous parallel technology development.



### *Cost-efficiency*

The Group focuses on cost-efficiency in the production structure, in production costs and in the administrative flow in the Group. The efforts towards common product platforms, fewer components and common product development have been covered above.

The process of change in the production structure began with four restructuring programmes launched between 2006 and 2009. These have been very successful resulting in considerable savings and increased efficiency in the Group's production units. One consequence is that an increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence in end-customer markets ensures fast delivery and efficient assembly of customised products. Ongoing restructuring activities include closures or switching another 34 plants in high-cost countries from full production to assembly and customisation. On 28 October 2013 it was announced that the preparation of a new restructuring program has begun, with a planned launch in the fourth quarter 2013. A total of some thirty production units and offices are expected to be closed over a three-year period.

In parallel with the reorganisation of production in high-cost countries, the Group has maintained rapid expansion of the production base in low-cost countries. Around 48 per cent. of the Group's total employees are now employed in low-cost countries.

The Group applies a number of tested methods to increase cost-efficiency, such as Lean, Value Analysis and Value Engineering (VA/VE) and Seamless Flow. Lean methods include all processes and result in increased customer value using less resources at all stages. VA/VE involves in-depth analyses of products and production processes to avoid materials waste. Seamless Flow optimises the Group's flow through IT standardisation and integration of information dissemination. Many of the Group companies have followed these principles for some years, resulting in greater efficiency.

A sharp increase in sourcing is an important element in more cost-efficient structure in which assembly is concentrated in high-cost countries. Extensive work is in progress to develop competence, create category responsibility, and coordinate and streamline purchases of raw materials and components. This is driven by the outsourcing of component supply to external suppliers in low-cost countries and the ambition to exploit economies of scale.

The Group operates an active price management program, with a shift from cost-based to value-based pricing, systematic and fact-based monitoring of price trends and discounting, a detailed calculation of shipping costs, and a price strategy that manages the significant differences between new sales and the aftermarket.

### **Organic Growth**

The Group aims to achieve organic growth through intensive development of mature as well as new markets. In addition, organic growth can be made through cross-selling among Group companies to expand and enhance product portfolios. In markets where the Group is well established, organic growth is achieved through increased sales to existing customers whereas in new markets, where there are no strong local providers, new Group companies are established in order to achieve growth. In both mature and new markets, the foundation for long-term successful organic growth for the Group is a continuous flow of innovative products, with enhanced customer value and lower costs.

### **Growth through Acquisitions**

A large part of the Group's historical growth and present size is explained by acquisitions. With the acquisition of 4Front, announced on 27 December 2012, the Group has acquired 100 companies since Johan Molin joined the Group as President and CEO in 2005. Acquisitions will continue to be an important growth factor for expansion into new markets (and markets where the Group's market share is currently low) as well as expansion into new technologies. Additional acquisitions in existing markets may also become appropriate.

### **Acquisitions during 2012**

In January 2012, the Entrance Systems division completed the acquisition of the U.S. entrance automation company Albany Door Systems, a leader in high-speed doors. Albany Door Systems had annual sales of USD 149 million in the financial year ended 2010.

In January 2012, it was announced that the Entrance Systems division had signed an agreement to acquire Dynaco in Belgium. Dynaco is a leading producer of high-speed doors specialised in sales to a global network of distributors. The company had annual sales of EUR 48 million in the financial year 2011. The acquisition was completed in March 2012.

In May 2012, the Entrance Systems division acquired the Canadian company Helton, a manufacturer of hardware for sectional doors for residential and industrial customers. The Helton group operates in the Canadian and U.S. markets. The company had annual sales of CAD 47 million in the financial year 2011.

In May 2012, the Asia Pacific division acquired Shandong Guoqiang Hardware in China. Guoqiang offers a full range of window hardware predominantly in the Chinese market. The company had annual sales of CNY 450 million in the financial year 2011.

In December 2012, the Entrance Systems division acquired the US company 4Front, leader in docking systems. 4Front offers a complete product range around docking systems as well as a large variety of accessories. The company has operations in USA, Canada, Mexico and India. The company had annual sales of USD 150 million in the financial year 2011.

A total of 13 acquisitions were consolidated during the year 2012.

### ***Acquisitions during 2013***

In September 2013, it was announced that the EMEA division had signed an agreement to acquire Mercor SA's fire doors business. Mercor SA is a leading Polish manufacturer of security and fire doors in East Europe, with a strong position in its key domestic markets in Poland, Czech Republic and Slovakia. Sales in the financial year ending 31 December 2012 was PLN 180 million (approx SEK 370 million). The acquisition is subject to regulatory approval and is expected to close during the fourth quarter 2013.

In October 2013 it was announced that the Americas Division had signed an agreement to acquire the US company Ameristar, a leading US manufacturer of perimeter security in the form of high-security fences and gates. The company had annual sales of USD 160 million in the financial year 2012. The acquisition is subject to regulatory approval and is expected to close during the fourth quarter 2013.

In November 2013, it was announced that the Entrance Systems division had signed an agreement to acquire Amarr, a major player in the North American sectional door market. The company is based in the US with operations in USA, Canada and Mexico. The company had annual sales of USD 274 million in the financial year 2012. The acquisition is subject to regulatory approval and is expected to close during fourth quarter 2013.

A total of 6 acquisitions were consolidated during the first nine months of 2013.

### **Competition**

Although some consolidation has taken place over the past ten years, the global door opening solutions market is still fragmented. However, the market in each country is relatively consolidated. Companies in the industrialized world are generally still family-owned and leaders on their home markets. In less developed countries, though, established lock standards and brands are less common.

The Group's has five main competitors, which partly operate in the Group's segment: Ingersoll-Rand (USA), Stanley Black & Decker (USA), Dorma (Germany), Kaba (Switzerland) and Hörmann (Germany). All these competitors are strong local players on their home markets and also have an international presence. The Asian market is still very fragmented; even the largest manufacturers have modest market shares.

### **Intellectual Property**

The Group owns approximately 1,800 active patent families registered throughout the world. Patents provide an important role for the Group to protect not only own technologies and keyways, but also end users' assets and distributors' businesses. On top of the Group's vast number of patents around cylinder technologies, the Group's latest patents cover a wide range of development for mechanical and electromechanical security, safety and convenience. With the increasing amount of virtual keys used in the Group's RFID and NFC solutions, the Group's latest patent filing covers also areas related to software, firmware and their applications.

## **Long-Term Incentive Programmes**

AA's Annual General Meeting 2013 resolved to implement a Long-Term Incentive Programme for senior executives and other key personnel in the Group (**LTI 2013**). LTI 2013 entails that the participants will invest in Series B shares in AA at market price. Such personal investment will thereafter be matched free of charge by the AA through granting of so called matching awards and performance awards. Under the terms of LTI 2013, employees have bought 65,918 AA Series B shares during the second quarter of 2013.

Similar Long-Term Incentive Programmes for senior executives and other key personnel in the Group have been implemented each year since 2010.

## **Share Capital and Shareholders**

AA's share capital at 30 September 2013 amounted to SEK 370,858,778 divided into two classes of which 19,175,323 shares were Series A and 351,683,455 were Series B. All of AA's shares have a par value of SEK 1.00 and provide each holder with an equal right to share in AA's assets and earnings. Each Series A share carries 10 votes and each Series B share carries one vote. As at 30 September 2013, AA's authorised share capital was SEK 800,000,000. The market capitalisation at year-end (2012) was SEK 90,082 million.

As at 31 December 2012, AA had 17,591 shareholders. AA's principal shareholders as of 30 September 2013 are Investment AB Latour (9.5 per cent. of the capital and 29.5 per cent. of the votes) and Melker Schörling AB (3.9 per cent. of the capital and 11.5 per cent. of the votes). The ten largest shareholders as of 30 September 2012 account for 39.8 per cent. of the share capital and 59.0 per cent. of the votes. AA holds a total of 600,000 Series B shares after repurchases to secure its undertakings in connection with the Long-Term Incentive Programmes.

A shareholders' agreement that includes pre-emption rights in the event of sale of Series A shares by any party exists between Gustaf Douglas, Melker Schörling and companies closely related to them. Apart from this, AA is not aware of any shareholders' agreements or other arrangements between shareholders of AA.

## **Organisational Structure**

The Group consists of over 400 legal entities, out of which more than 250 are active and operating, located in around 70 countries. AA is the holding company of all the companies in the Group, directly or indirectly, and its assets are substantially comprised of shares in those companies. AA does not conduct business itself and is accordingly dependent on the Group companies and the revenues received by them.

The Group's operations are decentralised, a deliberate strategic choice based on the local nature of the lock industry and a conviction of the benefits of a divisional control model. Another contributing factor is that the Group has been built up over a relatively short period through a large number of acquisitions.

The Group's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring and to promote the flow of information and communication across the Group. The Group consists of five divisions, which are divided into some 30 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

The Group consists of the following five divisions, which are further described below:

- Americas
- EMEA
- Asia Pacific
- Global Technologies (access control, identification technology and hotel security)
- Entrance Systems (entrance automation)

The Executive Team of the Group consists of the CEO, the heads of the Group's divisions, the CFO and the CTO. In principle the five divisions should be responsible, as far as possible, for business operations, while various functions at the headquarters of the Group are responsible for coordination, monitoring, policies and guidelines at an overall level. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths. The Group's management philosophy is based on trust and respect for local cultures and conditions.

In accordance with the Swedish Companies Act, the AA Board of Directors is responsible for the organisation and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board of Directors decides on the Group's overall objectives, strategies and policies, as well as on acquisitions, divestitures and investments.

### ***Americas in brief***

The Americas division manufactures and sells mechanical and electromechanical locks, cylinders, door fittings, security doors and door frames in the US, Canada, Mexico, Central America and South America. The majority of the division's sales are in the US and Canada where the Group has an extensive sales organisation and sells its products through distributors. The two largest end-user segments are the institutional and commercial segments while the residential segment accounts for only a minor part of sales. Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores and are more evenly distributed between the residential and commercial segments in these markets. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte.

### ***EMEA in brief***

The EMEA division manufactures and sells mechanical and electromechanical locks, digital door locks, security doors and fittings in Europe, the Middle East and Africa. The commercial segment accounts for around 60 per cent. of sales and the residential segment for 40 per cent. The EMEA division consists of a number of Group companies which have good knowledge of their local and in many respects diversified markets. Products are sold primarily through a number of distribution channels and also directly to end users. The division sells products under some of the most respected brands in the industry, such as ABLOY, ASSA, IKON, TESA, Yale, Mul-T-Lock, UNION and Vachette.

### ***Asia Pacific in brief***

The Asia Pacific division manufactures and sells mechanical and electromechanical locks, digital door locks, high-security doors and hardware. China accounts for around 50 per cent of the division's sales, Australia and New Zealand for around 20 per cent., South Korea and the rest of Asia for around 20 per cent., and export to the rest of the world for around 10 per cent. The Asian countries are emerging markets without established security standards. New construction accounts for around three-quarters of sales. In China, the same types of lock, handle and hardware are often used in both homes and workplaces. The production units in China also supply the Group's other divisions. The markets in Australia and New Zealand are mature markets, with established lock standards. The majority of sales are for renovations and upgrades. In Asia, the division's major brands are the Chinese brands Baodean, Guli, Pan Pan, Liyi (Shenfei), Doormax, Beijing Tianming, Golking, Sahne and Longdian, the South Korean brands Gateman, Angel and King and the global brand Yale. In Australia and New Zealand, the largest brands are Lockwood and Interlock.

### ***Global Technologies in brief***

The Global Technologies division consists of two business units, HID Global and ASSA ABLOY Hospitality. HID Global supplies secure identity solutions, primarily in identity and access management and in contactless identification technology solutions, to commercial companies, healthcare, educational and financial institutions as well as government and state institutions under the HID Global brand. The product range includes among other things cards, card readers, card printers, digital keys and reader technology for NFC cell phones. ASSA ABLOY Hospitality manufactures and sells electronic lock systems, safes, energy management systems and minibars for hotels and cruise ships under the Vingcard Elsafe brand.

## ***Entrance Systems in brief***

The Entrance Systems division is a supplier of entrance automation products, components and service. The product range includes automatic swing, sliding and revolving doors, air curtains, gate automation, garage doors, high-performance doors, industrial doors, docking solutions and hangar doors. The division has sales worldwide. The products are sold through both a direct and an indirect sales channel. In the former, new equipment and a comprehensive service offering are sold direct to end-customers, while in the latter products and components are sold to end-customers through distributors. The products are sold under the brands of Besam, Crawford, Megadoor, Albany, FlexiForce, Normstahl, Ditec and EM.

## **Board of Directors and Management**

### ***Board of Directors***

The Board of Directors consists of eight members, two employee representatives and two deputy employee representatives. Set out below are brief details of the members of AA's Board of Directors:

#### ***Lars Renström (Chairman)***

Mr Renström was appointed to the Board of Directors in 2008. He has been the President and CEO of Alfa Laval AB since 2004. He was President and CEO of Seco Tools AB 2000-2004. He was President and Head of Division of Atlas Copco Rock Drilling Tools 1997-2000. Prior to that, he held a number of senior posts at ABB and Ericsson. Other appointments: Board member of Alfa Laval AB. Mr Renström holds a Master of Science in Engineering and a Bachelor of Science in Business Administration and Economics.

#### ***Johan Molin (President and CEO)***

Mr Molin was appointed to the Board of Directors in 2006. He has been the President and CEO of the Group since 2005. He was CEO of Nilfisk-Advance 2001-2005. Various posts, mainly in finance and marketing, later divisional head in the Atlas Copco Group 1983-2001. Other appointments: Chairman of Nobia AB. Mr Molin holds a Bachelor of Science in Business Administration and Economics.

#### ***Carl Douglas (Vice Chairman)***

Mr Douglas was appointed to the Board of Directors in 2004. He is self-employed. Other appointments: Vice Chairman of Securitas AB. Board member of Investment AB Latour and Swegon AB. Mr Douglas holds a Bachelor of Arts.

#### ***Sven-Christer Nilsson***

Mr Nilsson was appointed to the Board of Directors in 2001. He was President and CEO of Telefonaktiebolaget LM Ericsson 1998-1999 and held various executive positions, mainly in marketing and general management in the Ericsson Group 1982-1997. Other appointments: Chairman of the Swedish Defence Materiel Administration (FVM). Board member of Sprint Nextel Corporation and CEVA, Inc. Mr Nilsson holds a Bachelor of Science.

#### ***Ulrik Svensson***

Mr Svensson was appointed to the Board of Directors in 2008. He is the CEO of Melker Schörling AB. He was CFO of Swiss International Airlines Ltd. 2003-2006, CFO of Esselte AB 2000-2003 and Controller/CFO of the Stenbeck group's foreign telecoms ventures 1992-2000. Other appointments: Board member of AarhusKarlshamn AB, Loomis AB, Hexagon AB, Hexpol AB and Flughafen Zürich AG. Mr Svensson holds a Bachelor of Science in Economics.

#### ***Eva Lindqvist***

Mrs Lindqvist was appointed to the Board of Directors in 2008. She was Senior Vice President of Mobile Business at TeliaSonera AB 2006-2007. Prior to that, she held a number of senior posts at TeliaSonera AB, including President and Head of Business Operation International Carrier, and various positions in the Ericsson Group 1981-1999. Other appointments: Board member of companies including Tieto Oy, Transmode AB and

Episerver AB. She is a member of the Royal Swedish Academy of Engineering Sciences (IVA). Mrs Lindqvist holds a Master of Science in Engineering and a Bachelor of Science in Business Administration and Economics.

#### *Birgitta Klasén*

Mrs Klasén was appointed to the Board of Directors in 2008. She is an Independent IT consultant (Senior IT Advisor). She was Chief Information Officer (CIO) and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004-2005. She was CIO and Senior Vice President of Pharmacia 1996-2001 and prior to that, CIO at Telia. She held various posts at IBM 1976-1994. Other appointments: Board member of Acando AB and IFS AB. Mrs Klasén holds a Master of Science in Engineering.

#### *Jan Svensson*

Mr Svensson was appointed to the Board of Directors in 2012. He has been President and CEO of Investment AB Latour since 2003. Other appointments: Chairman of AB Fagerhult, Nederman Holding AB and Oxeon AB. Board member of Loomis AB, Investment AB Latour and Tomra Systems ASA. Mr Svensson holds a Mechanical Engineering degree and a Bachelor of Science in Business Administration and Economics.

#### Employee representatives

##### *Kurt Hellström*

Mr Hellström was appointed to the Board of Directors in 2013. He is an employee representative and a member of the Federation of Salaried Employees in Industry and Service.

##### *Mats Persson*

Mr Persson was appointed to the Board of Directors in 1994. He is an employee representative, and a member of the Swedish Metal Workers' Union.

Deputy members – employee representatives

##### *Rune Hjältn*

Mr Hjältn was appointed to the Board of Directors as deputy member in 2005. He is an employee representative, a member of the Swedish Metal Workers' Union and Chairman of EWC, European Work Council in the ASSA ABLOY Group.

##### *Seppo Liimatainen*

Mr Liimatainen was appointed to the Board of Directors as deputy member in 2013. He is an employee representative and a member of the Federation of Salaried Employees in Industry and Service.

#### **Management**

Set out below are brief details of the members of AA's Executive Team:

##### *Johan Molin*

President and CEO, member of the Board of Directors and Head of Global Technologies division. Employed and member of the Executive Team since 2005. Mr Molin holds a Bachelor of Science in Business Administration and Economics. Born 1959.

##### *Carolina Dybeck Happe*

Executive Vice President and Chief Financial Officer. Employed and member of the Executive Team since 2012. Mrs Dybeck Happe holds a Masters Degree in Finance. Born 1972.

*Jonas Persson*

Executive Vice President and Head of Asia Pacific Division. Employed since 2009 and a member of the Executive team since 2009. Mr Persson holds a Master of Science in Engineering. Born 1969.<sup>3</sup>

*Denis Hébert*

Executive Vice President and Head of the Global Technologies business unit HID Global. Employed since 2002 and member of the Executive Team since 2007. Denis Hébert holds a Bachelor of Commerce, Master of Business Administration. Born 1956.

*Thanasis Molokotos*

Executive Vice President and Head of Americas division. Employed since 1996 and member of the Executive Team since 2000. Mr Molokotos holds a Master of Science in Engineering. Born 1958.

*Tim Shea*

Executive Vice President and Head of the Global Technologies business unit ASSA ABLOY Hospitality. Employed since 2004 and member of the Executive Team since 2007. Tim Shea holds a Bachelor of Science in Mechanical Engineering, Master of Business Administration. Born 1959.

*Ulf Södergren*

Chief Technology Officer (CTO). Employed since 2000 and member of the Executive Team since 2006. Ulf Södergren holds a Master of Science in Engineering and a Bachelor of Science in Business Administration and Economics. Born 1953.

*Juan Vargues*

Executive Vice President and Head of ASSA ABLOY Entrance Systems division. Employed since 2002 and member of the Executive Team since 2005. Mr Vargues holds a degree in Mechanical Engineering and a Master of Business Administration. Born in 1959.

*Tzachi Wiesenfeld*

Executive Vice President and Head of EMEA division. Employed since 2000 and member of the Executive Team since 2006. Mr Wiesenfeld holds a Bachelor in Industrial Engineering and holds a Master of Business Administration. Born in 1958.

The business address of each of the board members and the executive officers is P.O. Box 70340, (Klarabergsviadukten 90), 107 23 Stockholm, Sweden.

AA is not aware of any potential conflicts of interest between the duties to AA of the members of the Board of Directors and the Management and their private interests or other duties.

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<sup>3</sup> Jonas Persson will be leaving the Group and he is succeeded by Magnus Kagevik who has been appointed Executive Vice President and Head of Asia Pacific Division effective 1 January 2014.

## **ASSA ABLOY FINANCIAL SERVICES AB (publ)**

### **General**

AAFS is, indirectly, a wholly owned subsidiary of AA and was incorporated on 8 September 1986. AAFS is registered as a public limited liability, company under the Swedish Companies Act (2005:551) for an indefinite period of time and its Corporate Organisation number is 556283-0264. AAFS's registered office is located at P.O. Box 70340 (Klarabergsviadukten 90), SE-107 23 Stockholm, Sweden. Its telephone number is +46 (0)850648500. As at 30 September 2013, the issued share capital of AAFS amounted to SEK 1,000,000 divided into ten shares, and the authorised share capital amounted to SEK 4,000,000.

### **Business**

AAFS acts as an internal bank for the Group. It supports the Group with services related to treasury, cash management and derivatives. AAFS conducts external financial transactions and internal financial transactions within the Group, handles transactions involving foreign currencies and interest rates and acts as master account holder in the Group's cash pooling arrangements.

In addition to being an issuer under the Global Medium Term Note Programme, AAFS is among other things, a party to the Group's syndicated loan facility agreement, is the issuer under a "Global Commercial Paper Programme", a Swedish "Commercial Paper Programme" as well as under a "Master Note and Guarantee Agreement" in connection with private placements in the U.S. All debt obligations of AAFS under the above mentioned facilities have the benefit of a guarantee from AA. AAFS is also a party to a number of ISDA Master Agreements. All the financing raised by AAFS is used for general corporate purposes of the Group.

### **Organisation**

AAFS is a wholly owned subsidiary of ASSA ABLOY OY (Finland), Filial (a branch of ASSA ABLOY OY registered in Sweden), and is, indirectly, a wholly owned subsidiary of AA. AAFS is part of the Group's treasury organisation and, in its role as internal bank of the Group, it is dependent on the performance of the other Group companies to which it provides finance.

### **Board of Directors and Management**

#### ***Board of Directors***

The Board of Directors consists of three members. Set out below are brief details of the members of AAFS Board of Directors:

#### ***Carolina Dybeck Happe (Chairman)***

Mrs Dybeck Happe was appointed to the Board of Directors in 2012. She is the Executive Vice President and Chief Financial Officer of the Group as well as member of the Executive Team.

#### ***Jonas Gårdmark***

Mr Gårdmark was appointed to the Board of Directors in 2008. He is the Corporate Treasurer of the Group.

#### ***Jacob Wahlberg***

Mr Wahlberg was appointed to the Board of Directors in 2005. He is the General Counsel of the Group.

### ***Management***

#### ***Rosina Gartz***

CEO of AAFS and Head of Treasury operations. Mrs Gartz was appointed CEO of AAFS in 2013.

The business address of the above mentioned persons is P.O. Box 70340 (Klarabergsviadukten 90), 107 23 Stockholm, Sweden.



AAFS is not aware of any potential conflicts of interest between the duties to AAFS of the members of the Board of Directors and the Management and their private interests or other duties.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that each of the Issuers and the Guarantor believe to be reliable, but none of the Issuers, the Guarantor, nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised each of the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial

Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale and Transfer and Selling Restrictions".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have

accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of

cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

### Swedish Taxation

*The following summary outlines certain Swedish income tax consequences of the acquisition, ownership and disposition of Notes and is based on the Swedish tax laws in force as of the date of this Offering Circular. The summary does not address all potential aspects of Swedish taxation that may be applicable to a potential investor in the Notes and the summary is neither intended to be, nor should be construed as, legal or tax advice. A potential investor in the Notes should therefore consult with its own tax advisor as to the Swedish or foreign tax consequences of the acquisition, ownership and disposition of the Notes. Certain categories of investors may also be exempt from income tax and/or subject to other specific tax regimes.*

#### (i) *Non-resident Holders of Notes*

As used herein, a **Non-resident Holder** means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Under Swedish tax law, payments of principal or interest to a Non-resident Holder of Notes will not be subject to Swedish income tax unless such Non-resident Holder of Notes carries on a trade or business through a permanent establishment in Sweden to which the payment of principal or interest is attributable.

Swedish tax law does not impose withholding tax on payments of principal or interest to a Non-resident Holder of Notes.

Under Swedish tax law, a capital gain on a sale of Notes by a Non-resident Holder will not be subject to Swedish income tax unless the Non-resident Holder of Notes carries on a trade or business in Sweden through a permanent establishment to which the capital gain is attributable.

Private individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have lived permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption. This liability may, however, be limited by tax treaties between Sweden and other countries.

#### (ii) *Resident Holders of Notes*

As used herein, a **Resident Holder** means a holder of Notes who is (a) an individual who is a resident of Sweden for tax purposes, or (b) an entity organised under the laws of Sweden.

In general, payment of any amount that is considered to be interest for Swedish tax purposes to a Resident Holder of Notes will be subject to Swedish income tax. A Resident Holder of Notes will also be subject to Swedish income tax on any capital gain on the sale of Notes. Redemption of Notes is treated as a sale of Notes. Amortisation of principal is not otherwise subject to Swedish income tax.

Swedish tax law does not impose withholding tax on payments of principal or interest to a Resident Holder of Notes. However, preliminary income tax is withheld on payments of interest to individuals and estates of deceased individuals.

### EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar

income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

#### **The Proposed Financial Transactions Tax (FTT)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.



## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (such amended and restated programme agreement as further modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 12 November 2013, agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuers (failing which, the Guarantor (in the case of Guaranteed Notes)) have agreed to reimburse the Dealers for certain of their expenses in connection with the update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Transfer Restrictions

**As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.**

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is two years after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the relevant Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER

APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

- (viii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "Form of the Notes".

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (iv) that the Institutional Accredited Investor is an "Accredited Investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$100,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or its foreign currency

equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

## **Selling Restrictions**

### ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate nominal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). Each of the Issuers and (in the case of Guaranteed Notes) the Guarantor agree that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, to the extent that the relevant Issuer and the Guarantor are not subject to or do not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor will furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### ***Public Offer Selling Restriction under the Prospectus Directive***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer

appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor (in the case of Guaranteed Notes); and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Sweden***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell any Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (*lag (1991:980) om handel med finansiella instrument*) and otherwise in compliance with the laws of Sweden.

## ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## ***General***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The current update of the Programme, the issue of Notes thereunder and the giving of the Guarantee in respect of Guaranteed Notes have been duly authorised by resolutions of the Board of Directors of AA dated 25 September 2013 and the Board of Directors of AAFS dated 14 October 2013.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or around 15 November 2013.

### Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection only from the registered office of the Issuers and (in the case of Guaranteed Notes) the Guarantor and from the specified office of the Paying Agent for the time being in London:

- (i) the Certificate of Registration and the Articles of Association (with an English translation thereof) of each of the Issuers and the Guarantor;
- (ii) the audit reports and the audited financial statements of AA in respect of the financial years ended 31 December 2011 and 2012, in each case with an English translation thereof. AA currently prepares audited consolidated and non-consolidated accounts on an annual basis and unaudited consolidated and non-consolidated interim accounts on a quarterly basis;
- (iii) the annual financial statements of AAFS for the two financial years ended 31 December 2011 and 2012, in each case with an English translation thereof;
- (iv) the most recently published audited annual financial statements of AA and AAFS and the most recently published unaudited interim financial statements (if any) of AA and AAFS (in each case with an English translation thereof) in each case together with any audit or review reports prepared in connection therewith;
- (v) the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (vi) a copy of this Offering Circular; and
- (vii) any future offering circulars, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

In addition, copies of this Offering Circular, each Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's Regulated Market and each document incorporated by reference are available at the website of the Regulatory News Service operated by the London Stock Exchange.

The English translations of the audit reports and financial statements referred to in (ii) and (iii) above are direct and accurate translations of the original documents.

## **Clearing Systems**

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041, United States of America.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of AA or the Group since 30 September 2013 and there has been no material adverse change in the prospects of AA since 31 December 2012.

There has been no significant change in the financial or trading position of AAFS since 31 December 2012 and there has been no material adverse change in the prospects of AAFS since 31 December 2012.

## **Litigation**

There have been no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which either AA or AAFS is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of AA, AAFS or the Group.

## **Auditors**

The consolidated financial statements of AA for the two financial years ended on 31 December 2011 and 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and audited in accordance with generally accepted auditing standards in Sweden with unqualified opinions reported thereon by PricewaterhouseCoopers AB. The Interim Report of AA dated 30 September 2013 has not been audited by PricewaterhouseCoopers AB. PricewaterhouseCoopers AB is associated with FAR in Sweden, the institute for the accounting profession in Sweden.

The annual financial statements of AAFS for the two financial years ended on 31 December 2011 and 2012 have been prepared in accordance with generally accepted accounting principles in Sweden and audited in accordance with generally accepted auditing standards in Sweden with unqualified opinions reported thereon by PricewaterhouseCoopers AB. PricewaterhouseCoopers AB is associated with FAR in Sweden, the institute for the accounting profession in Sweden.

## **Dealers transacting with the Issuers and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers, the Guarantor and their respective affiliates in the ordinary course of business.



**APPENDIX I – ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011 OF ASSA  
ABLOY FINANCIAL SERVICES AB (publ)**

**Financial Statement**  
**for**  
**ASSA ABLOY Financial Services AB**  
**2011-01-01 -- 2011-12-31**

This document has been accurately translated from Swedish to English.

Stockholm

A handwritten signature in blue ink, appearing to read 'Peter Nyllinge', is written over the printed name.

PricewaterhouseCoopers AB/ Peter Nyllinge

# ASSA ABLOY Financial Services AB

556283-0264

## Administration report

The Board of Directors and the Managing Director for ASSA ABLOY Financial Services AB submit the following administration report for the fiscal year 2011.

## Operation

The company carries out internal banking operations within the ASSA ABLOY group.

## Ownership

The company is a wholly-owned subsidiary of ASSA ABLOY OY, Joensuu, Finland, which, in its turn, is wholly owned by ASSA ABLOY AB, org. no. 556059-3575, Stockholm, Sweden.

## Currency exposure

The company carries out continuous follow-up and hedging of newly formed exchange positions and normally has at best limited net positions in foreign currency.

Further information regarding financial risk management and financial instruments is found in note 10.

## Profit proposal

Balanced earnings	12 204 916 256
Year-end result	727 012 669
Total	<u>SEK 12 931 928 925</u>

At an Extraordinary General Meeting 2011-12-08 the company decided on a dividend amounting to 660 000 000 SEK.

The Board of Directors and the Managing Director propose available earnings to be allocated as follows:

Carried forward to new financial year	12 931 928 925
Total	<u>SEK 12 931 928 925</u>

# ASSA ABLOY Financial Services AB

556283-0264

The financial statement means that a group contribution of kSEK 312 652 was paid to ASSA ABLOY Kredit AB.

## **The opinion of the Board of directors regarding the proposed dividend**

The proposed value transfer in the form of group contribution reduces the company's solidity by less than 1%. The solidity is comforting given the company's business continue to be run profitably.

It is the opinion of the Board that the dividend paid will neither prevent the company from meeting its commitments in the short and long term, nor from making the required investments. The transfer of value is therefore justifiable in view of the provisions of chapter 17 section 3 paragraph 2-3 of the Swedish Companies Act.

The Board of Directors propose available earnings to be carried forward to the new financial year.

Concerning the company's result and position in general, the following income statement and balance sheet including notes and comments, are referred to.

## **Result and position**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating profit (MSEK)	986	706	616	78	59
Total assets (MSEK)	40 598	33 460	33 164	43 378	13 425
Return on shareholders' equity (%)	6	4	3	0	26
Equity (MSEK)	12 933	13 110	13 116	13 286	159
Net debt (MSEK)	- 33 052	- 13 442	- 3 795	- 17 969	- 36
External gross debt (MSEK)	9 642	5 877	5 245	8 097	8 164

# ASSA ABLOY Financial Services AB

556283-0264

## Income Statement

kSEK	Note	2011	2010
	1		
<b>Operating income</b>			
Interest from group companies		1 503 575	1 034 859
External interest		13 384	7 540
Exchange rate differences from group companies		35 898	1 801
External exchange rate differences		140 565	412 320
Other operating income	2	1 150	17 681
<b>Total operating income</b>		<b>1 694 573</b>	<b>1 474 201</b>
<b>Operating expenses</b>			
Interest to group companies		- 203 627	- 121 982
External interest		- 305 448	- 198 531
Exchange rate differences to group companies		- 52 468	- 155 083
External exchange differences		- 126 066	- 267 752
Administrative expenses	3	- 14 027	- 15 065
Amortization and write-downs		0	- 6 211
Other operating expenses		- 6 486	- 3 600
<b>Total operating expenses</b>		<b>- 708 122</b>	<b>- 768 224</b>
<b>Operating profit</b>		<b>986 451</b>	<b>705 977</b>
Tax	4	- 259 439	- 187 304
<b>Net result for the year</b>		<b>727 013</b>	<b>518 673</b>

# ASSA ABLOY Financial Services AB

556283-0264

## Balance Sheet

### ASSETS

kSEK	Note	<u>2011-12-31</u>	<u>2010-12-31</u>
	1		
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Equipment		0	0
<b>Total tangible fixed assets</b>		<b>0</b>	<b>0</b>
<b>Financial fixed assets</b>			
Other long-term receivables		464	-
<b>Total financial fixed assets</b>		<b>464</b>	<b>-</b>
<b>Total fixed assets</b>		<b>464</b>	<b>0</b>
<b>Current assets</b>			
Receivables from group companies		40 222 982	33 204 435
Other receivables	5	6 859	1 747
Deferred expenses and accrued income	6	347 980	248 462
Cash and bank		19 470	5 386
<b>Total current assets</b>		<b>40 597 291</b>	<b>33 460 030</b>
<b>Total assets</b>		<b>40 597 755</b>	<b>33 460 030</b>

# ASSA ABLOY Financial Services AB

556283-0264

## EQUITY AND LIABILITIES

kSEK	Not	<u>2011-12-31</u>	<u>2010-12-31</u>
	1		
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		1 000	1 000
Statutory reserve		200	200
<b>Total restricted equity</b>		<b>1 200</b>	<b>1 200</b>
<b>Unrestricted equity</b>			
Balanced earnings		12 204 916	12 590 283
Net profit for the year		727 013	518 673
<b>Total unrestricted equity</b>		<b>12 931 929</b>	<b>13 108 956</b>
<b>Total equity</b>		<b>12 933 129</b>	<b>13 110 156</b>
<b>Long-term liabilities</b>			
Liabilities to external institutions	7	4 513 320	4 063 770
<b>Current liabilities</b>			
Liabilities to external institutions		5 131 962	1 818 837
Liabilities to group companies		17 598 107	14 337 435
Income tax liability		177 211	-
Accrued expenses and deferred income	8	244 025	129 833
<b>Total current liabilities</b>		<b>23 151 306</b>	<b>16 286 104</b>
<b>Total equity and liabilities</b>		<b>40 597 755</b>	<b>33 460 030</b>
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>

# ASSA ABLOY Financial Services AB

556283-0264

## ASSA ABLOY Financial Services cash flow statement

kSEK

2011

2010

### Operating activities

Operating profit	986 451	705 977
Paid tax	0	0

### Cash flow from operating activities before changes in working capital

**986 451      705 977**

Increase (-) decrease (+) current receivables	-7 107 040	- 943 059
Increase (+) decrease (-) current operating liabilities	3 079 659	- 382 500

### Cash flow from operating activities

**-3 040 930      - 619 582**

### Investing activities

Investments other financial fixed assets	- 464	-
--	-------	---

### Cash flow from investing activities

**- 464      -**

### Financing activities

Borrowings	3 762 676	622 576
Group contribution	- 47 198	0
Dividend	- 660 000	- 665 000

### Cash flow from financing activities

**3 055 478      - 42 424**

### Cash flow for the year

**14 084      - 662 006**

### Liquid funds at beginning of year

**5 386      667 392**

### Exchange rate difference on liquid funds

**-      -**

### Liquid funds at end of year

**19 470      5 386**



# ASSA ABLOY Financial Services AB

556283-0264

## Changes in shareholders' equity

kSEK	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Unrestricted equity</u>	<u>Total equity</u>
<b>Equity 2008-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 284 444</b>	<b>13 285 644</b>
Group contribution			- 543 492	- 543 492
Tax effect of group contribution			142 938	142 938
Year-end result			- 212 508	- 212 508
Shareholder contribution			443 795	443 795
<b>Equity 2009-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 115 177</b>	<b>13 116 377</b>
Group contribution			- 47 198	- 47 198
Distribution of profit			- 665 000	- 665 000
Tax effect of profit distribution and group contribution			187 304	187 304
Year-end result			518 673	518 673
<b>Equity 2010-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 108 956</b>	<b>13 110 156</b>
Hedge reserve			- 13 615	- 13 615
Group contribution			- 312 652	- 312 652
Distribution of profit			- 660 000	- 660 000
Tax effect of group contribution			82 227	82 227
Year-end result			727 013	727 013
<b>Equity 2011-12-31</b>	<b>1 000</b>	<b>200</b>	<b>12 931 929</b>	<b>12 933 129</b>

The share capital consists of 10 shares with a par value of 100 000 SEK.

## NOTES

### **Note 1 Disclosure and valuation principles**

ASSA ABLOY Financial Services AB follows the recommendations and statements of the Annual Accounts Act and the Swedish Accounting Standards Council. The company's accounting principles are unchanged from previous years.

#### *Foreign currencies*

Receivables and liabilities in foreign currencies are valued at closing rate. The forward rate has been used for hedging of accounts receivable and accounts payable while hedging of borrowing and lending to subsidiaries is made at spot rate. Transactions in foreign currencies are translated at the rate current on the transaction date.

#### *Income*

Interest income is accounted for in accordance with effective yield.

#### *Tax*

Reported tax includes tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax.

Tax amounts have been calculated as nominal amounts in accordance with the tax regulations and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effect of items reported directly against shareholders' equity are themselves reported against shareholders' equity.

Deferred tax is accounted for under the balance sheet method. This means that deferred tax is accounted for on all temporary differences between the book values of assets and liabilities and their taxable values.

Deferred tax receivables relating to tax losses carryforward or other future tax allowances are reported to the extent that it is probable that the allowance can be set against taxable income in future taxation.

#### *Receivables*

Receivables are valued at the amounts that after individual assessment are expected to be received.

#### *Depreciation fixed assets*

Depreciation according to plan is based on the historical cost of assets, with due consideration of the estimated economic life of the asset. A depreciation period of five years is applied for intangible rights.

## *Intangible and tangible fixed assets*

Intangible and tangible fixed assets are reported at acquisition value after deduction for accumulated depreciation. Expenditure on improvements that raise an asset's performance above its original level increases the book value of the asset. Expenditure on repairs and maintenance is carried as an expense.

## *Cash flow statement*

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

## *Segment*

The company carries out internal banking operations within the ASSA ABLOY group.

## *Financial instruments*

Financial instruments recorded in the balance sheet include financial assets, other financial assets, accounts receivable, accounts payable and loan debts. The fair value of the financial instruments are calculated using market quotations on the balance sheet day. Market interest rates form the basis for the calculation of market values of long term loans. For other financial instruments, primarily short term loans and deposits where market quotations are not available, the fair value is set at book value.

All transactions with financial assets are recorded on the business day.

Loans are initially recorded at the amount received after deduction of transactional costs. If the booked amount is different from the amount that has to be repaid at maturity the difference is amortized as interest cost over the duration of the loan. By doing so the booked amount is equal to the amount that has to be repaid at maturity. The booking of financial liabilities is discontinued only after the debts have been repaid in full or forgiven by the lender.

The company uses derivative instruments to cover risks related to foreign exchange movements and to hedge its interest rate exposure.

## *Hedge accounting*

The company applies hedge accounting (fair value hedge and cash flow hedge) for parts of the long term debt. Changes in fair value of both the hedged item as the hedging instrument are reported in the income statement. For cash flow hedges changes in values are recorded in the Hedge reserve. When the transaction is entered into, the company documents the relationship between the hedge instrument and the hedged item, as well as the companies risk management objectives and risk management strategy as regards the hedging.

## *Pension liabilities*

The company's pension obligations are accounted for in accordance with FAR SRS RedR4. The pension obligations are covered by external insurance companies.

## *Definition of key data terms*

Return on shareholders' equity as shown in the multi-year summary is calculated as: net profit after tax, divided by shareholders' equity at year-end.

The net debt comprise all internal and external interest-bearing financial instruments, including positive and negative market values of derivatives.

External gross debt consists of all interest-bearing external loans including negative market values of derivatives.

## Note 2 Other operating income

kSEK	<u>2011</u>	<u>2010</u>
Miscellaneous	1 150	17 681
<b>Total</b>	<b>1 150</b>	<b>17 681</b>

## Note 3 Administrative expenses

### Audit fees

kSEK	<u>2011</u>	<u>2010</u>
<b>PricewaterhouseCoopers AB</b>		
Audit assignment	413	194
Audit other than the audit assignment	0	0
Tax consultancy	0	0
Other services	0	0
<b>Total</b>	<b>413</b>	<b>194</b>

The fees for audit and audit related services performed by PricewaterhouseCoopers AB amount to 413 kSEK (194 kSEK). The company has not had any other costs related to services performed by PricewaterhouseCoopers AB. No services has been purchased from other auditing firms.

### Employees, salaries, wages and other remuneration

There has been no remuneration to the board of directors.

kSEK	<u>2011</u>		<u>2010</u>	
	Salaries and other benefits	Social costs (of which pension costs)	Salaries and other benefits	Social costs (of which pension costs)
Managing Director	0	0 (0)	738	380 (144)
Employees	2 641	1 361 (334)	2 558	1 439 (366)
<b>Total</b>	<b>2 641</b>	<b>1 361 (334)</b>	<b>3 296</b>	<b>1 819 (510)</b>

Average number of employees per country and gender

	<u>2011</u>		<u>2010</u>	
Country	Women	Men	Women	Men
Sweden	3	2	3	3

## Note 4 Tax

kSEK	<u>2011</u>	<u>2010</u>
Current tax	- 259 439	- 187 304
<b>Total</b>	<b>- 259 439</b>	<b>- 187 304</b>
Nominal tax rate (%)	26,3	26,3
Effective tax rate (%)	26,3	26,5
Operating profit	986 451	705 977
Tax at nominal tax rate	- 259 437	- 185 672
Effect of non-deductible expense	- 2	- 1 632
<b>Tax on operating profit as in income statement</b>	<b>- 259 439</b>	<b>- 187 304</b>

## Not 5 Other receivables

kSEK	<u>2011-12-31</u>	<u>2010-12-31</u>
Short term deposit	0	1 167
Other receivables	6 859	580
<b>Total</b>	<b>6 859</b>	<b>1 747</b>

## Note 6 Deferred expenses and accrued income

kSEK	<u>2011-12-31</u>	<u>2010-12-31</u>
Accrued interest income from group companies	95 091	77 071
Market value interes rate swaps	145 168	166 903
Market value currency forwards	106 068	4 289
Miscellaneous	1 654	199
<b>Total</b>	<b>347 980</b>	<b>248 462</b>

## Note 7 Long-term liabilities

kSEK	<u>2011-12-31</u>	<u>2010-12-31</u>
Liabilities to credit institutions	4 513 320	4 063 770
<b>Total</b>	<b>4 513 320</b>	<b>4 063 770</b>

## Maturity profile long term liabilities

kSEK	Year	2011-12-31	2010-12-31
US Private Placement	2012		597 294
US Private Placement	2013	363 324	358 648
US Private Placement	2015	621 636	597 294
US Private Placement	2016	522 494	515 770
US Private Placement	2017	692 045	683 139
US Private Placement	2018	844 295	833 429
US Private Placement	2020	484 431	478 197
EIB	2021	985 095	
<b>Total</b>		<b>4 513 320</b>	<b>4 063 771</b>

## Note 8 Accrued expenses and deferred income

kSEK	2011-12-31	2010-12-31
Accrued interest expenses to group companies	20 856	20 121
Accrued interest expenses to credit institutions	26 360	34 608
Market value currency forwards	126 271	62 136
Market value interest rate swaps and FRA	69 011	9 707
Miscellaneous	1 527	3 261
<b>Total</b>	<b>244 025</b>	<b>129 833</b>

## Note 9 Parent company

Parent company in the group of which ASSA ABLOY Financial Services AB is a subsidiary, and where the Group's Annual Report is established, is ASSA ABLOY AB, 556059-3575, from where the Group's Annual Report can be obtained.

## Note 10 Financial risk management and financial instruments

### Currency risks

Currency risks affect ASSA ABLOY Financial Services AB mainly through translation of capital employed and net debt. To neutralize the translation and transaction exposure arising between net debt and internal needs currency forward contracts are used.

### Interest rate risks

Average interest fixing period on financial assets was 13,0 months and 8,6 months for financial liabilities at closing day.

### Liquidity risks

Financing and liquidity risks are defined as the risks of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining credit from external sources. ASSA ABLOY Financial Services AB strives to have access, on every occasion, to both short-term and long-term loan facilities.

# ASSA ABLOY Financial Services AB

556283-0264

## *Credit risks*

Financial risk management exposes ASSA ABLOY Financial Services AB to certain counterparty risk. This exposure arises, for instance, from the placement of surplus cash and through the use of derivative instruments. ASSA ABLOY's policy is to minimize the potential credit risk by using cash available from subsidiaries to amortize external debt. This objective is mainly controlled through the cash pool network for which ASSA ABLOY Financial Services AB is responsible. Nevertheless the Group may deposit surplus funds on a short-term basis with banks to match maturities. Derivative instruments are allocated to banks according to risk factors set in the Treasury Policy to limit counterparty risk.

## *Outstanding derivative instruments at 2011-12-31 (kSEK)*

Instrument	2011-12-31		2010-12-31	
	Positive market value	Positive market value	Positive market value	Positive market value
Currency forwards - funding	106 068	-126 271	41 603	-62 136
Interest rate swaps	145 168	-69 011	104 125	-9 707
<b>Total</b>	<b>251 236</b>	<b>- 195 282</b>	<b>145 728</b>	<b>- 71 843</b>

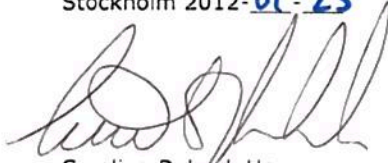


## ASSA ABLOY Financial Services AB

556283-0264

The Income statement and Balance sheet shall be presented at the Shareholders' meeting.

Stockholm 2012-04-25



Carolina Dybeck Happe  
Chairman



Jonas Gårdmark



Jacob Wahlberg



Gunnar Sjöberg  
Managing Director

Our audit report has been submitted 2012-04-25

PricewaterhouseCoopers AB



Peter Nyllinge  
Authorized Public Accountant



## Auditor's report

To the annual meeting of the shareholders of ASSABLOY Financial Services AB, corporate identity number 556283-0264

### Report on the annual accounts

We have audited the annual accounts of ASSA ABLOY Financial Services AB for the year 2011.

#### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of ASSA ABLOY Financial Services AB as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of ASSA ABLOY Financial Services AB for the year 2011.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm <sup>25</sup> April 2012

PricewaterhouseCoopers AB

Peter Nyllinge

Authorized Public Accountant

**APPENDIX II – ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012 OF ASSA  
ABLOY FINANCIAL SERVICES AB (publ)**

# **ASSA ABLOY Financial Services AB**

556283-0264

## **Financial Statement**

**for**

**ASSA ABLOY Financial Services AB**

**2012-01-01 -- 2012-12-31**

This document has been accurately translated from Swedish to English.

Stockholm 2013-04-30



PricewaterhouseCoopers AB/ Peter Nyllinge

# ASSA ABLOY Financial Services AB

556283-0264

## Administration report

The Board of Directors and the Managing Director for ASSA ABLOY Financial Services AB submit the following administration report for the fiscal year 2012.

## Operation

The company carries out internal banking operations within the ASSA ABLOY group.

## Ownership

The company is a wholly-owned subsidiary of ASSA ABLOY OY, Joensuu, Finland, which, in its turn, is wholly owned by ASSA ABLOY AB, org. no. 556059-3575, Stockholm, Sweden.

## Important events

During the month of November a large portion of the company's loan portfolio was sold to ASSA ABLOY Treasury Sarl.

## Currency exposure

The company carries out continuous follow-up and hedging of exchange positions and normally has at best limited net positions in foreign currency.

Further information regarding financial risk management and financial instruments is found in note 10.

## Profit proposal

Balanced earnings		2 134 602 700
Year-end result		855 271 253
Total	SEK	<u>2 989 873 953</u>

At an Extraordinary General Meeting 2012-12-10 the company decided on a dividend amounting to 640 000 000 SEK.

At an Extraordinary General Meeting 2012-12-11 the company decided on a dividend amounting to 10 144 375 975 SEK.

The Board of Directors and the Managing Director propose available earnings to be allocated as follows:

Carried forward to new financial year		2 989 873 953
Total	SEK	<u>2 989 873 953</u>

# ASSA ABLOY Financial Services AB

556283-0264

The financial statement means that a group contribution of kSEK 5 575 was received from ASSA ABLOY Kredit AB.

## Result and position

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating profit (MSEK)	925	986	706	616	78
Total assets (MSEK)	33 093	40 598	33 460	33 164	43 378
Return on shareholders' equity (%)	29	6	4	3	0
Equity (MSEK)	2 991	12 933	13 110	13 116	13 286
Net debt (MSEK) <sup>(a)</sup>	- 4 234	- 13 602	- 13 442	- 3 795	- 17 969
External gross debt (MSEK)	8 527	9 642	5 877	5 245	8 097

<sup>(a)</sup> In the financial statement for 2011 an incorrect figure was reported, therefore the comparative figure has been adjusted.

# ASSA ABLOY Financial Services AB

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## Income Statement

kSEK	Note	2012	2011
	1		
<b>Operating income</b>			
Interest from group companies		1 502 495	1 503 575
External interest		11 715	13 384
Exchange rate differences from group companies		18 725	35 898
External exchange rate differences		438 452	140 565
Other operating income	2	36 963	1 150
<b>Total operating income</b>		<b>2 008 351</b>	<b>1 694 573</b>
<b>Operating expenses</b>			
Interest to group companies		- 233 719	- 203 627
External interest		- 376 165	- 305 448
Exchange rate differences to group companies		- 132 440	- 52 468
External exchange differences		- 316 004	- 126 066
Administrative expenses	3	- 18 003	- 14 027
Amortization and write-downs		-	-
Other operating expenses		- 7 063	- 6 486
<b>Total operating expenses</b>		<b>-1 083 393</b>	<b>- 708 122</b>
<b>Operating profit</b>		<b>924 958</b>	<b>986 451</b>
Tax	4	- 69 686	- 259 439
<b>Net result for the year</b>		<b>855 271</b>	<b>727 013</b>

# ASSA ABLOY Financial Services AB

556283-0264

## Balance Sheet

### ASSETS

kSEK	Note	<u>2012-12-31</u>	<u>2011-12-31</u>
	1		
<b>Fixed assets</b>			
Equipment		0	0
<b>Total tangible fixed assets</b>		<b>0</b>	<b>0</b>
<b>Financial fixed assets</b>			
Other long-term receivables		0	464
<b>Total financial fixed assets</b>		<b>0</b>	<b>464</b>
<b>Total fixed assets</b>		<b>0</b>	<b>464</b>
<b>Current assets</b>			
Receivables from group companies		32 885 277	40 222 982
Other receivables	5	9 246	6 859
Deferred expenses and accrued income	6	193 685	347 980
Cash and bank		4 950	19 470
<b>Total current assets</b>		<b>33 093 159</b>	<b>40 597 291</b>
<b>Total assets</b>		<b>33 093 159</b>	<b>40 597 755</b>



# ASSA ABLOY Financial Services AB

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## EQUITY AND LIABILITIES

kSEK	Not	<u>2012-12-31</u>	<u>2011-12-31</u>
	1		
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		1 000	1 000
Statutory reserve		200	200
<b>Total restricted equity</b>		<b>1 200</b>	<b>1 200</b>
<b>Unrestricted equity</b>			
Balanced earnings		2 134 602	12 204 916
Net profit for the year		855 271	727 013
<b>Total unrestricted equity</b>		<b>2 989 873</b>	<b>12 931 929</b>
<b>Total equity</b>		<b>2 991 074</b>	<b>12 933 129</b>
<b>Long-term liabilities</b>			
Liabilities to external institutions	7	5 551 988	4 513 320
<b>Current liabilities</b>			
Liabilities to external institutions		2 976 070	5 131 962
Liabilities to group companies		20 948 142	17 598 107
Income tax liability		244 733	177 211
Accrued expenses and deferred income	8	381 152	244 025
<b>Total current liabilities</b>		<b>24 550 097</b>	<b>23 151 306</b>
<b>Total equity and liabilities</b>		<b>33 093 159</b>	<b>40 597 755</b>
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>

# ASSA ABLOY Financial Services AB

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## ASSA ABLOY Financial Services cash flow statement

kSEK	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>		
Operating profit	924 958	986 451
Paid tax	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>924 958</b>	<b>986 451</b>
Increase (-) decrease (+) current receivables	-2 653 263	-7 107 040
Increase (+) decrease (-) current operating liabilities	3 783 198	3 079 659
<b>Cash flow from operating activities</b>	<b>2 054 893</b>	<b>-3 040 930</b>
<b>Investing activities</b>		
Investments other financial fixed assets	464	- 464
<b>Cash flow from investing activities</b>	<b>464</b>	<b>- 464</b>
<b>Financing activities</b>		
Borrowings	-1 117 224	3 762 676
Group contribution	- 312 652	- 47 198
Dividend	- 640 000	- 660 000
<b>Cash flow from financing activities</b>	<b>-2 069 876</b>	<b>3 055 478</b>
<b>Cash flow for the year</b>	<b>- 14 520</b>	<b>14 084</b>
<b>Liquid funds at beginning of year</b>	<b>19 470</b>	<b>5 386</b>
<b>Exchange rate difference on liquid funds</b>	<b>-</b>	<b>-</b>
<b>Liquid funds at end of year</b>	<b>4 950</b>	<b>19 470</b>

# ASSA ABLOY Financial Services AB

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## Changes in shareholders' equity

kSEK	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Unrestricted equity</u>	<u>Total equity</u>
<b>Equity 2008-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 284 444</b>	<b>13 285 644</b>
Group contribution			- 543 492	- 543 492
Tax effect of group contribution			142 938	142 938
Year-end result			- 212 508	- 212 508
Shareholder contribution			443 795	443 795
<b>Equity 2009-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 115 177</b>	<b>13 116 377</b>
Group contribution			- 47 198	- 47 198
Distribution of profit			- 665 000	- 665 000
Tax effect of profit distribution and group contribution			187 304	187 304
Year-end result			518 673	518 673
<b>Equity 2010-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 108 956</b>	<b>13 110 156</b>
Hedge reserve			- 13 615	- 13 615
Group contribution			- 312 652	- 312 652
Distribution of profit			- 660 000	- 660 000
Tax effect of group contribution			82 227	82 227
Year-end result			727 013	727 013
<b>Equity 2011-12-31</b>	<b>1 000</b>	<b>200</b>	<b>12 931 929</b>	<b>12 933 129</b>
Hedge reserve			- 17 060	- 17 060
Group contribution			5 575	5 575
Distribution of profit			-10 784 376	-10 784 376
Tax effect of group contribution			- 1 465	- 1 465
Year-end result			855 271	855 271
<b>Equity 2012-12-31</b>	<b>1 000</b>	<b>200</b>	<b>2 989 874</b>	<b>2 991 074</b>

The share capital consists of 10 shares with a par value of 100 000 SEK.

## NOTES

### **Note 1 Disclosure and valuation principles**

ASSA ABLOY Financial Services AB follows the recommendations and statements of the Annual Accounts Act and the Swedish Accounting Standards Council. The company's accounting principles are unchanged from previous years.

#### *Foreign currencies*

Receivables and liabilities in foreign currencies are valued at closing rate. The forward rate has been used for hedging of accounts receivable and accounts payable while hedging of borrowing and lending to subsidiaries is made at spot rate. Transactions in foreign currencies are translated at the rate current on the transaction date.

#### *Income*

Interest income is accounted for in accordance with effective yield.

#### *Tax*

Reported tax includes tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax.

Tax amounts have been calculated as nominal amounts in accordance with the tax regulations and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effect of items reported directly against shareholders' equity are themselves reported against shareholders' equity.

Deferred tax is accounted for under the balance sheet method. This means that deferred tax is accounted for on all temporary differences between the book values of assets and liabilities and their taxable values.

Deferred tax receivables relating to tax losses carryforward or other future tax allowances are reported to the extent that it is probable that the allowance can be set against taxable income in future taxation.

#### *Receivables*

Receivables are valued at the amounts that after individual assessment are expected to be received.

#### *Depreciation fixed assets*

Depreciation according to plan is based on the historical cost of assets, with due consideration of the estimated economic life of the asset. A depreciation period of five years is applied for intangible rights.

## *Intangible and tangible fixed assets*

Intangible and tangible fixed assets are reported at acquisition value after deduction for accumulated depreciation. Expenditure on improvements that raise an asset's performance above its original level increases the book value of the asset. Expenditure on repairs and maintenance is carried as an expense.

## *Cash flow statement*

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

## *Segment*

The company carries out internal banking operations within the ASSA ABLOY group.

## *Financial instruments*

Financial instruments recorded in the balance sheet include financial assets, other financial assets, accounts receivable, accounts payable and loan debts. The fair value of the financial instruments are calculated using market quotations on the balance sheet day. Market interest rates form the basis for the calculation of market values of long term loans. For other financial instruments, primarily short term loans and deposits where market quotations are not available, the fair value is set at book value.

All transactions with financial assets are recorded on the business day.

Loans are initially recorded at the amount received after deduction of transactional costs. If the booked amount is different from the amount that has to be repaid at maturity the difference is amortized as interest cost over the duration of the loan. By doing so the booked amount is equal to the amount that has to be repaid at maturity. The booking of financial liabilities is discontinued only after the debts have been repaid in full or forgiven by the lender.

The company uses derivative instruments to cover risks related to foreign exchange movements and to hedge its interest rate exposure.

## *Hedge accounting*

The company applies hedge accounting (fair value hedge and cash flow hedge) for parts of the long term debt. Changes in fair value of both the hedged item as the hedging instrument are reported in the income statement. For cash flow hedges changes in values are recorded in the Hedge reserve. When the transaction is entered into, the company documents the relationship between the hedge instrument and the hedged item, as well as the companies risk management objectives and risk management strategy as regards the hedging.

## *Pension liabilities*

The company's pension obligations are accounted for in accordance with FAR SRS RedR4. The pension obligations are covered by external insurance companies.

## *Definition of key data terms*

Return on shareholders' equity as shown in the multi-year summary is calculated as:  
net profit after tax, divided by shareholders' equity at year-end.

The net debt comprise all internal and external interest-bearing financial instruments,  
including positive and negative market values of derivatives.

External gross debt consists of all interest-bearing external loans including negative market  
values of derivatives.

## Note 2 Other operating income

kSEK	<u>2012</u>	<u>2011</u>
Miscellaneous	36 963	1 150
<b>Total</b>	<b>36 963</b>	<b>1 150</b>

## Note 3 Administrative expenses

### Audit fees

kSEK	<u>2012</u>	<u>2011</u>
<b>PricewaterhouseCoopers AB</b>		
Audit assignment	355	413
Audit other than the audit assignment	0	0
Tax consultancy	0	0
Other services	0	0
<b>Total</b>	<b>355</b>	<b>413</b>

The fees for audit and audit related services performed by PricewaterhouseCoopers AB amount to 355 kSEK (413 kSEK). The company has not had any other costs related to services performed by PricewaterhouseCoopers AB. No services has been purchased from other auditing firms.

### Employees, salaries, wages and other remuneration

There has been no remuneration to the board of directors.

kSEK	<u>2012</u>		<u>2011</u>	
	Salaries and other benefits	Social costs (of which pension costs)	Salaries and other benefits	Social costs (of which pension costs)
Managing Director	0	0 (0)	0	0 (0)
Employees	2 629	1 416 (382)	2 641	1 361 (334)
<b>Total</b>	<b>2 629</b>	<b>1 416 (382)</b>	<b>2 641</b>	<b>1 361 (334)</b>

Average number of employees per country and gender

	<u>2012</u>		<u>2011</u>	
Country	Women	Men	Women	Men
Sweden	2	2	3	2

## Note 4 Tax

kSEK	<u>2012</u>	<u>2011</u>
Current tax	- 69 686	- 259 439
<b>Total</b>	<b>- 69 686</b>	<b>- 259 439</b>
Nominal tax rate (%)	26,3	26,3
Effective tax rate (%)	7,5	26,3
Operating profit	924 958	986 451
Tax at nominal tax rate	- 243 264	- 259 437
Tax attributable to prior year	173 580	0
Effect of non-deductible expense	- 3	- 2
Effect of non-taxable income	1	0
<b>Tax on operating profit as in income statement</b>	<b>- 69 686</b>	<b>- 259 439</b>

## Not 5 Other receivables

kSEK	<u>2012-12-31</u>	<u>2011-12-31</u>
Short term deposit	0	0
Other receivables	9 246	6 859
<b>Total</b>	<b>9 246</b>	<b>6 859</b>

## Note 6 Deferred expenses and accrued income

kSEK	<u>2012-12-31</u>	<u>2011-12-31</u>
Accrued interest income from group companies	8 390	95 091
Market value interest rate swaps	106 859	145 168
Market value currency forwards	77 386	106 068
Miscellaneous	1 050	1 654
<b>Total</b>	<b>193 685</b>	<b>347 980</b>

## Note 7 Long-term liabilities

kSEK	<u>2012-12-31</u>	<u>2011-12-31</u>
Liabilities to credit institutions	5 551 988	4 513 320
<b>Total</b>	<b>5 551 988</b>	<b>4 513 320</b>



## Maturity profile long term liabilities

kSEK	Year	2012-12-31	2011-12-31
US Private Placement	2013	0	363 324
US Private Placement	2015	585 336	621 636
US Private Placement	2016	491 286	522 494
US Private Placement	2017	650 710	692 045
US Private Placement	2018	793 866	844 295
US Private Placement	2019	162 678	0
US Private Placement	2020	455 497	484 431
EIB <sup>(a)</sup>	2021	948 517	985 095
US Private Placement	2022	976 065	0
US Private Placement	2024	488 033	0
<b>Total</b>		<b>5 551 988</b>	<b>4 513 320</b>

<sup>(a)</sup> The loan amortizes starting November 2016. The date in the table refers to when the loan is fully amortized.

## Note 8 Accrued expenses and deferred income

kSEK	2012-12-31	2011-12-31
Accrued interest expenses to group companies	16 097	20 856
Accrued interest expenses to credit institutions	27 745	26 360
Market value currency forwards	270 941	126 271
Market value interest rate swaps and FRA	63 007	69 011
Miscellaneous	3 361	1 527
<b>Total</b>	<b>381 152</b>	<b>244 025</b>

## Note 9 Parent company

Parent company in the group of which ASSA ABLOY Financial Services AB is a subsidiary, and where the Group's Annual Report is established, is ASSA ABLOY AB, 556059-3575, from where the Group's Annual Report can be obtained.

## Note 10 Financial risk management and financial instruments

### Currency risks

Currency risks affect ASSA ABLOY Financial Services AB mainly through translation of capital employed and net debt. To neutralize the translation and transaction exposure arising between net debt and internal needs currency forward contracts are used.

### Interest rate risks

Average interest fixing period on financial assets was 4,6 months and 37,9 months for financial liabilities at closing day.

The company's interest rate duration and distribution of fixed rates in relation to floating is dependent on the Group's overall interest rate policy and funding. At year end, 0% of the assets had fixed rates and 44% of the liabilities. Interest rate swaps are used to adjust the interest rate duration and interest rate risk to the Group's desired level.

# ASSA ABLOY Financial Services AB

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## *Liquidity risks*

Financing and liquidity risks are defined as the risks of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining credit from external sources. ASSA ABLOY Financial Services AB strives to have access, on every occasion, to both short-term and long-term loan facilities.

## *Credit risks*

Financial risk management exposes ASSA ABLOY Financial Services AB to certain counterparty risk. This exposure arises, for instance, from the placement of surplus cash and through the use of derivative instruments. ASSA ABLOY's policy is to minimize the potential credit risk by using cash available from subsidiaries to amortize external debt. This objective is mainly controlled through the cash pool network for which ASSA ABLOY Financial Services AB is responsible. Nevertheless the Group may deposit surplus funds on a short-term basis with banks to match maturities. Derivative instruments are allocated to banks according to risk factors set in the Treasury Policy to limit counterparty risk.

## *Outstanding derivative instruments at 2012-12-31 (kSEK)*

Instrument	2012-12-31		2011-12-31	
	Positive market value	Negative market value	Positive market value	Negative market value
Currency forwards - funding	77 386	-270 941	106 068	-126 271
Interest rate swaps	106 859	-63 007	145 168	-69 011
<b>Total</b>	<b>184 245</b>	<b>- 333 948</b>	<b>251 236</b>	<b>- 195 282</b>

# ASSA ABLOY Financial Services AB

556283-0264

The Income statement and Balance sheet shall be presented at the Shareholders' meeting.

Stockholm 2013- 04 - 30



Carolina Dybeck Happe  
Chairman



Jonas Gårdmark



Jacob Wahlberg



Gunnar Sjöberg  
Managing Director

Our audit report has been submitted 2013- 04 - 30

PricewaterhouseCoopers AB



Peter Nyllinge  
Authorized Public Accountant



## Auditor's report

### To the annual meeting of the shareholders of ASSA ABLOY Financial Services AB, corporate identity number 556283-0264

#### Report on the annual accounts

We have audited the annual accounts of ASSA ABLOY Financial Services AB for the year 2012.

#### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of ASSA ABLOY Financial Services AB as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

#### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of ASSA ABLOY Financial Services AB for the year 2012.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm April 30, 2013

PricewaterhouseCoopers AB

Peter Nyllinge

Authorized Public Accountant

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