

## BASE PROSPECTUS



### SANDVIK AB (PUBL)

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

**€3,000,000,000**

### **Euro Medium Term Note Programme**

This base prospectus (the **Base Prospectus**) of Sandvik AB (publ) (the **Issuer**) has been approved by the United Kingdom Financial Conduct Authority (the **UK Listing Authority**), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, (as amended, including by Directive 2010/73/EU and includes any relevant implementing measures in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). This Base Prospectus is issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (the **Notes**) issued under the Euro Medium Term Note Programme (the **Programme**) described in this Base Prospectus during the period of twelve months after the date hereof.

Application has been made to the UK Listing Authority for Notes (other than Exempt Notes (as defined below)) issued under the Programme during the period of twelve months after the date of this Base Prospectus to be admitted to the official list maintained by 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 (the **Regulated Market**). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC and Directive 2014/65/EU (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 Base Prospectus to **Exempt Notes** are to Notes which are 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. Unless specified otherwise, references to Notes are deemed to include references to Exempt Notes. The Exempt Notes do not comprise part of this Base Prospectus for the purposes of the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate principal amount of, the interest payable in respect of, the issue price of, and certain other information which is applicable to each series of Notes (other than in the case of Exempt Notes) will be set forth in one or more 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 to the London Stock Exchange on or before the date of issue of the Notes of such series (the **Series**). 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 principal amount of, the interest payable in respect of, the issue price of, and certain other information which is applicable to each Series will be set forth in one or more pricing supplement document (the **Pricing Supplement**). The Programme provides that Exempt Notes may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems (provided that such exchange or quotation system is not a regulated market for the purposes of the Markets in Financial Instruments Directive) as may be agreed between the Issuer and the relevant purchaser(s) in relation to such issue. Copies of each Pricing Supplement relating to Exempt Notes will only be available for inspection by a holder of such Notes at the specified office of the Fiscal Agent upon production of evidence satisfactory to the Fiscal Agent as to the identity of such holder.

As at the date of this Base Prospectus, the senior unsecured debt securities of Sandvik AB (publ) have been assigned a rating of "BBB+" by Standard & Poor's Credit Market Services Europe Limited (**S&P**) and the Programme has been assigned a rating of "BBB+" by S&P. S&P is established in the European Economic Area (**EEA**) and is registered under the Regulation (EC) No. 1060/2009, as amended (the **CRA Regulation**). The Notes issued under the Programme may be rated or unrated. Where the Notes are rated, such rating will not necessarily be the same as the rating assigned to the Programme and may be specified in the relevant Final Terms or Pricing Supplement, as may be applicable.

*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. Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

**Arranger**

**DEUTSCHE BANK**

**Dealers**

**CITIGROUP  
DANSKE BANK  
HSBC  
J.P. MORGAN  
NORDEA  
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT  
BANKING  
SWEDBANK AB (PUBL)**

**CREDIT AGRICOLE CIB  
DEUTSCHE BANK  
HANDELSBANKEN CAPITAL MARKETS  
MUG  
SEB  
STANDARD CHARTERED BANK**

15 December 2017

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## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and the relevant Final Terms or, in the case of Exempt Notes, the relevant Pricing Supplement, and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus and the relevant Final Terms or, in the case of Exempt Notes, the relevant Pricing Supplement is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each tranche of Notes (the **Tranche**) will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the **Conditions**) as completed by the Final Terms or, in the case of Exempt Notes as supplemented, amended and/or replaced by the Pricing Supplement, or in a separate prospectus specific to such Tranche (the **Drawdown Prospectus**) as described under “*Final Terms, Pricing Supplements and Drawdown Prospectuses*” below. In the case of Exempt Notes, any reference in this Base Prospectus to “Final Terms” shall be deemed to be a reference to “Pricing Supplement” unless the context requires otherwise. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms must be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**) and Bearer Notes are subject to United States (the **US**) tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the US or to US persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms or any other information supplied in connection with the Programme or the issue of any Notes shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The Notes may not be suitable 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 should: have 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 Base Prospectus or any applicable supplement; have 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; have 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; understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and be 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.

The maximum aggregate principal amount outstanding at any one time of Notes under the Programme and notes under the Issuer's SEK 15,000,000,000 Swedish medium term note programme is €3,000,000,000 (or its equivalent in other currencies). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to a **Member State** are references to a Member State of the European Economic Area, references to **Sweden** are to the Kingdom of Sweden, references to **US\$, US dollars** or **dollars** are to United States dollars, references to **€, EUR** or **euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to **SEK** or **Swedish krona** are to the lawful currency of Sweden and references to **Renminbi, RMB, Chinese Yuan Renminbi** or **CNY** means the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), the Macau Special Administrative Region of the People's Republic of China and Taiwan) (the **PRC**).

**IMPORTANT – EEA RETAIL INVESTORS** – If the relevant Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by the Regulation (EU) No 1286/2014 (the **PRIIPS Regulation**) for offering or selling the Notes or Exempt Notes, as the case may be, or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or Exempt Notes, as the case may be, or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under Commission Delegated Directive (EU) 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will 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 in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the Final Terms or a Drawdown Prospectus in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealers 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 Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish or supplement a prospectus for such offer.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) appointed as stabilisation manager(s) (the Stabilisation Manager(s)) (or persons acting on behalf of any Stabilisation 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, stabilisation may not necessarily occur. 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 cease 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 Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all other applicable laws and rules.**

## OVERVIEW

*This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference.*

*Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	Sandvik AB (publ).
<b>Group:</b>	Sandvik AB (publ) and its subsidiaries.
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under “ <i>Risk Factors</i> ” below.
<b>Arranger:</b>	Deutsche Bank AG, London Branch.
<b>Dealers:</b>	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Danske Bank A/S, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Société Générale, Standard Chartered Bank, Svenska Handelsbanken AB (publ), Swedbank AB (publ) and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal Agent:</b>	Citibank N.A., London Branch.
<b>Swedish Issuing Agent:</b>	For notes registered in Sweden (the <b>Swedish Registered Notes</b> ), an account operator specifically appointed by the Issuer to assist in connection with the issue of Swedish Registered Notes.
<b>Exempt Notes:</b>	The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Conditions, in which event, the relevant provisions will be included in the relevant Pricing Supplement.
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either (a) pursuant to this Base Prospectus and associated Final Terms or (b) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
<b>Listing and Trading:</b>	Application has been made for Notes (other than Exempt Notes) issued under the Programme to be admitted to the Official List and admitted to trading on the Regulated Market.  The Programme provides that Exempt Notes may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems (provided that such exchange or quotation system is not a regulated market for the purposes of the Markets in Financial Instruments Directive) as may be agreed between the Issuer and the relevant purchaser(s) in

relation to such issue.

**Clearing Systems:** Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**, (together with Euroclear, the **ICSDs**) (or in relation to Swedish Registered Notes, the Swedish Central Securities Depository & Clearing Organisation, Euroclear Sweden AB (**Euroclear Sweden**)) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

**Initial Programme Amount:** The maximum aggregate principal amount outstanding at any one time of Notes under the Programme (when aggregated with the amounts of notes outstanding under the Issuer's SEK 15,000,000,000 Swedish medium term note programme) is €3,000,000,000 (or its equivalent in other currencies).

**Issuance in Series:** Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. For the avoidance of doubt, Swedish Registered Notes can only be issued in one type of denomination for the same Series.

**Forms of Notes:** Notes may be issued in bearer form (**Bearer Notes**), in registered form (**Registered Notes**) or in Swedish registered form in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) as amended (the **SFIA Act**).

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note (a **Temporary Global Note**) or a permanent global note (a **Permanent Global Note**) in each case as specified in the relevant Final Terms. Each Temporary and Permanent Global Note (each, a **Global Note**), which is not intended to be issued in new global note form (a **Classic Global Note** or **CGN**) as specified in the relevant Final Terms will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and each Global Note which is intended to be issued in new global note form (a **New Global Note** or **NGN**) as specified in the relevant Final Terms will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Bearer Notes in definitive form (**Definitive Notes**). If the TEFRA D Rules (as defined below) are specified in the relevant Final Terms, certification as to non-US beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have related interest coupons (**Coupons**) attached and, if appropriate, a talon for further Coupons (**Talon**).

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (**Individual Note Certificates**) or a global note in registered form (**Global**



**Registered Note**), in each case as specified in the relevant Final Terms. Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure (the **New Safekeeping Structure** or **NSS**), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the NSS, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

Each Tranche of Swedish Registered Notes will be issued in uncertificated and dematerialised book entry form, with the legal title thereto being evidenced by book entries in the register for such Swedish Registered Notes kept by Euroclear Sweden on behalf of the Issuer. Title to Swedish Registered Notes will not be evidenced by any physical note or document of title. For the avoidance of doubt, the TEFRA C and TEFRA D Rules will not be applicable to Swedish Registered Notes. Definitive Notes will not be issued in respect of any Swedish Registered Notes.

**Currencies:** Notes may be denominated in euro, US dollars, Swedish krona or Renminbi or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes:** The Notes constitute direct, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

**Issue Price:** Notes may be issued at any price and on a fully paid basis or, in the case of Exempt Notes, on a fully or partly paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:** Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or

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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the Issuer.

- Redemption:** The Notes will be redeemable at the final redemption amount specified in the Final Terms (the **Final Redemption Amount**) on their stated maturity. Exempt Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.
- Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders of the Notes (the **Noteholders**) to the extent (if at all) specified in the relevant Final Terms.
- Tax Redemption:** Except as described in “*Optional Redemption*” above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*).
- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, as specified in the relevant Final Terms. In the case of Exempt Notes, the relevant Pricing Supplement may specify whether a different interest basis applies.
- Denominations:** No Notes may be issued under the Programme which (a) have a minimum denomination of less than €100,000 (or the equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross default as described in Condition 14 (*Events of Default*).
- Taxation:** All payments in respect of Notes will be made free and clear of withholding taxes of the relevant Tax Jurisdiction unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
- Governing Law:** English law. Swedish Registered Notes must comply with the SFIA Act.
- Enforcement of Notes in Global Form:** In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a deed of covenant dated 15 December 2017 (the **Deed of Covenant**), a copy of which will be available for inspection at the specified office of the Fiscal Agent.
- Ratings:** As at the date of this Base Prospectus, the senior unsecured debt securities of the Issuer have been assigned a rating of “BBB+” by

S&P and the Programme has been assigned a rating of “BBB+” by S&P.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms or Drawdown Prospectus (as the case may be).

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the US, the European Economic Area (including the United Kingdom and Sweden), Japan, the PRC, Hong Kong and Singapore, see “*Subscription and Sale*” below.

## RISK FACTORS

*The Issuer 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 the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*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.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme and are not exhaustive, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the ability of the Issuer to fulfil its obligations under the Notes issued under the Programme**

#### ***New product innovation***

The Group's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new products. The Group's revenues and market share may suffer if it is unable to introduce new products successfully in a timely fashion or if any new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suitable for their needs. If the Group is not able to keep pace with global product development and technological advances, including also shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The markets for the Group's products are highly competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service and terms of financing. The Group faces intense competition from significant global competitors and to a lesser extent small regional companies. If it does not compete successfully in all its business areas and does not anticipate and respond to changes in evolving market demands, including the demand for new products, it will not be able to compete successfully in its markets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The planning and implementation of the Group's business operations seeks to take into account market opportunities and opportunities to acquire new businesses. Any failure in the Group's business development could have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***The Group's products are used in industries which are either cyclical or affected by general economic conditions***

The demand for the Group's products and services is affected by changes in customers' investment plans and production levels. Customers' investment plans could change materially if the economic situation in an industry, country or region changes. In addition, changes in the political situation in a region or country or political decisions affecting an industry or country could also materially impact on investments in equipment. If customers' demand for the Group's products decline and production volumes are reduced, the Group will be impacted by under-absorption of fixed costs in respect of its production facilities. Also, the replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors in its customer industries could also have a material adverse effect on the Group's business, financial condition and results of operations. Although the Issuer believes that the Group's sales are well diversified with customers in many industries and operations in more than 130 countries, the Group may be affected by a downturn in the general economic situation in the markets in which it operates.

***If the manufacturing and production facilities of the Group or its suppliers are damaged, destroyed or closed for any reason or there are interruptions in the supply chain, its ability to distribute its products will be significantly affected***

The Group has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from suppliers. The core component manufacturing is concentrated into few locations per region and if these facilities are destroyed or closed for any reason or the equipment in the facilities is significantly damaged, or there are severe interruptions in its productions, the Group is likely to face setbacks in its ability to manufacture and distribute its products. Such circumstances, to the extent it is unable to find an alternative manufacturing and production facility or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the availability of non-core components is dependent on the suppliers and if they have interruptions or if they do not have enough capacity, this could have an adverse effect on the Group's business and results of operations.

### ***Financial risks***

Through its comprehensive international operations, the Issuer is exposed to currency, interest and financing risks.

#### ***Currency risk***

Foreign-exchange movements affect the Issuer's earnings and competitive situation in different ways:

- Earnings are affected when sales and purchases are made in different currencies (transaction exposure). Since a large percentage of production occurs in a few countries, but sales occur in many countries, the Issuer is therefore exposed to a large net inflow of foreign currencies.
- Earnings are affected when assets and liabilities are denominated in different currencies (translation exposure). The Issuer has assets denominated in Swedish krona and liabilities denominated in various currencies including in euros and US dollars. Earnings are affected when the financial results of subsidiaries are translated to Swedish krona.

#### ***Interest risk***

Changes in market interest rates may affect the Group's net interest items adversely. The impact on net interest items from a change in interest rates depends on the interest terms of assets and liabilities. Interest risk arises in two ways:

- the Issuer may have invested in interest-bearing assets, the value of which changes when the interest rate changes; and
- the cost of the Issuer's borrowing fluctuates when the general interest rate situation changes.

#### ***Liquidity and refinancing risk***

Liquidity and refinancing risk is defined as the risk that financing possibilities will be limited when loans must be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity. If refinancing of short-term borrowings and the guaranteed credit facilities is not possible when they fall due this may have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***Credit risk***

The Group's commercial and financial transactions give rise to credit risk in relation to the Issuer's counterparties. Credit risk is defined as risk of losses if the counterparty to an agreement does not fulfil its commitments. The Issuer has entered into agreements with the banks that it has outstanding derivatives contract with on such matters as the right to offset receivables and liabilities that arise from these financial transactions, so-called ISDA agreements. This means that the Issuer's counterparty exposure to the financial sector is limited to the unrealised positive results that arise in derivative agreements. On the other hand, Group companies are exposed to the credit risk associated with outstanding trade receivables

from ongoing sales. Credit risk is diversified over a large number of customers in all business areas and satisfactorily reflects the spread of sales. If weak financial situations lead to customers not paying their payables to the Group this may have a material adverse effect on the Group's business, results of operations and financial condition.

#### *Raw materials price exposure*

The Group's operations give rise to risks due to changes in the price of market-quoted raw materials, mainly nickel and of electricity. The price can vary significantly during a year and the price risk associated with these is partially hedged through the signing of financial contracts. If the market does not permit a transfer of the effects of changing raw-material prices into the end-price of the products this may have a material adverse effect on the Group's business, results of operations and financial condition.

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

The Issuer has comprehensive pension plans for its employees in all countries in which it operates. The pension provisions vary depending on legislation and local agreements. The largest funded pension plans are found in Finland, Germany, Sweden, Canada, the United Kingdom and the US. Three main risks are associated with the Issuer's pension obligations: interest rate fluctuations, capital market volatility, and changes in life expectancy. Since the duration of the liabilities differs from the duration of the interest-bearing assets, the Issuer is exposed to interest rate fluctuations, both when discounting the liability but also as market value changes in the bond portfolio. Further, calculating pension and similar obligations require management to make assumptions on discount rates, expected return on plan assets and rate of compensation increase, which may not match actual outcomes. If the Issuer's pension liabilities exceeds its assets, this may have a material adverse effect on the Group's financial condition.

#### ***The Group is dependent on the efficiency of its distribution centres, distributors and aftermarket organisation***

The Group most often distributes its products and services directly to the end customers, but also through distributors. A significant part of physical distribution of products is concentrated to a number of distribution centres and the provision of services depends on the efficiency of the Group's aftermarket organisation. Should the Group's distribution centres, distributors or other aftermarket organisations be subjected to disruptions its sales may be affected, which in turn could have a material adverse effect on the Group's revenues and results of operations.

#### ***Lack of retention of skilled employees may affect the Group's business***

The success of the Group's business depends in large part on the ability to attract and retain key management and operating personnel. The Group's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise, knowledge of its products or industry necessary to conduct its operations. Given that the Group constantly needs to introduce new or enhanced products, it is important that it is able to attract people with sufficient expertise in its product areas, particularly its research and development functions. In addition the Group continuously monitors its need for people or to outsource certain parts of its non-core manufacturing in order to make sure it can fulfil its customers' orders. If the Group fails to monitor its need for employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms it may not be able to sustain or further develop parts of its business which may have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***International political, economic and other uncertainties may affect the Group's penetration of international markets***

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries in which it conducts business may result in risks, such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations and decrees, or (v) relative inexperience of the judiciary and courts in such matters. Also, the protection of intellectual property rights may be less developed and less strictly enforced in these

countries. There can be no assurance that the Group's licences, licence applications or other legal arrangements of the effectiveness of the enforcement thereof will not be adversely affected by the actions of government authorities or others. In addition, the uncertainty of the legal environment in certain regions could limit the Group's ability to enforce its rights under contracts or otherwise.

The Group also has extensive operations in emerging markets such as certain countries in South America, Africa and Asia. Its business operations in these countries may be subject to various political, economic and social conditions which include nationalisation of assets, social, political or economic instability, volatility in currency exchange rates and in gross domestic product or restrictions on repatriation of profits and transfers of cash which all could have a material adverse effect on the Group's business, results of operations and financial condition. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and political systems, including economic instability, which could make it difficult for the Group to anticipate future business conditions in these markets, which may have a material adverse effect on the Group's business, results of operations and financial condition.

***The relationship of the United Kingdom with the European Union may have an impact on the business of the Issuer and/or the Notes***

On 23 June 2016, the United Kingdom held a referendum to decide on the United Kingdom's membership of the European Union (EU). The UK vote was to leave the EU. There are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the EU. Until the terms and timing of the United Kingdom's exit from the EU are clearer, it is not possible to determine the impact that the referendum, the United Kingdom's departure from the EU and/or any related matters may have on the business of the Issuer. Further, no assurance can be given that such matters would not adversely affect the market value and/or the liquidity of the Notes in the secondary market.

***Environmental compliance***

Like most industrial companies, the Group affects the environment in its production processes, through the use of natural resources, and the generation of emissions and wastes, in the distribution of, as well as in the use and final disposal of its products. Compliance with environmental requirements is a significant factor in its operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations, particularly in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violations of which can lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. In addition, the Group could also become subject to liabilities and claims relating to personal injury (including exposure to substances used in its production), property damage or damage to natural resources.

Although the Issuer believes that the Group is in material compliance with applicable environmental laws, substantial environmental costs and liabilities are inherent in industrial operations and there can be no assurances that substantial costs and liabilities will not be incurred in the future or that the adoption of increasingly strict environmental laws, regulations and enforcement policies could not result in increased costs and liabilities in the future. Any such costs and/or liabilities could have a material adverse effect on the Group's business, results of operations and financial condition.

***IT risk***

The Group's operations in research and development, production, distribution, marketing and administration are dependent on a large number of complex IT-systems and solutions. Routines and procedures are implemented to protect hardware, software and information from being damaged, manipulated, lost or misused. A major break-down of these systems with loss of information may have a material adverse effect on the Group's business, results of operations and financial condition.

***Any difficulties the Group encounters relating to the integration of recent or future acquisitions could have a material adverse effect on the Group's business, results of operations and financial condition***

In addition to organically growing the Group's business, the Group continuously evaluates potential value added acquisitions in the core areas of its business to complement its existing product portfolio, to gain access to new markets and to create synergies. The process of co-ordinating and integrating acquired businesses with the Group's own business will continue to require managerial and financial resources. In addition, the integration process could also cause the interruption to, or a loss of momentum in, the activities of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The management of integration of the businesses, systems and culture of any acquired business requires, among other things, the continued development of the acquired businesses financial and management controls, including the integration of information systems and structure, the integration of product offerings and customer base and the training of new personnel, all of which could disrupt and place a strain on the Group's management resources as well as require significant expenditure. Any significant diversion of the Issuer's executive management attention and other resources or any major difficulties encountered in the integration of an acquired business could have a material adverse effect on the Group's business, financial condition and results of operations.

In agreeing to acquire new businesses, the Issuer makes certain assumptions and determinations on, among other things, future sales and need for capital expenditures, based on its investigation of the respective businesses and other information then available. While the Issuer believes it is well positioned to assess the opportunities and risks associated with these acquisitions, the Issuer cannot provide assurance that its assumptions and determinations will prove to be correct and liabilities, contingencies or losses, if realised, could have a material adverse effect on the Group's business, results of operations and financial condition.

***Success of the Group depends on protection of intellectual property rights***

The protection of the Group's intellectual property is important to its business. The Issuer cannot give any assurance that its competitors do not seek to utilise its patents, trademarks and logos when it markets its products thereby infringing or challenging its intellectual property rights. In addition, existing laws of certain countries in which the Group conducts its business may offer only limited protection of its intellectual property rights, if at all. If the Group's intellectual property and in particular its registered patents and trademarks cannot be protected, for whatever reason, the Group's business could be materially and adversely affected.

***Property and product liability insurance***

The Issuer has the customary insurance programmes with respect to the Group's property and product liability risks. As a natural part of the Issuer's different activities, measures to limit the effects of damages are continually taken, often in co-operation with the Issuer's external insurance advisors. In such context, standards for desired safeguard levels are established in order to reduce the probability of material damages and to guarantee deliveries to the customers. While the Group holds property, including business interruption, and product liability insurance in amounts the Issuer 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 issues***

The Issuer is party to litigation related to its business operations in the ordinary course of business. The Issuer is also party to legal and administrative proceedings related to its responsibility for products, environment, health and safety. There is currently no litigation in relation to the Group which may have a significant effect on the financial position or profitability of the Group. However, there can be no assurance that the Group will not be subject to legal disputes in the future which may have an adverse effect on the Group's business, financial condition and results of operations.

***Work stoppages or strikes could adversely affect the Group's business***

Many of the Group's employees are covered by collective bargaining agreements. The Issuer cannot provide any assurance that it will not encounter strikes or other disturbances occasioned by its unionised



labour force, or that, upon the expiration of existing agreements; it will be able to reach new collective bargaining agreements on satisfactory terms or without work stoppages, strikes or similar industrial actions.

Non-satisfactory terms on any bargaining agreements could cause the Group's labour costs to increase, which would affect its profit margins negatively. In addition, it is required to consult and seek the advice of its employee works' council in respect of a broad range of matters, which could delay or prevent the completion of certain corporate transactions. While the Group has not experienced any major work stoppages in recent years and expect its current process to proceed amicably, the Issuer cannot provide any assurance that it will not experience lengthier consultations or even strikes, work stoppages or other industrial actions in the future. Any industrial action could disrupt its operations, possibly for a significant period of time, and result in increased wages and benefits or otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***Compliance and other regulatory implications***

Should there be any non-compliance by any member of the Group or any director, officer, employee or agent of any member of the Group, or anyone acting on its behalf with applicable laws and regulations, including but not limited to bribery and corruption, anti-money laundering, sanctions, competition, trade, data privacy and health and safety laws and regulations, there may be legal consequences and it may weaken the Issuer's financial position and/or tarnish the Issuer's reputation, which may have an adverse effect on the Group's business, financial condition and results of operations.

#### **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 wide 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:

##### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature of Notes is likely to limit their market value. During any period when the 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 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.

##### ***Notes issued at a substantial discount or premium***

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

*Changes or uncertainty in respect of LIBOR and/or EURIBOR and/or certain benchmarks may affect the value or payment of interest under the Programme, including where LIBOR and/or EURIBOR may not be available*

Various interest rates and other indices which are deemed to be "benchmarks" (including LIBOR and EURIBOR) are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented, including the majority of the provisions of the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the **Benchmarks Regulation**).

The sustainability of LIBOR has been questioned by the UK Listing Authority as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks.

Additionally, in March 2017, the EMMI (formerly Euribor-EBF) published a position paper setting out the legal grounds for the proposed reforms to EURIBOR, which aims to clarify the EURIBOR specification, to continue to work towards a transaction-based methodology for EURIBOR and to align the methodology with the Benchmarks Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a “change in market activity as a result of the current regulatory requirements and a negative interest rate environment” and “under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path”. EMMI’s current intention is to develop a hybrid methodology. Accordingly, EURIBOR calculation and publication could be altered, suspended or discontinued.

For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or contribute to certain benchmarks or have other consequences which cannot be predicted.

The Benchmarks Regulation was published in the Official Journal on 29 June 2016. Most of the provisions of the Benchmarks Regulation will apply from 1 January 2018 with the exception of certain provisions, mainly on critical benchmarks, that applied from 30 June 2016. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of “benchmarks” and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised/ registered (or, if non-EU based, deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called “critical benchmark” indices, such as LIBOR or EURIBOR, applies to many interest rates, foreign exchange rate indices and other indices where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue (EU regulated market, EU multilateral trading facility, EU organised trading facility) or via a systematic internaliser, certain financial contracts and investment funds.

It is not possible to predict the further effect of any changes in the methods pursuant to which the LIBOR and/or EURIBOR rates are determined, or any other reforms to or other proposals affecting LIBOR, EURIBOR and any other relevant benchmarks that will be enacted in the United Kingdom, the EU, the US and elsewhere, each of which may adversely affect the trading market for LIBOR, EURIBOR and/or other relevant benchmark-based securities. In addition, any future changes in the method pursuant to which the LIBOR, EURIBOR and/or other relevant benchmarks are determined or the transition to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in the reported benchmark rates, a delay in the publication of any such benchmark rates, trigger changes in the rules or methodologies in certain benchmarks discouraging market participants from continuing to administer or participate in certain benchmarks, and, in certain situations, could result in a benchmark rate no longer being determined and published. Accordingly, in respect of Notes referencing LIBOR, EURIBOR or any other relevant benchmark, such proposals for reform and changes in applicable regulation could have a material adverse effect on the value of and return on such Notes (including potential rates of interest thereon).

Based on the foregoing, investors should be aware that:

- (i) any of the reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR and EURIBOR) could affect the level of the published rate,

including to cause it lower and/or more volatile than it would otherwise be; and

- (ii) if LIBOR or EURIBOR or any other relevant benchmark rate is discontinued, then the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 7(c)(v) of the Terms and Conditions of the Notes, although such provisions, being dependent in part upon the provision by major banks of offered quotations for loans to lending European banks, may not operate as intended depending on market circumstances and the availability of rates information at the relevant time and may result, to the extent that other fall-back provisions under Condition 7(c)(v) are not applicable, in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR or EURIBOR or any other relevant benchmark rate was available.

More generally, any of the above matters or any other significant change to the setting or existence of LIBOR, EURIBOR or any other relevant benchmark rate could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. No assurance may be provided that relevant changes will not be made to LIBOR, EURIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

*Risks applicable to certain types of Exempt Notes*

There are particular risks associated with an investment in certain types of Exempt Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Exempt Notes and may lose a portion of or the entire principal amount invested by it.

The Issuer may issue Exempt 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 Issuer may issue Exempt Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Exempt Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Exempt 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 Exempt 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 performance 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 Exempt Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Exempt Notes linked to a Relevant Factor and the suitability of such Exempt Notes in light of its particular circumstances.

Exempt 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.

### ***Risks related to Notes generally***

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

#### *Modification and waivers*

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.

#### *Change of law*

The Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. 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 Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

#### *US Foreign Account Tax Compliance Act Withholding*

Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the US Internal Revenue Code, as amended (**FATCA**) will affect the amount of any payment received by the ICSDs (See "*Taxation – US Foreign Account Tax Compliance Act*"). 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) and 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 Issuer's obligations under the Notes are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer and registered holders of the Notes, respectively) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the US (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

#### *Notes where denominations involve integral multiples: definitive Notes*

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 principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes 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.

#### *No obligation to maintain listing*

If at any time the Issuer is unable to maintain any listing, trading and/or quotation of Notes or it is impracticable or unduly onerous to maintain such admission to listing, trading and/or quotation or as a result of legislation relating to publication of financial information, the Issuer could be required to publish

financial information either more regularly than, or according to accounting principles which are materially different from that, it would otherwise be subject to or use, respectively, the Issuer may, using its best endeavours, seek an alternative admission to listing, trading and/or quotation of such Notes by another listing authority, securities exchange and/or quotation system that it deems appropriate (including a market which is not a regulated market for the purposes of the Markets in Financial Instruments Directive or a market outside of the EEA). However, if such alternative listing is not available or is unduly onerous, the Notes may be delisted and an alternative listing may not be obtained.

Although there is no assurance as to the liquidity of any Notes as a result of the admission to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive, delisting such Notes may have a material effect on the ability of an investor to (a) continue to hold such Notes, (b) resell the Notes in the secondary market and may affect the market value of the Notes or (c) use them as eligible collateral.

#### ***Risks related to Renminbi-denominated Notes***

Notes denominated in RMB (**RMB Notes**) may be issued under the Programme. RMB Notes contain particular risks for potential investors.

*Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Notes.*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the euro. However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

From 1 October 2016 the Renminbi has been added to the Special Drawing Rights (**SDR**) basket created by the International Monetary Fund. There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes*

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China (the **PBOC**) has entered into agreements (the **Settlement Arrangements**) on the clearing of Renminbi business with financial institutions in a number of financial centres and cities, including but not limited to Hong Kong, Singapore and London, has established the Cross Border Inter-Bank Payment Systems to facilitate cross border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC remains limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises.

Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of its RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in RMB Notes is subject to exchange rate risks*

The value of the Renminbi against the euro and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily midpoint against the US dollar to take into account market-maker quotes before announcing such daily midpoint. This change and others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. Except in the limited circumstances as described in the Conditions, the Issuer will make all payments of interest and principal with respect to the RMB Notes in Renminbi. As a result, the value of these Renminbi payments in euro or other applicable foreign currency terms may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the euro or other applicable foreign currency, the value of a Noteholder's investment in euro or other applicable foreign currency terms will have declined.

*Investment in the RMB Notes is subject to currency risk*

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the RMB Notes when due, in whole or in part, in Renminbi in the relevant RMB Settlement Centre(s) as a result of Inconvertibility, Non transferability or Illiquidity, the Issuer shall be entitled, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, to settle any such payment, in whole or in part, in US dollars on the due date at the US Dollar Equivalent (as defined in the Conditions) of any such interest or principal amount otherwise payable in Renminbi, as the case may be. See also "*Exchange rate risks and exchange controls*" below.

*Payments with respect to the RMB Notes may be made only in the manner designated in the RMB Notes*

Holders of beneficial interests in the RMB Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the relevant RMB Settlement Centre(s).

All Renminbi payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in the relevant RMB Settlement Centre in accordance with prevailing rules and procedures of those clearing systems or (ii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in the relevant RMB Settlement Centre in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Issuer cannot be required to make payment in relation to RMB Notes by any other means (including in any other currency or by transfer to a bank account in the PRC).

*Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws*

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of RMB Notes by non-PRC resident enterprise holders or individual holders may be subject to PRC enterprise income tax (**EIT**) or PRC individual income tax (**IIT**) if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholder from the transfer of the RMB Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by a non-PRC resident individual Noteholder from the transfer of RMB Notes.

However, uncertainty remains as to whether the gain realised from the transfer of the RMB Notes by non-PRC resident enterprise or individual Noteholders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective implementation rules.

Therefore, if non-PRC enterprise or individual resident Noteholders are required to pay PRC income tax on gains derived from the transfer of RMB Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resides that reduces or exempts the relevant EIT or IIT, the value of their investment in the RMB Notes may be materially and adversely affected.

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

*Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk: The secondary market generally*

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. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. 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, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls*

The 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 Specified Currency or 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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to 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 or withdrawn by the rating agency at any time. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). 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). Certain information with respect of credit rating agencies and ratings is disclosed on the front cover of this Base Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the relevant Final Terms or Drawdown Prospectus.

*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.



## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer, in each case, in respect of the years ended 31 December 2016 and 31 December 2015 set out on pages 70 to 122 and pages 125 to 128 of the Issuer's Annual Report for 2016 and pages 71 to 120 and page 123 of the Issuer's Annual Report for 2015 respectively;
2. the consolidated unaudited interim financial statements of the Issuer in respect of the nine months ended 30 September 2017 set out on pages 13 to 21 of the Issuer's interim report for the Third Quarter of 2017 (including the auditors' review report thereon);
3. the terms and conditions set out on pages 24 to 49 of the base prospectus dated 22 December 2011 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the **22 December 2011 Conditions**);
4. the terms and conditions set out on pages 25 to 50 of the base prospectus dated 20 December 2012 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the **20 December 2012 Conditions**);
5. the terms and conditions set out on pages 29 to 56 of the base prospectus dated 17 July 2013 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the **17 July 2013 Conditions**);
6. the terms and conditions set out on pages 27 to 55 of the base prospectus dated 19 December 2014 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the **19 December 2014 Conditions**); and
7. the terms and conditions set out on pages 29 to 57 of the base prospectus dated 16 December 2016 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the **16 December 2016 Conditions**).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at [www.sandvik.com](http://www.sandvik.com) or <http://www.morningstar.co.uk/uk/NSM>. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

## **FINAL TERMS, PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES**

In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms, in a Drawdown Prospectus or, in the case of Exempt Notes, the relevant Pricing Supplement. Such information will be contained in the relevant Final Terms or in the relevant Pricing Supplement unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus or, in the case of Exempt Notes, the relevant Pricing Supplement.

For a Tranche of Notes which is the subject of Final Terms or, in the case of Exempt Notes, the subject of a Pricing Supplement, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus or, in the case of Exempt Notes, that Pricing Supplement will for the purposes of that Tranche only, supplement, amend and/or replace this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed by the relevant Final Terms and the terms and conditions applicable to any particular Tranche of Exempt Notes which is the subject of a Pricing Supplement are the Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes that is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. Each Drawdown Prospectus will be constituted either (a) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (b) by a registration document containing the necessary information relating to the Issuer, a securities note containing the necessary information relating to the Issuer and the relevant Notes and, if applicable, a summary note.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Bearer Notes will initially be in Temporary Global Note form, without interest coupons, or a Permanent Global Note form, without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the **ECB**) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the **Eurosystem**), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will be eligible as collateral for Eurosystem operations if the NGN form is used.

Where the Global Notes issued in respect of any Tranche are in NGN form or the Global Note represents Global Registered Notes held under the NSS, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Issuer whether or not each such Global Note is 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 time during their life as such recognition depends upon the ECB being satisfied that the Eurosystem eligibility criteria have been met. Furthermore, any indication that the Global Notes are not intended to be so held may be the case at the date of the relevant Final Terms. However, should the Notes be recognised as eligible as collateral for Eurosystem operations or 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 Euroclear or Clearstream, Luxembourg as common safekeeper. Similarly, this would 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.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether US Treasury Regulation §1.163-5(c)(2)(i)(C) (the **TEFRA C Rules**) or US Treasury Regulation §1.163-5(c)(2)(i)(D) (the **TEFRA D Rules**) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being Temporary Global Note exchangeable for a Permanent Global Note, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes (the **Exchange Date**) upon certification as to non-US beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership.

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or

- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates of non-US beneficial ownership received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange;

*provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The Permanent Global Note will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies in the limited circumstances described in the Permanent Global Note, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs and is continuing.

The exchange upon notice or at any time described above should not be expressed to be applicable if the relevant Notes have denominations consisting of a minimum specified denomination plus one or more integral multiples of another smaller amount in excess thereof.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being Temporary Global Note exchangeable for Definitive Notes and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being Temporary Global Note exchangeable for Definitive Notes and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-US beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being Permanent Global Note exchangeable for Definitive Notes, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies in the limited circumstances described in the Permanent Global Note, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no

alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs and is continuing.

The exchange upon notice or at any time described above should not be expressed to be applicable if the relevant Notes have denominations consisting of a minimum specified denomination plus one or more integral multiples of another smaller amount in excess thereof.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

### **Legend concerning US persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any US person who holds this obligation will be subject to limitations under the US income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

### **Registered Notes**

Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. In a press release dated 22 October 2008, “Evolution of the custody arrangement for international debt securities and their eligibility in

Eurosystem credit operations”, the ECB announced that it had assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the NSS would be in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the NSS is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the NSS, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms. If the relevant Final Terms specifies the form of Notes as being Individual Note Certificates, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being Global Registered Note exchangeable for Individual Note Certificates, then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms, as the case may be; or
- (iii) if the relevant Final Terms specifies in the limited circumstances described in the Global Registered Note, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs and is continuing.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within 15 days of the delivery, by or on behalf of the holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or
- (b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Global Registered Notes held under the NSS allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for Eurosystem's monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Furthermore, any indication that the Global Registered Notes are not intended to be so held may be the case at the date of the relevant Final Terms. However, 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 Euroclear or Clearstream, Luxembourg as common safekeeper. Similarly, this would not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

#### **Swedish Registered Notes**

Each Tranche of Swedish Registered Notes will be issued in uncertificated and dematerialised book entry form in accordance with the SFIA Act. No global or definitive Notes will be issued in respect thereof. The holder of a Swedish Registered Note will be the person evidenced as such by the register for such Note maintained by Euroclear Sweden on behalf of the Issuer. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Registered Note.

Title to Swedish Registered Notes will pass by transfer between accountholders of Euroclear Sweden, perfected in accordance with the legislation (including the SFIA Act), rules and regulations applicable to and/or issued by Euroclear Sweden that are in force and effect from time to time.



## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms or, in the case of Exempt Notes, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.*

### 1. Introduction

- (a) *Programme:* Sandvik AB (publ) (**the Issuer**) has established a Euro Medium Term Note Programme (**the Programme**) for the issuance of up to €3,000,000,000 in aggregate principal amount of notes.
- (b) *Final Terms or Pricing Supplement:* Notes issued under the Programme are issued in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**) of Notes. Each Tranche is the subject of final terms (**the Final Terms**) which completes these terms and conditions (**the Conditions**) or, in the case of Notes for which no prospectus is required to be published under Directive 2003/71/EC, (as amended, including by Directive 2010/73/EU and includes any relevant implementing measures in a relevant Member State of the European Economic Area) (**Exempt Notes**), a pricing supplement (**the Pricing Supplement**) which completes, supplements, amends and/or replaces these Conditions. In the case of a Tranche of Exempt Notes that is the subject of a Pricing Supplement, each reference to information being specified or identified in the relevant Final Terms or these Conditions being completed by the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Pricing Supplement or these Conditions being completed, supplemented, amended and/or replaced by the relevant Pricing Supplement unless the context requires otherwise. The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.
- (c) *Agency Agreement:* The Bearer Notes and the Registered Notes (both as defined below) are the subject of an issue and paying agency agreement dated 13 February 2009, as amended on 15 December 2017 (**the Agency Agreement**) between the Issuer, Citibank N.A., London Branch as fiscal agent (**the Fiscal Agent**, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citibank N.A., London Branch as registrar (**the Registrar**) and the paying agents named therein (together with the Fiscal Agent, **the Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, **the Transfer Agents**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions, references to the **Agents** are to the Paying Agents and the Transfer Agents and any reference to an **Agent** is to any one of them.
- (d) *Swedish Agency Agreement:* The Swedish Registered Notes are the subject of an agreement between the Issuer and the Swedish Issuing Agent to be entered into by the Issuer on or prior to the date the first Swedish Registered Notes are issued, pursuant to which the Issuer will appoint the Swedish Issuing Agent (**the Swedish Agency Agreement**). The Swedish Agency Agreement will include provisions for meetings of Noteholders in respect of Swedish Registered Notes. The Issuer will furthermore enter into agreements with the Swedish Central Securities Depository & Clearing Organisation, Euroclear Sweden AB (**Euroclear Sweden**), applicable to a relevant issue of Swedish Registered Notes, which will set out the terms and conditions for connecting any Swedish Registered Notes to the Swedish clearing and settlement system maintained by Euroclear Sweden (each, a **Euroclear Sweden Agreement**).
- (e) *Deed of Covenant:* The Notes may be issued in bearer form (**Bearer Notes**), in registered form (**Registered Notes**) or in registered form in accordance with the SFIA Act (**Swedish Registered Notes**). The Registered Notes are constituted by a deed of covenant dated 15 December 2017 (**the Deed of Covenant**) entered into by the Issuer.

- (f) *The Notes*: Unless specified otherwise, all subsequent references in these Conditions to “Notes” are both to the Notes which are the subject of the relevant Final Terms and the Exempt Notes which are subject to the relevant Pricing Supplement. Copies of the relevant Final Terms are available for viewing at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below, and at [www.londonstockexchange.com](http://www.londonstockexchange.com). Pricing Supplements will only be available for inspection by a holder of such Exempt Notes upon production of evidence satisfactory to the Fiscal Agent or the Issuer as to the identity of such holder. Unless specified otherwise, reference to the “Final Terms” and the “relevant Final Terms” shall include the “Pricing Supplement” or the “relevant Pricing Supplement”.
- (g) *Summaries*: Certain provisions of these Conditions are a summary of the Agency Agreement, the Swedish Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the **Noteholders**) and the holders of the related interest coupons, if any, (the **Couponholders** and the **Coupons**, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Swedish Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below. A copy of the Swedish Agency Agreement will be available for inspection by Noteholders during normal business hours at the Specified Office of the Swedish Issuing Agent.

## 2. Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

**Accrual Yield** has the meaning given in the relevant Final Terms;

**Additional Business Centre(s)** means the city or cities specified as such in the relevant Final Terms;

**Additional Financial Centre(s)** means the city or cities specified as such in the relevant Final Terms;

**Business Day** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in Renminbi, a day on which commercial banks and foreign exchange markets are open for business in Hong Kong and on which commercial banks in Hong Kong are open for business and settlement of Renminbi payments;
- (iii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre (and if TARGET2 is specified as an Additional Business Centre, a TARGET Settlement Day); and
- (iv) in relation to Swedish Registered Notes, the meaning ascribed to such term by the then applicable rules and procedures of Euroclear Sweden;

**Business Day Convention**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the relevant date shall be postponed to the first following day

that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **FRN Convention, Floating Rate Convention or Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **No Adjustment** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**Calculation Agent** means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s);

**Calculation Amount** has the meaning given in the relevant Final Terms;

**CNY Dealer** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the RMB Settlement Centre(s);

**Coupon Sheet** means, in respect of a Note, a coupon sheet relating to the Note;

**DA Selected Bond** means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Notes;

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (the **Calculation Period**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **Actual/Actual (ICMA)** is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **Actual/Actual (ISDA)** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **30/360** is so specified, the number of days in the Calculation 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 Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

**M<sub>2</sub>** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is so specified, the number of days in the Calculation 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 Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if **30E/360 (ISDA)** is so specified, the number of days in the Calculation 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 Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**Determination Agent** means an investment bank or financial institution selected by the Issuer as may be specified in the relevant Final Terms or any substitute agent;

**Early Redemption Amount (Tax)** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**Early Termination Amount** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms, or determined in accordance with these Conditions;

**EURIBOR** means Eurozone interbank offered rate;

**Euroclear Sweden** means the Swedish Central Securities Depository and Clearing Organisation Euroclear Sweden AB, incorporated in Sweden with Reg. No. 556112-8074;

**Euroclear Sweden Register** means in respect of Swedish Registered Notes the computerised register maintained by Euroclear Sweden for the Issuer consisting of accounts for the holders of financial instruments registered pursuant to the SFIA Act;

**Extraordinary Resolution** has the meaning given in the Agency Agreement;

**Final Redemption Amount** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**First Interest Payment Date** means the date specified in the relevant Final Terms;

**Fixed Coupon Amount** has the meaning given in the relevant Final Terms;

**Governmental Authority** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant RMB Settlement Centre;

**Gross Redemption Yield** means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; “Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the relevant Dealer(s) may approve;

**Guarantee** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**Holder**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*), in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*) and, in the case of Swedish Registered Notes, has the meaning given in Condition 3(e) (*Form, Denomination, Title and Transfer - Title to Swedish Registered Notes*);

**Illiquidity** means where the general Renminbi exchange market in the relevant RMB Settlement Centre becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers;

**Inconvertibility** means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in the relevant RMB Settlement Centre, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the first Issue Date of the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**Indebtedness** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**Interest Amount** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**Interest Commencement Date** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**Interest Determination Date** has the meaning given in the relevant Final Terms;

**Interest Payment Date** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**Interest Period** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**ISDA Definitions** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**Issue Date** has the meaning given in the relevant Final Terms;

**LIBOR** means London interbank offered rate;

**Make-Whole Redemption Amount** has the meaning given to it in Condition 10(c);

**Margin** has the meaning given in the relevant Final Terms;

**Maturity Date** has the meaning given in the relevant Final Terms;

**Maximum Redemption Amount** has the meaning given in the relevant Final Terms;

**Minimum Redemption Amount** has the meaning given in the relevant Final Terms;

**Non-transferability** means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside the relevant RMB Settlement Centre or from an account inside the relevant RMB Settlement Centre to an account outside the relevant RMB Settlement Centre, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**Noteholder**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(e) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**Optional Redemption Amount (Call)** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**Optional Redemption Amount (Put)** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**Optional Redemption Date (Call)** has the meaning given in the relevant Final Terms;

**Optional Redemption Date (Put)** has the meaning given in the relevant Final Terms;

**Participating Member State** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**Payment Business Day** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies;
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (and if TARGET2 is specified as an Additional Finance Centre, a TARGET Settlement Day); and
  - (C) in the case of any sum payable in Renminbi, a day on which commercial banks and foreign exchange markets are open for business in the RMB Settlement Centre(s) and on which commercial banks in the RMB Settlement Centre(s) are open for business and settlement of Renminbi payments;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Principal Financial Centre** means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (iii) in relation to US dollars, it means New York City;
- (iv) in relation to Swedish krona, it means Stockholm; and
- (v) in relation to Renminbi, it means the RMB Settlement Centre(s).



**Principal Subsidiary** means at any time, any Subsidiary whose total assets, consolidated in the case of a Subsidiary which itself has subsidiaries (to the extent attributable to the consolidated total assets of the Group), as shown by its latest audited balance sheet, represent ten per cent. or more of the consolidated total assets of the Group, as shown by the latest published audited consolidated balance sheet of the Group;

**Put Option Notice** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**Put Option Receipt** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**Quotation Time** shall be as set out in the relevant Final Terms;

**Rate Calculation Business Day** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

**Rate Calculation Date** means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

**Rate of Interest** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions as completed by the relevant Final Terms;

**Redemption Amount** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount as may be specified in the relevant Final Terms;

**Redemption Margin** shall be as set out in the relevant Final Terms;

**Reference Banks** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent (in consultation with the Issuer) in the market that is most closely connected with the Reference Rate;

**Reference Bond** shall be as set out in the relevant Final Terms or the DA Selected Bond;

**Reference Bond Price** means, with respect to any date of redemption, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant Day Count Fraction basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such date of redemption;

**Reference Date** will be set out in the relevant notice of redemption;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer which are (i) primary government securities dealers and their respective successors, or (ii) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at the Quotation Time specified in the relevant Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

**Reference Price** has the meaning given in the relevant Final Terms;

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR or (iii) STIBOR in each case for the relevant period, as specified in the relevant Final Terms;

**Registrar** means, in relation to any series of Registered Notes, Citibank N.A., London Branch (which includes any successor registrar appointed from time to time in connection with the Registered Notes) or in respect of any Series of Swedish Registered Notes, Euroclear Sweden in accordance with the SFIA Act;

**Regular Period** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**Relevant Date** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent or in respect of Swedish Registered Notes, if the full amount payable has not been made available to Euroclear Sweden, on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**Relevant Financial Centre** has the meaning given in the relevant Final Terms;

**Relevant Indebtedness** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**Relevant Screen Page** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**Relevant Time** has the meaning given in the relevant Final Terms;

**Remaining Term Interest** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to Condition 10(c) (*Redemption at the option of the Issuer*);

**Reserved Matter** means any proposal to (a) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, (b) effect the exchange

or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, (c) change the currency of any payment under the Notes, (d) change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or (e) amend the definition hereof. (For the avoidance of doubt, a proposal to change the method of calculating the amount of any interest payment arising from the discontinuation of an interest rate benchmark used to determine the amount of a payment in respect of the Notes shall not be a Reserved Matter.)

**RMB Settlement Centre(s)** means the financial centre(s) specified as such in the relevant Final Terms in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the relevant Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong;

**Security Interest** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**SFIA Act** means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) as amended;

**Specified Currency** has the meaning given in the relevant Final Terms;

**Specified Denomination(s)** has the meaning given in the relevant Final Terms;

**Specified Office** has the meaning given in the Agency Agreement or in relation to Swedish Registered Notes, the Swedish Agency Agreement;

**Specified Period** has the meaning given in the relevant Final Terms;

**Spens Amount** has the meaning given to it in Condition 10(c);

**Spot Rate** means the spot/US dollar exchange rate for the purchase of US dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Fiscal Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Fiscal Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date as the most recently available Renminbi/US dollar official fixing rate for settlement in two Rate Calculation Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

**STIBOR** means Stockholm interbank offered rate;

**Subsidiary** means a subsidiary company or corporation (the **First Company**) of another company or corporation (the **Holding Company**), where:

- (i) the First Company is controlled, directly or indirectly, by the Holding Company;
- (ii) more than half the issued share capital of the First Company is beneficially owned, directly or indirectly, by the Holding Company; or
- (iii) the First Company is a Subsidiary of another Subsidiary of the Holding Company,

and, for the purpose of this definition, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

**Talon** means a talon for further Coupons;

**TARGET2** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereof;

**TARGET Settlement Day** means any day on which TARGET2 is open for the settlement of payments in euro;

**Tax Jurisdiction** means (i) Sweden or any political subdivision or any authority thereof or therein having power to tax; or (ii) any jurisdiction under the laws of which the Issuer or any successor to the Issuer is organised or in which it is resident for tax purposes;

**Treaty** means the Treaty establishing the European Communities, as amended;

**Zero Coupon Note** means a Note specified as such in the relevant Final Terms; and

**US Dollar Equivalent** means the Renminbi amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being outstanding shall be construed in accordance with the Agency Agreement or in respect of Swedish Registered Notes, the relevant Euroclear Sweden Agreement or Swedish Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms but the relevant Final Terms gives no such meaning or specifies that such expression is not applicable then such expression is not applicable to the Notes;
- (viii) as Swedish Registered Notes are in dematerialised form, any reference in those Conditions to Receipts, Coupons and Talons shall not apply to Swedish Registered Notes; and
- (ix) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue and, in the case of Definitive Notes, serially numbered, in the Specified Currency. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, **Holder** means the holder of such Bearer Note and **Noteholder** and **Couponholder** shall be construed accordingly.
- (c) *Registered Notes and Swedish Registered Notes:* Registered Notes and Swedish Registered Notes are in the Specified Denomination(s), which may include a minimum denomination and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a **Note Certificate**) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, **Holder** means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and **Noteholder** shall be construed accordingly.
- (e) *Title to Swedish Registered Notes:* The holder of a Swedish Registered Note will be the person appearing as such in the Euroclear Sweden Register. In the case of Swedish Registered Notes the term **Holder** shall be construed accordingly. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Registered Notes.
- (f) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999. This Note may be a fixed rate note (**Fixed Rate Note**), a floating rate note (**Floating Rate Note**), a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.
- (g) *Transfers of Registered Notes:* Subject to Conditions 3(k) (*Closed periods*) and 3(l) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (h) *Transfers of Swedish Registered Notes:* Title to Swedish Registered Notes will pass by transfer in the register that the Issuer will procure to be kept by Euroclear Sweden on behalf of the Issuer. Where a nominee is so evidenced it shall be treated as the holder of the relevant Swedish Registered Notes.
- (i) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(g) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, **business day** means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (j) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. For the avoidance of doubt, the provisions of this Condition 3(j) (*No charge*) do not apply to Swedish Registered Notes.
- (k) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes. No Holder of Swedish Registered Notes may require the transfer of a Swedish Registered Note to be registered during a period which is the equivalent of any such closed period (if any) pursuant to the then applicable rules and procedures of Euroclear Sweden.
- (l) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations. All transfers of Swedish Registered Notes are subject to any cut-off dates applicable to such Swedish Registered Notes and are subject to any other rules and procedures for the time being of Euroclear Sweden. Euroclear Sweden's rules and regulations may be downloaded from its website: <http://www.ncsd.eu>.

#### 4. **Status of the Notes**

The Notes constitute direct, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### 5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or any of its Principal Subsidiaries or any Guarantee of Relevant Indebtedness of the Issuer or any of its Principal Subsidiaries without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders *provided that* for the purposes of this Condition 5 (*Negative Pledge*) Principal Subsidiaries shall not include Seco Tools AB.

#### 6. **Fixed Rate Note Provisions**

- (a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms.
- (b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount (and Broken Amount)*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in

more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. The amount of interest payable in respect of each Note on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (e) *Renminbi or Hong Kong dollar-denominated Notes:* In the case of Renminbi or Hong Kong dollar-denominated Notes:
- (i) where (x) there is not a numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) any Interest Payment Date would otherwise fall on a day which is not a Business Day, then such Interest Payment Date shall be adjusted, as specified in the relevant Final Terms, either for payment purposes only or, if Fixed Coupon Amount is not specified as applying in the relevant Final Terms, for payment and interest accrual purposes, in accordance with the Modified Following Business Day Convention; and
- (ii) if Fixed Coupon Amount is not specified as applying in the relevant Final Terms, the Calculation Agent will cause each Interest Amount for each fixed Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any stock exchange on which the relevant Fixed Rate Notes are for the time being listed or admitted to trading, and to be published in accordance with Condition 20 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 notice in the event of an extension or shortening of the fixed Interest Period. For the purposes of this Condition 6(e)(ii), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

## 7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent (in consultation with the Issuer) will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and,
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, in consultation with the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,
- (v) if linear interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to



the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “the ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if linear interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (A) one rate 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
  - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

*provided, however, that* if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, the Swedish Issuing Agent (in respect of Swedish Registered Notes) and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the

minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (h) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### 8. **Zero Coupon Note Provisions**

- (a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

#### 9. **Exempt Notes**

In the case of Exempt Notes with a floating rate of interest where the relevant Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the relevant Pricing Supplement as being other than LIBOR, EURIBOR or STIBOR, the rate of interest in respect of such Exempt Notes will be determined as provided in the relevant Pricing Supplement.

Exempt Notes may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an index-linked or other variable linked note, a dual currency note, an instalment note or a combination of any of the foregoing, or such other type of Note as provided in the relevant Pricing Supplement.

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 relevant Pricing Supplement.

#### 10. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if neither the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however, that* no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (or in the case of Swedish Registered Notes to the Swedish Issuing Agent) (A) a certificate signed by two directors of the Issuer 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 of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption for tax reasons*).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms, as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). In respect of Swedish Registered Notes, the notice shall furthermore specify the Closed Period. Any such redemption must be of a principal 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 relevant Final Terms as being applicable. The Optional Redemption Amount (Call) will be either, as specified in the relevant Final Terms, (i) if Make-Whole Redemption Price is specified as being applicable in the relevant Final Terms, the relevant Make-Whole Redemption Price or (ii) the specified amount per Calculation Amount of the Notes as specified in the relevant Final Terms.

The **Make-Whole Redemption Price** will be an amount equal to the higher of:

- (i) if Spens Amount is specified as being applicable in the relevant Final Terms, (A) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (B) the principal amount outstanding of the Notes to be redeemed multiplied by the price (expressed as a percentage of its principal amount), as reported to the Issuer by

the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time on the Reference Date of the Reference Bond, plus the Redemption Margin; or

- (ii) if Make-Whole Redemption Amount is specified as applicable in the relevant Final Terms, (A) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (B) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis (and in accordance with the relevant Day Count Fraction basis of such Notes, if applicable) at the Reference Bond Rate, plus the Redemption Margin,

all as determined by the Determination Agent.

- (d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and, in the case of Swedish Registered Notes, the then applicable rules and procedures of Euroclear Sweden and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers or, in the case of Swedish Registered Notes, otherwise specify the Notes or amounts of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e) (*Redemption at the option of Noteholders*), the holder of a Note must, not less than 15 nor more than 60 days (or such other period as specified in the relevant Final Terms) before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. In the case of Swedish Registered Notes, a Put Option Notice will not take effect against the Issuer before the date of which the relevant Swedish Registered Notes have been transferred to the account designated by the Swedish Issuing Agent and blocked for further transfer by such Swedish Issuing Agent (such date will be the first date of a Closed Period). No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*) the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

Notwithstanding the above, in the case of Swedish Registered Notes, the right to require redemption of such Notes in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*) must be exercised in accordance with the rules and procedures of Euroclear Sweden

and where there is any inconsistency between the foregoing and the rules and procedures of Euroclear Sweden, the rules and procedures of Euroclear Sweden shall prevail.

- (f) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to 10(e) (*Redemption at the option of Noteholders*) above.
- (g) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith. Such Notes so purchased may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary surrendered to any Paying Agent and/or the Registrar for cancellation.
- (i) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them that are not held, reissued or resold shall be cancelled.

## 11. **Payments - Bearer Notes**

This Condition 11 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States in the case of:
  - (i) payments in a Specified Currency other than euro, US Dollars or Renminbi, 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;
  - (ii) payments 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;
  - (iii) payments in US Dollars, by credit or transfer to a US Dollar account outside the United States specified by the payee; and
  - (iv) payments in Renminbi by credit or transfer to a Renminbi account maintained by or on behalf of the payee with a bank in the RMB Settlement Centre(s) as may be specified in the relevant Final Terms in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in such RMB Settlement Centre(s) as may be specified in the relevant Final Terms).

- (b) *Interest*: Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the **Relevant Coupons**) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.
- Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.
- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 11(f) (*Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note

pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
- (k) *Payment of US Dollar Equivalent*: Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi in the RMB Settlement Centre, the Issuer may, on giving not less than five or more than 30 days' irrevocable notice to the Holders prior to the due date for payment, settle any such payment (in whole or in part) in US dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 11(k) (*Payment of US Dollar Equivalent*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Holders.

## 12. **Payments - Registered Notes**

Conditions 12(a) (*Principal*) to Condition 12(g) (*Payment of US Dollar Equivalent*) are only applicable to Registered Notes. Condition 12(h) (*Payment - Swedish Registered Notes*) is only applicable to Swedish Registered Notes.

- (a) *Principal*: Payments of principal shall be in the case of:
  - (i) payments in a Specified Currency other than euro, US Dollars or Renminbi, 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;
  - (ii) payments 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;
  - (iii) payments in US Dollars, by credit or transfer to a US Dollar account outside the United States specified by the payee; and

- (iv) payments in Renminbi by credit or transfer to a Renminbi account maintained by or on behalf of the payee with a bank in the RMB Settlement Centre(s) as may be specified in the relevant Final Terms in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in such RMB Settlement Centre(s) as may be specified in the relevant Final Terms),

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (b) *Interest*: Payments of interest shall be made in the manner described in Condition 12(a) (*Principal*) above and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13 (*Taxation*) arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the **Record Date**). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Payment of US Dollar Equivalent*: Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi in the relevant RMB Settlement Centre, the Issuer may, on giving not less than five or more than 30 days' irrevocable notice to the Holders prior to the due date for payment, settle any such payment (in whole or in part) in US dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

In such event, payments of the US Dollar Equivalent of the relevant principal or interest in respect of Registered Notes represented by Note Certificates shall be made by a US dollar denominated cheque drawn on a bank in New York City and mailed to the Holder of such Note Certificates at its address appearing in the Register, or, upon application by the Holder to the



specified office of the Registrar or any Transfer Agent before the Record Date, by transfer to a US dollar denominated account with a bank in New York City.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 12(g) (*Payment of US Dollar Equivalent*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Holders.

- (h) *Payment - Swedish Registered Notes*: Payments of principal and/or interest in respect of Swedish Registered Notes shall be made to the persons shown as the Holders of Swedish Registered Notes on the fifth Business Day (or in accordance with the rules and procedure applied by Euroclear Sweden from time to time) before the due date for such payment, or such other Business Day falling closer to the due date as may be stipulated in the current rules and procedures of Euroclear Sweden. Such day will be the **Record Date** in respect of Swedish Registered Notes.

### 13. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) where the relevant Note or Coupon or Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or
- (iii) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Tax Jurisdiction references in these Conditions to the Tax Jurisdiction shall be construed as references to the Tax Jurisdiction and/or such other jurisdiction.

### 14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment*: if default is made in the payment of any principal or interest in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

- (c) *Cross-default of Issuer or Principal Subsidiary:*
- (i) any Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary) by reason of an event of default (however described);
  - (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness as extended by any applicable grace period;
  - (iv) any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness becomes enforceable by reason of default; or
  - (v) one or more judgment(s) or order(s) for the payment is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment,

*provided that* no event referred to in this Condition 14(c) (*Cross-default of Issuer or Principal Subsidiary*) shall constitute an Event of Default, first, unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least €50,000,000 (or its equivalent in any other currency); or

- (d) *Insolvency, etc.:* (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries for all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed and such appointment is not discharged within 45 days, (iii) the Issuer or any of its Principal Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee or indemnity of any Indebtedness given by it, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its other Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Principal Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a Principal Subsidiary, or (D) on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (e) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its Principal Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Principal Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a Principal Subsidiary, or (D) on terms previously approved by an Extraordinary Resolution of the Noteholders,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately (or, in the case of Swedish Registered Notes, such later date on which the relevant Swedish Registered Notes have been transferred to the account designated by the Swedish Issuing Agent and blocked

for further transfer by such Swedish Issuing Agent) due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Coupon or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Note Certificates must be surrendered before replacements will be issued. For the avoidance of doubt, this Condition 16 (*Replacement of Notes and Coupons*) shall not apply to the Swedish Registered Notes.

17. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; *provided, however, that* so long as the relevant Notes or Swedish Registered Notes, as the case may be, remain outstanding:

- (a) the Issuer shall at all times maintain a fiscal agent, a registrar in respect of Registered Notes or, as the case may be, the Swedish Registered Notes, which in the latter case shall be Euroclear Sweden;
- (b) in the case of the Swedish Registered Notes, the Issuer shall at all times maintain a Swedish Issuing Agent *provided that* such Swedish Issuing Agent is duly authorised by Euroclear Sweden;
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders other than in respect of Swedish Registered Notes:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing approved by or on behalf of not less than two-thirds of Noteholders of the outstanding aggregate amount of the Notes will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Swedish Agency Agreement will contain provisions regarding meetings of Noteholders of Swedish Registered Notes.

The Swedish Issuing Agent shall prior to and in connection with meetings of Noteholders, and otherwise as and when required to carry out its duties under these Conditions, be entitled to obtain information from the register of Noteholders kept by Euroclear Sweden in respect of the Swedish Registered Notes (Sw. *skuldbok*), provided that this is permitted under the rules of Euroclear Sweden.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes, save in the case of Exempt Notes where another means of effective communication has been specified in the relevant Pricing Supplement, shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language

daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

- (c) *Swedish Registered Notes*: Notices to the Holders of Swedish Registered Notes shall be valid if sent by mail (if posted to an overseas address) by airmail to their registered addresses appearing in the Euroclear Sweden Register. Any such notice shall be deemed to have been given on the fourth Business Day after the day of which it was mailed.

## 21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all US dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 23. **Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law. In addition, the Swedish Registered Notes must comply with the SFIA Act.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a **Dispute**) arising from or connected with the Notes including a Dispute relating to any non-contractual obligation arising out of or in connection with the Notes.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, save in respect of the limited exception set out in Condition 23(e) (*Proceedings in respect of Swedish Registered Notes*), nothing in this Condition 23 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Proceedings in respect of Swedish Registered Notes*: Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the **Swedish Remedies**), Holders of Swedish Registered Notes may have remedies against the Issuer for non-

payment or non-performance under the Conditions applicable to such Swedish Registered Notes, a Swedish Registered Note Holder must first exhaust all available remedies under English law for non-payment or non-performance before any Proceedings may be brought against the Issuer in Sweden in respect of the Swedish Remedies. Notwithstanding Condition 23(d) (*Rights of the Noteholders to take proceedings outside England*), and in this limited respect only, a Registered Holder of Swedish Registered Notes may therefore not take concurrent Proceedings in Sweden.

- (f) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Sandvik Limited at Manor Way, Halesowen, West Midlands, B62 8QZ or at any address of the Group's in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition 23(f) (*Service of Process*) applies to Proceedings in England and to Proceedings elsewhere.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes (other than Exempt Notes) will be substantially in the following form and completed to reflect the particular terms of the relevant Notes and their issue.*

### [PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended [, from 1 January 2018,] to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EU (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended including by Directive 2010/73/EU, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPS Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]<sup>1</sup>

### [MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/54/EU (as amended, **MiFID II**)/ MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.]

**Final Terms dated [●]**

### SANDVIK AB (PUBL)

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

**under the €3,000,000,000 Euro 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 (the **Conditions**) set forth in the base prospectus dated 15 December 2017 [and supplement(s) to it dated [●] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and includes any relevant implementing measures 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 Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on <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 [Insert relevant date of the Conditions] Conditions (the **Conditions**) incorporated by reference in the base prospectus dated 15

<sup>1</sup> Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable" or (ii) for offers concluded before 1 January 2018 at the option of the parties.

December 2017. These Final Terms contain the final terms of the Notes and must be read in conjunction with the base prospectus dated 15 December 2017 [and the supplement(s) to it dated [●] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and includes any relevant implementing measures in a relevant Member State of the European Economic Area) (the **Prospectus Directive**), save in respect of the Conditions which are set forth in the base prospectus dated [*the original date*] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the base prospectus dated 15 December 2017 [and the supplement(s)] dated [●] [and [●]]. The Base Prospectus has been published on <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

- |     |  |  |
|-----|--|--|
| 1.  | Issuer:                                      | Sandvik AB (publ)  |
| 2.  | [(i) Series Number:]                         | [●]  |
|     | [(ii) Tranche Number:]                       | [●]  |
|     | [(iii) Date on which Notes become fungible:] | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with [●] on [●/the Issue Date/Exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24][which is expected to occur on or about [●]].] |
| 3.  | Specified Currency or Currencies:            | [●]  |
| 4.  | Aggregate Principal Amount:                  | [●]  |
|     | [(i) [Series]:]                              | [●]  |
|     | [(ii) Tranche:]                              | [●]  |
| 5.  | Issue Price:                                 | [●] per cent. of the Aggregate Principal 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:                               | [●]  |
| 9.  | Interest Basis:                              | [[●] per cent. Fixed Rate]<br>[[●] +/- [●] per cent. Floating Rate]<br>[Zero Coupon]   |
| 10. | Redemption/Payment Basis:                    | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at the Final Redemption Amount.  |
| 11. | Put/Call Options:                            | [Not Applicable]<br>[Investor Put]   |



[Issuer Call]  
 [(further particulars specified below)]

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

- |     |   |   |
|-----|---|---|
| 12. | <b>Fixed Rate Note Provisions</b>   | [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):  | [[●] [and [●]] in each year up to and including the Maturity Date] [adjusted for payment day purposes only in accordance with the Modified Business Day Convention] [adjusted for payment and interest accrual purposes in accordance with the Modified Business Day Convention]  |
|     | (iii) Fixed Coupon Amount[(s)]:   | [[●] per Calculation Amount] [Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest [CNY 0.01, CNY 0.005] [HK\$0.01, HK\$0.005] being rounded upwards] [Not Applicable] |
|     | (iv) Broken Amount(s):  | [Not Applicable/[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] [Not Applicable]  |
|     | (v) Day Count Fraction:   | [Actual/ Actual (ICMA)]<br>[Actual/ Actual (ISDA)]<br>[Actual/ 365 (Fixed)]<br>[Actual/ 360]<br>[30/360]<br>[30E/360]<br>[30E/360 (ISDA)]<br>[Other]  |
|     | (vi) Additional Business Centre(s):   | [Not Applicable] [●]  |
|     | (vii) Determination Dates:  | [●] [and [●]] in each year][Not Applicable]   |
|     | (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): | [[●] shall be the Calculation Agent] [Not Applicable]   |
| 13. | <b>Floating Rate Note Provisions</b>  | [Applicable] [Not Applicable]   |
|     | (i) Interest Period(s):   | [●]   |
|     | (ii) Specified Period:  | [●] [Not Applicable]  |
|     | (iii) Specified Interest Payment Dates:   | [[●] in each year, [subject to adjustment in accordance with the Business Day Convention set out in (v) below/not subject to any adjustment, as the Business Day Convention set out in (v) below is specified as No Adjustment] [Not Applicable]  |

- (iv) First Interest Payment Date:
- (v) Business Day Convention:  Following Business Day Convention  Modified Following Business Day Convention  Preceding Business Day Convention  Floating Rate Convention  No Adjustment
- (vi) Additional Business Centre(s):  Not Applicable
- (vii) Manner in which the Rate(s) of Interest is/are to be determined:  Screen Rate Determination  ISDA Determination
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):  shall be the Calculation Agent  Not Applicable
- (ix) Screen Rate Determination:  Applicable  Not Applicable
- Reference Rate:  month  LIBOR/EURIBOR/STIBOR
  - Interest Determination Date(s):
  - Relevant Screen Page:
  - Relevant Time:
  - Relevant Financial Centre:
- (x) ISDA Determination:  Applicable  Not Applicable
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (xi) 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
- (xii) Margin(s):  +/-  per cent. per annum
- (xiii) Minimum Rate of Interest:  Not Applicable  per cent. per annum
- (xiv) Maximum Rate of Interest:  Not Applicable  per cent. per annum
- (xv) Day Count Fraction:  Actual/Actual (ICMA)  Actual/Actual (ISDA)

		[Actual/365 (Fixed) ] [Actual/360] [30/360] [30E/360] [30E/360 (ISDA)] [Other]
14.	<b>Zero Coupon Note Provisions</b>	[Applicable] [Not Applicable]
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[●]

**PROVISIONS RELATING TO REDEMPTION**

15.	<b>Call Option</b>	[Applicable] [Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s) (Call):	[●]
	(ii) Optional Redemption Amount(s) (Call) of each Note:	[[●] per Calculation Amount] [Make-Whole Redemption Price] [in the case of the Optional Redemption Date(s) falling [on [●]]/[in the period from and including [date] but excluding [date]]
	(iii) Make-Whole Redemption Price:	[Spens Amount] [Make-Whole Redemption Amount] [Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	• Reference Bond:	[●]
	• Quotation Time:	[●]
	• Redemption Margin:	[●] per cent.
	• Determination Date:	[●]
	• Determination Agent:	[●]
	(iv) If redeemable in part:	[Applicable] [Not Applicable]
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount

- (v) Notice period: [●]
16. **Put Option** [Applicable] [Not Applicable]
- (i) Optional Redemption Date(s) (Put): [●]
- (ii) Optional Redemption Amount(s) (Put) of each Note: [●] per Calculation Amount
- (iii) Notice period: [●]
17. **Final Redemption Amount of each Note** [●] per Calculation Amount
18. **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [[●] per Calculation Amount] [Condition 10(g) applies]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. **Form of Notes:** [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on or after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes]
- [Global Registered Notes registered in the name of a nominee for [a common depository for Euroclear Bank NA/SV and Clearstream Banking, S.A., a Common Safekeeper for Euroclear Bank NA/SV and Clearstream Banking, S.A. (that is, held under NSS)]]
- [Swedish Registered Notes
- Registrar: Euroclear Sweden
- Swedish Issuing Agent: [●]]
20. **(i) New Global Note:** [Yes] [No]
- (ii) New Safekeeping Structure:** [Yes] [No]
21. **Additional Financial Centre(s) or other special provisions relating to** [Not Applicable/[●]]

**payment dates:**

22. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No.][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 left.]
23. **RMB Settlement Centre(s):** [●] [Hong Kong] [Not Applicable]

**THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Sandvik AB (publ):

By:.....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the Regulated Market with effect from [●].] [Series [●] of the Notes is already admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s Regulated Market.]
Estimate of total expenses related to admission to trading:	[●]

### 2. RATINGS

Ratings:	The Notes to be issued [have been/are expected to be] rated:  [[S&P’s Credit Market Services Europe Limited]: “[●]”]
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### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[●]

### 4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- |                                |     |
|--------------------------------|-----|
| i. Reasons for the offer:      | [●] |
| ii. Estimated net proceeds:    | [●] |
| iii. Estimated total expenses: | [●] |

### 5. [Fixed Rate Notes only - YIELD

Indication of yield:	[●]  Calculated as [●] on the Issue Date.  As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
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### 6. OPERATIONAL INFORMATION

- |                  |     |
|------------------|-----|
| i. ISIN:         | [●] |
| ii. Common Code: | [●] |

- |      |   |   |
|------|---|---|
| iii. | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): | [Not Applicable/●]<br>[Euroclear Sweden Identification number:]   |
| iv.  | Delivery:   | Delivery [against/free of] payment  |
| v.   | Names and addresses of additional Paying Agent(s) (if any):   | [[●]/Not Applicable]  |
| vi.  | Name of Swedish Issuing Agent (if any):   | [[●]/Not Applicable]  |
| vii. | Intended to be held in a manner which would allow Eurosystem eligibility:   | [Yes/No]<br><br>[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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][ <i>include this text for Registered Notes</i> ] 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.]<br><br>[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 [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][ <i>include this text for Registered Notes</i> ]. 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.] |

7. **DISTRIBUTION**

- |   |  |
|---|--|
| US Selling Restrictions:                      | [Reg. S Compliance 2/Not Applicable]<br><br>[TEFRA C/TEFRA D/TEFRA not applicable] |
| Prohibition of Sales to EEA Retail Investors: | [Applicable] [Not Applicable] <sup>2</sup>   |

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<sup>2</sup> If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those notes, issued under the Programme will be substantially in the following form, duly supplemented, amended as necessary to reflect the particular terms of the relevant Notes and their issue.*

**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 THIS PRICING SUPPLEMENT.**

### **[PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Notes are not intended [, from 1 January 2018,] to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EU (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended including by Directive 2010/73/EU, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPS Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]<sup>1</sup>

**[MIFID II PRODUCT GOVERNANCE / TARGET MARKET – [appropriate target market legend to be included]]**

**Pricing Supplement dated [●]**

### **SANDVIK AB (PUBL)**

Issue of [*Aggregate Principal Amount of Tranche*] [*Title of Notes*]

**under the €3,000,000,000 Programme for the issuance of Notes**

### **PART A - CONTRACTUAL TERMS**

Any person making or intending to make an offer of the notes described in this Pricing Supplement (the **Notes**) may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Directive 2003/71/EC (as amended including by Directive 2010/73/EU and includes any relevant implementing measures in a relevant Member State of the European Economic Area) (the **Prospectus Directive**) or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. [Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Prospectus dated 15 December 2017 and the supplement(s) to it dated [●]] (the **Base Prospectus**). Full information on the Issuer and the offer of the notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus is available for viewing at and copies may be obtained from the registered office of the Issuer at Kungsbron 1, Section G, Floor 6, Box 510 Stockholm SE-101 30, Sweden, and at the registered office of the Paying Agent, Citibank N.A., London Branch, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [*the original date*] [and the supplement[(s)] to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 15 December 2017. Full information on the Issuer and the

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<sup>1</sup> Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable” or (ii) for offers concluded before 1 January 2018 at the option of the parties.



offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus dated 15 December 2017 and the supplement(s) to it dated [●] and [●]]. [The Prospectus dated 15 December 2017 [and supplement[s] to it] [is] [are] available for viewing at and copies may be obtained from the registered office of the Issuer at Kungsbron 1, Section G, Floor 6, Box 510 Stockholm SE-101 30, Sweden, and at the registered office of the Paying Agent, at the offices of the Paying Agent, Citibank N.A., London Branch, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom.]]

*[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 sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]*

1. Issuer: Sandvik AB (publ)
2. [(a)] Series Number: [●]
- [(b)] Tranche Number: [●]
- [(c)] 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 [●] below, which is expected to occur on or about [●]] [Not Applicable]
3. Specified Currency or Currencies: [●]
4. Aggregate Principal Amount: [●]
- [(i)] Series: [●]  
*[Insert total principal amount of outstanding Notes, including the Tranche which is the subject of this Pricing Supplement]*
- [(ii)] Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Principal Amount [plus accrued interest from [●] (if applicable)]
6. (i) Specified Denomination(s): [●] [and integral multiples of [●] in excess thereof [up to and including [●]]]. No Notes in definitive form will be issued with a denomination above [●].  
  
*[So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and higher integral multiples of [●], notwithstanding that no Definitive Notes will be issued with denominations above [●].]*
- (ii) Calculation Amount: [●]  
  
*[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest*

*common factor*][N.B. there must be a common factor in the case of two or more Specified Denominations]

7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [●][Issue Date][Not Applicable]
8. Maturity Date: [●]  
*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[●] per cent. Fixed Rate]  
[[●] month [LIBOR/EURIBOR/STIBOR/Other (specify reference rate)] +/- [●] per cent. Floating Rate]]  
[Zero Coupon]  
[Other (specify)]  
[(further particulars specified below)]
10. Redemption/Payment Basis: [Redemption at par] [Other (specify)]
- [11. Change of Interest or Redemption Basis: [●] [Not Applicable] *[Specify details of any provision for convertibility of Notes into another Interest and/or Redemption Basis]*
12. Put/Call Options: [Issuer Call][Issuer Put][Not Applicable]  
[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): [[●] [and [●]] in each year up to and including the Maturity Date] [adjusted for payment day purposes only in accordance with the Modified Business Day Convention] [adjusted for payment and interest accrual purposes in accordance with the Modified Business Day Convention]
- (iii) Fixed Coupon Amount[(s)]: [[●] per Calculation Amount] [Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest [CNY 0.01, CNY 0.005] [HK\$0.01, HK\$0.005] being rounded upwards] [Not Applicable]
- (iv) Broken Amount(s): [Not Applicable/[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] [Not Applicable]
- (v) Day Count Fraction: [Actual/ Actual (ICMA)]

- [Actual/ Actual (ISDA)]  
 [Actual/ 365 (Fixed)]  
 [Actual/ 360]  
 [30/360]  
 [30E/360]  
 [30E/360 (ISDA)]  
 [Other (specify)]
- (vi) Additional Business Centre(s): [Not Applicable]
- (vii) Determination Dates:  in each year [Not Applicable]  
*[Insert regular Interest Payment Dates, ignoring the Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):  shall be the Calculation Agent] [Not Applicable]
- (ix) Name and address of person responsible for calculating Basis of Interest and Interest Amount:  [Not Applicable]
- (x) Other terms relating to the method of calculating interest for Fixed Rate Notes: *[Specify details]*[Not Applicable]
14. **Floating Rate Note Provisions** [Applicable][Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (i) Interest Period(s):
- (ii) Specified Period: /Not Applicable]
- (iii) Specified Interest Payment Dates:  in each year, [subject to adjustment in accordance with the Business Day Convention set out in (v) below/not subject to adjustment in accordance with the Business Day Convention set out in (v) below as the Business Day Convention in (v) below is specified to be Not Applicable] [Not Applicable]
- (iv) First Interest Payment Date:
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [Other (specify)] [Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable]

- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination][ISDA Determination] [Other (*specify*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[●] shall be the Calculation Agent/ Not Applicable]
- (ix) Screen Rate Determination: [Applicable][Not Applicable]
- [If not applicable, delete the remainder of this sub-paragraph (vi)]*
- Reference Rate: [[●] month] [LIBOR/EURIBOR/STIBOR] [Other (*specify, including any amendment to fallback provisions*)]
  - 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 TARGET System is open prior to start of each Interest Period if EURIBOR or euro LIBOR]*
  - Relevant Screen Page: [●]  
*[In the case of EURIBOR, if not Reuters EURIBOR 01, ensure it is a page which shows a composite rate or amend fallback provisions appropriately]*
  - Relevant Time: [●]
  - Relevant Financial Centre: [●]
- (x) ISDA Determination: [Applicable][Not Applicable]
- [If not applicable, delete the remainder of this sub-paragraph (vii)]*
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) 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*]
- (xii) Margin(s): [+/-] [●] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum

- (xv) Day Count Fraction: [●]  
 [Actual/Actual (ICMA)  
 Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/360  
 30/360  
 30E/360  
 30E/360 (ISDA)  
 Other]
- (xvi) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [Specify][Not Applicable]
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: [Specify][Not Applicable]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [●]
16. **Index-Linked Interest Note/other variable linked interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent or other party responsible for calculating the interest due: [●]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●] *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]

- (vi) Interest or calculation period(s): [●]
- (vii) Interest Payment Dates/Specified Periods: [●]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (ix) Additional Business Centre(s): [●]
- (x) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Day Count Fraction: [●]

17. **Dual Currency 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 details*]
- (ii) Calculation Agent, or other party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

**PROVISIONS RELATING TO REDEMPTION**

18. **Call Option** [Applicable] [Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s) (Call): [●]
- (ii) Optional Redemption Amount(s) (Call) of each Note: [[●] per Calculation Amount] [Make-Whole Redemption Price] [in the case of the Optional Redemption Date(s) falling [on [●]]/[in the period from and including [date] but excluding [date]]]
- (iii) Make-Whole Redemption Price: [Spens Amount] [Make-Whole Redemption Amount] [Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- Reference Bond: [●]
- Quotation Time: [●]
- Redemption Margin: [●] per cent.
- Determination Date: [●]
- Determination Agent: [●]

19. **Noteholder Put Option** [Applicable][Not Applicable]

*[If not applicable, delete the remaining subparagraphs of this paragraph]*

- (i) Optional Redemption Date(s) (Put): [●]
- (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount [Other (*specify*)] [See Appendix]
- (iii) Notice period: Minimum period: [15] days  
Maximum period: [30] days

20. **Final Redemption Amount** [[●] per Calculation Amount] [Other (*specify*)] [See Appendix]

21. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default: [[●] per Calculation Amount][Condition 10(g) applies] [Other (*specify*)] [See Appendix]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. **Form of Notes:** [Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for [Definitive Notes on [●] days' notice]]

[Permanent Global Note exchangeable for [Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes]

[Swedish Registered Notes]

Registrar: Euroclear Sweden

Swedish Issuing Agent: [●]

23. (i) **New Global Note:** [Yes][No]
- (ii) **New Safekeeping Structure:** [Yes][No]
24. **Additional Financial Centre(s) or other special provisions relating to payment dates:** [Not Applicable][●]
25. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/ No. *If yes, give details*]
26. **RMB Settlement Centre(s):** [●] [Hong Kong] [Not Applicable]
27. **Details relating to Partly Paid Notes amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:** [Not Applicable/*give details*]
28. **Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:** [Not Applicable/*give details*]
29. **Redenomination, renominatisation and reconventioning provisions:** [Not Applicable/*give details*]
30. **Other final terms or special conditions:** [Not Applicable][*Specify details*]

**[THIRD PARTY INFORMATION]**

[*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 Sandvik AB (publ):

By:.....  
Duly authorised



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to [●] and listing on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [●] and listing on [●] with effect from [●].] [Series [●] of the Notes is already admitted to [●] and to trading on the [●].] [Not Applicable]

Estimate of total expenses related to admission to trading: [●] [Not Applicable]

### 2. RATINGS

Ratings: The Notes to be issued [have been/are expected to be] rated:

[[S&P's Credit Market Services Europe Limited]: [●]]

[[Moody's Investors Service Ltd.]: [●]]

[[Fitch Ratings Ltd.]: [●]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[●]

### 4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

i. Reasons for the offer: [●]

ii. Estimated net proceeds: [●]

iii. Estimated total expenses: [●]

### 5. [Fixed Rate Notes only - YIELD]

Indication of yield: [●]

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 6. OPERATIONAL INFORMATION

i. ISIN: [●]

ii. Common Code: [●]

iii. Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the [Not Applicable/●]

[Euroclear Sweden Identification number:]

- relevant identification number(s):
- iv. Delivery: Delivery [against/free of] payment
- v. Names and addresses of additional Paying Agent(s) (if any): /Not Applicable
- vi. Name of Swedish Issuing Agent (if any): /Not Applicable
- vii. Intended to be held in a manner which would allow Eurosystem eligibility: Yes/No
- [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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*] 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 [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. 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.]

## 7. DISTRIBUTION

- US Selling Restrictions: Reg. S Compliance 2/Not Applicable
- TEFRA C/TEFRA D/TEFRA not applicable
- Prohibition of Sales to EEA Retail Investors: Applicable Not Applicable<sup>2</sup>
- Additional Selling Restrictions:

<sup>2</sup> If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.

[8. **ADDITIONAL DISCLOSURE]**

[Costs and charges disclosure: [●]]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Conditions to Noteholder are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Conditions to Noteholder are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each, an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

### Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Conditions as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Registered Note which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon, will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN or a Global Registered Note held in NSS, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

*Record Date:* Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the **Record Date**) where **Clearing System Business Day** means a day on which each clearing system for which the Global Registered Note is being held is open for business.

*Payment Business Day:* Notwithstanding the definition of Payment Business Day in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is deposited with a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, **Payment Business Day** means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is Renminbi, any day on which commercial banks and foreign exchange markets are open for business in the relevant RMB Settlement Centre(s) and on which commercial banks in the relevant RMB Settlement Centre(s) are open for business and settlement of Renminbi payments; or
- (c) if the currency of payment is not euro or Renminbi, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (and if TARGET2 is specified as an Additional Financial Centre, a TARGET Settlement Day).

#### **Electronic Consent and Written Resolution**

While any Global Note is held on behalf of, or any Global Registered Note is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than two-thirds in principal amount of the Notes outstanding (an **Electronic Consent**) shall, for all purposes (including in respect of an Extraordinary Resolution relating to a Reserved Matter to be passed), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or Global Registered Note or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or *via* one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the

effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and holders of Coupons, Talons and Receipts even if the relevant consent or instruction proves to be defective. As used in this paragraph, **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder or participant of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **USE OF PROCEEDS**

The net proceeds from the issue of each Series of Notes will be used for the Issuer's general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

## DESCRIPTION OF THE ISSUER

The Issuer was established in 1862 and incorporated in 1897 under the laws of Sweden as a public limited liability company (*publikt aktiebolag*). The Issuer is registered at the Swedish Companies Registration Office with registration number 556000-3468. The Issuer's principal place of business is at Kungsbron 1, Section G, Floor 6, Box 510, Stockholm SE-101 30, Sweden and its telephone number is +46 (0) 26 26 00 00.

The Issuer is the ultimate parent company of approximately 250 operative subsidiaries with sales in more than 150 countries worldwide (as at 31 December 2016) and is dependent on the performance of the Group for the satisfaction of its obligations. References in this business description to the **Group** are to the Issuer and its subsidiaries (the **Subsidiaries**).

### *History and development*

The Issuer was founded in 1862 by Göran Fredrik Göransson, who pioneered the Bessemer method for industrial-scale steel production. The Issuer belongs to a high-technology, engineering group with advanced products in selected areas. The Group's business is based on specialist capabilities and expertise in materials technology. The Group operates in three business areas (see below) focussing on three key product spheres:

- tools and tooling systems for industrial metal cutting;
- high quality equipment and tools, service and technical solutions for the mining and construction industries (including rock drilling, rock cutting, crushing and screening, loading and hauling, tunnelling, and quarrying) (**mining and rock technology**); and
- advanced stainless steels, powder-based alloys and special alloys, as well as products for industrial heating.

According to its last Annual Report, as at 31 December 2016 the Group had about 43,000 employees and annual revenue of SEK 81.553 billion.

## STRATEGY

### *Focus on core capabilities and to be number one or two in chosen segments and markets*

The Issuer focuses on areas where it is or believes it can become world leading and the customers' first choice. By focusing on its core capabilities – material knowledge, close cooperation with customers to develop its offering, and ability to industrialise – the Issuer ensures its leading position within metal cutting, mining and rock technology and advanced material knowledge.

Following an analysis of profit, business potential and core capabilities, the Issuer made important decisions that allowed it to focus on its core areas. Key progress included:

- Restructuring – The Issuer restructured the business from five to three business areas in order to achieve total ownership and accountability for the respective businesses.
- Divestment – The Issuer initiated the divestment of specific businesses that fall outside the scope of its selected segments of the cutting tool industry, the mining industry, and the advanced stainless steels and special alloys industry.

### *Technology leadership and innovation*

The Issuer strives to be a technology leader within its chosen segments and markets by investing in product innovation, research and development, efficient time-to-market processes and through close cooperation with its customers.

The Issuer continued to focus on product innovations that boost productivity and energy efficiency, reduce CO2 emissions, improve resource utilisation and increase safety, as well as leverage digitalisation opportunities. Examples include:



- Broad offering of electric mining equipment: Sandvik Mining and Rock Technology offers customers a wide range of electric equipment solutions for mining applications, which promote production processes which are safe, cost-effective and result in improved environmental impact. For example, the Group launched Sandvik DD442iE, the world's first, highly automated, battery-trammed mining jumbo drill rig, and Sandvik LH3087B, a battery-powered loader with new technology for emission-free underground loading and hauling.
- Digital manufacturing and intelligent tools: Sandvik Machining Solutions provides advanced solutions for monitoring and controlling machining processes in production machines and in 2016 launched CoroPlus®, a sensor-based intelligence platform for digital machining.
- Game-changing materials meeting energy and climate change challenges: Sandvik Materials Technology is leading the development of coated strip steel for bipolar plates in fuel cells. A fuel cell is an energy converter that can be used to make electricity and heat from hydrogen gas. The energy conversion takes place without any combustion. The only emission is pure water. With the Group's unique large scale production plant it is in the front line for the upcoming commercialisation of the fuel cell technology.

#### ***Accountability and decisions close to customers***

The Issuer ensures a high degree of accountability by taking decisions close to customers through a decentralised, entrepreneurial way of working.

The Issuer continued to decentralise its business model to ensure that decisions are made closer to its customers, thereby improving the speed with which they can respond to customers' requirements and market changes. Examples include:

- Greater product area ownership: Within the business areas, each product area has greater ownership and accountability for its performance and result, which creates a more entrepreneurial environment. Product area performance is continuously monitored in line with the decentralisation strategy. One example of full-line accountability is the move of production units into the product areas within Sandvik Machining Solutions.
- Customer-focused business models: Sandvik Mining and Rock Technology implemented a new business model with eight product areas based on their product offering. The purpose is to enhance their responsiveness to customer needs and demand.
- Decentralised support functions: The process of bringing Human Resources and Finance service functions to individual business areas to ensure greater accountability for the services used by the business areas was initiated.

#### ***Stability and profitability before growth***

The Issuer focuses on stability and profitability before growth. This involves ensuring that it has the right organisational structure, strong management, efficient working processes and that its businesses ensure stable, predictable results as a prerequisite before driving growth.

The Issuer's business areas were characterised by different challenges and opportunities concerning stability, profitability and growth, which require different strategies and focus. Sandvik Machining Solutions has maintained a stable and profitable business and strengthened its growth ambitions, for example through additive manufacturing. Sandvik Mining and Rock Technology focused on stability by ensuring the right organisational structure, strong management and efficient working processes were in place during the process of restructuring. Sandvik Materials Technology focused on ensuring stable performance and profitability by generating value for the Group through greater efficiency in administration and sales costs and net working capital.

### ***Efficiency and cost reductions***

The Issuer strives to achieve efficiency through continuous improvements. This involves promoting a culture of implementing small every-day improvements to increase its productivity, efficiency and consequently, achieve cost reductions – and ultimately ensure operational excellence.

The Issuer established an overall objective to achieve year-on-year productivity improvements of at least 3 per cent. (by reference to revenues per employee). A number of important improvements were made during the year. Examples include:

- Consolidation of the supply chain and other cost efficiency measures generated more than SEK 800 million in savings in 2016 compared with 2015.
- Group functions' cost decreased by more than 20 per cent. in 2016 compared with 2015.
- The number of employees was lowered by 4 per cent. in 2016, mainly as a consequence of efficiency measures and additional savings due to muted market conditions.
- Net working capital improved, which together with strong earnings gave the next highest operating cash flow in the company's history.
- Strong cash generation resulted in net debt reaching a three-year low level and the target of net debt to equity ratio<sup>1</sup> being less than 0.8 was achieved, finishing the year 2016 at 0.7.

### ***Culture of doing things right***

The Issuer believes that high ethical standards and strong values create long-term value for customers, employees and other stakeholders. Through the Issuer's values, the Code of Conduct and key policies, all encompassed within the governance model, "The Sandvik Way", the Issuer sets clear standards for "doing things right". These key principles apply to all parts of the Issuer and are non-negotiable for all employees and entities. The Issuer's "Speak Up" and investigations processes support central principles within internal control, compliance and internal audit to build a stable foundation for the Issuer's long term business.

The Issuer launched their new governance model, "The Sandvik Way", in 2016, with a complete review of all policies and procedures to adjust them to the new decentralisation strategy. The Issuer's Speak Up process was further developed and transferred to the business areas, through the new investigations procedure, which aims to ensure that it deals with all deviations from the Code of Conduct and policies swiftly and with integrity. The Issuer's compliance programme continues to be rolled-out, including the launch of the Data Privacy-program, to prepare for new legislation entering into force in 2018.

### ***Exceptional people***

The Issuer promotes a culture that attracts, develops and retains exceptional people, and ensures that the Group is a great place to work. This is fundamental to the Issuer's success.

The Issuer continues to drive initiatives that promote leadership and develop key competence within the organisation. The Issuer focuses on attracting and recruiting employees through its increased digital presence, and takes measures to increase diversity and inclusion. Examples include:

- *Leadership initiatives:* The Issuer drives various initiatives to identify and promote talent in all parts of the organisation. In 2016, more than 670 leaders across the Group participated in the Issuer's leadership programme.
- *Diversity and inclusion:* Workplace diversity and inclusion provides the Issuer with a competitive advantage. During 2016, the share of women in product areas' management teams was 24 per cent. and the share of non-Europeans was 17 per cent.

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<sup>1</sup> Net debt to equity ratio means interest-bearing current and non-current debts, including net pension liabilities, less cash and cash equivalents divided by shareholders' equity including non-controlling interests.

## ***Sustainable business***

The Issuer believes that it can create a more sustainable future together with its customers, employees, shareholders and other stakeholders. Its sustainable business strategy, revised in 2016, aims to further integrate these matters into its core operations, and promote a greater understanding of how its offerings can contribute to a better future. Examples of the Issuer's sustainable strategies include:

- *Making its customers more sustainable:* The Issuer develops products, solutions and services that enhance its customers' productivity and competitiveness while reducing environmental impact, and promoting health and safety for its customers' employees. The Issuer also works with its customers throughout the product's life cycle by providing service and aftermarket support, such as customer buy-back programmes which enable it to recover and recycle used products. The Issuer constantly works on making its products more energy efficient thereby lowering its customers' costs.
- *Promoting sustainability in its operations:* The Issuer believes that promoting sustainability and responsibility in its own operations makes it a more long-term and trusted partner to its customers and other stakeholders. The Issuer works continuously to improve its internal processes, to address aspects such as its supplier management, energy use, emissions, water consumption, anti-corruption, fair working conditions as well as other human rights.
- *Engaging in stakeholder dialogues:* The Issuer engages in open dialogues with its various Group and business area stakeholders on sustainability matters, which provides essential input and guidance on how it integrates sustainability into its business.
- *Conducting materiality analysis:* The Issuer conducts a materiality analysis on a regular basis. This analysis provides the Issuer with a direction by indicating the most significant aspects of the sustainability agenda for it at a particular point in time. A new materiality analysis was conducted in 2016 and has been applied as of 2017. The process involved a large number of both internal and external stakeholders. It is based on the Issuer's sustainable business strategy, international frameworks and institutions, the media, global trends, stakeholder dialogue as well as its own assessments.

## **RECENT EVENTS**

On 17 May 2017, the Issuer announced Sandvik Materials Technology's intention to divest parts of its wire operations. Welding and stainless wire were to be divested. These businesses are subject to intense competition and Sandvik Materials Technology does not hold a leading market position. In 2016, the wire businesses, which were to be divested, generated total annual revenues of about SEK 700 million. Kanthal wire for industrial heating remains in Sandvik Materials Technology. The businesses included in the Kanthal product area are regarded as core businesses due to the strong market position and growth potential. In 2016, operations now transferred into the Kanthal product area had annual revenues of about SEK 800 million.

On 30 October 2017, the Issuer signed an agreement to divest the welding wire operations to ESAB, a global leader in the welding industry and part of Colfax Corporation.

On 8 December 2017, the Issuer signed an agreement to divest Hyperion to the US listed investment firm KKR at a price of SEK 4 billion. Hyperion delivers advanced wear-resistant tools, applications and components in hard and super-hard materials. Hyperion, with approximately 1,400 employees, has in the last twelve months reported revenues of approximately SEK 3.2 billion, representing approximately 4 per cent. of the Issuer's total revenues. The closing of the transaction is expected during the first half of 2018 and is subject to the approval of relevant authorities.

## **The third quarter of 2017**

### *Market development and earnings*

Order intake for the third quarter improved organically by 13 per cent. year-on-year and revenues increased by 12 per cent. at fixed foreign exchange rates. All business areas reported strong growth in

order intake. Sandvik Machining Solutions reported organic order growth of 11 per cent., despite an adverse impact of -1 per cent. from reduced working days. In respect of Sandvik Mining and Rock Technology orders improved organically by 18 per cent., including one large order received worth about SEK 250 million. Growth was 15 per cent. excluding the impact of major orders. Sandvik Materials Technology reported an increase of 9 per cent. in orders, including one large order received at a value of about SEK 250 million. Growth was 14 per cent. excluding the impact of major orders. In the three major regions, momentum was strongest in Asia with growth at 14 per cent., supported by a significant increase in China. North America reported 12 per cent. growth. Europe improved by 9 per cent., while the figure excluding large orders was 7 per cent. All customer segments improved or remained stable compared with the same period last year. In general, mining demand as well as demand in the general engineering segment grew and was strong across all regions. The energy segment remained generally stable. The automotive segment remained stable, with increased demand in Asia, while Europe and North America remained steady. The aerospace segment noted an overall stable development. Changed exchange rates had a negative impact of -2 per cent. on both order intake and revenues.

Operating profit rose by 28 per cent. year-on-year to SEK 3.344 billion and the operating margin was 15.4 per cent. If the negative impact of changed exchange rates were excluded, operating profit would have risen by 37 per cent. The improvement in operating profit was driven by strong development in Sandvik Mining and Rock Technology and Sandvik Machining Solutions at 80 per cent. and 18 per cent. respectively, due to higher volumes and implemented efficiency measures. In Sandvik Materials Technology, an operating loss of SEK 57 million was reported, primarily due to a negative mix in deliveries, lower profitability in the more standardised tubular business as well as expected seasonality and an adverse impact from changed metal prices. Total selling and administration expenses rose by 5 per cent. This increase was related to sales costs driven by increased market activity, despite a decline in administrative costs. However, the ratio to revenues declined to 21 per cent. Savings from the ongoing efficiency programme announced earlier generated savings of SEK 85 million year-on-year. Changed exchange rates adversely impacted operating profit by -SEK 244 million. Changed metal prices had an adverse impact of -SEK 64 million on results. Finance net decreased significantly year-on-year to -SEK 193 million due primarily to a lower debt level as well as the marked-to-market valuation of derivatives. The tax rate was 25.5 per cent. for continuing operations. The tax rate for the Group total was 25.2 per cent. for the quarter ended 30 September 2017.

#### *Cash flow and balance sheet*

Capital employed declined year-on-year to SEK 75.2 billion primarily due to the impact from changed exchange rates.

Net working capital decreased overall by about SEK 200 million year-on-year to SEK 21.6 billion. The decline in reported net working capital was due to the impact from changed exchange rates, while the underlying organic net working capital remained generally stable. The increase in inventories and accounts receivables was more than offset by higher accounts payable and customer advances. Net working capital in relation to revenues declined to 25 per cent. for the quarter.

Investments in tangible and intangible assets in the third quarter amounted to SEK 770 million, corresponding to 76 per cent. of depreciation. Investments are seasonally higher in the second half of the year.

Financial net debt amounted to SEK 25.3 billion in the third quarter, declining year-on-year from SEK 33.5 billion. The net debt to equity ratio declined to 0.62. The net pension liability declined year-on-year from SEK 7.6 million to SEK 6.0 billion due to changed discount rates and increased asset values. Interest-bearing debt with short-term maturity accounted for 9 per cent. of total debt.

Cash flow from operations was reported at SEK 3.8 billion and declined year-on-year. While operating earnings increased, net working capital remained largely unchanged. The previous year's significant reduction in net working capital was not repeated. Consequently, free operating cash flow declined by 14 per cent. year-on-year to SEK 3.7 billion, to be compared with operating profit of SEK 3.3 billion.

#### *Sandvik Mining and Rock Technology*

Order intake improved organically by 18 per cent. year-on-year, yielding a neutral ratio of orders received to the amount billed for the period (**book-to-bill ratio**) of 102 per cent. Revenues increased organically

by 17 per cent. supported by strong order intake in recent quarters and a favourable demand in the aftermarket business. The following key items impacted orders and revenues compared to the same period last year:

- order intake was driven by high demand for replacement mining equipment as well as in the aftermarket business;
- one large order was received at a value of about SEK 250 million within mechanical cutting;
- growth in the aftermarket business improved significantly at a mid-teen rate, supported primarily by high demand for parts and services;
- in the equipment business, strongest demand was reported for the product areas Drilling as well as Load and Haul;
- although the business is currently relatively small, the mining automation range noted high customer activity, mainly related to underground mining;
- increased customer activity was primarily related to the commodities of gold, silver, copper and zinc; and
- all geographies reported positive order development with Australia being the strongest region in relative terms.

Operating profit improved by 80 per cent. and the operating margin increased significantly to 16.4 per cent., despite an adverse impact from changed exchange rates. The following items impacted operating profit and margin:

- positive organic growth in revenues of 17 per cent. improved the absorption of fixed costs in production; and
- the year-earlier period was adversely impacted by some activities related to the merger of the two business areas Sandvik Mining and Sandvik Construction.

For discontinued operations, order intake increased by 30 per cent. and revenues by 33 per cent. year-on-year at fixed exchange rates for comparable units. The operating profit amounted to SEK 33 million. The operating profit in the previous year period was negatively impacted by -SEK 847 million in capital loss related to the planned divestment of Mining Systems. Changed exchange rates impacted earnings positively by SEK 17 million.

#### *Sandvik Machining Solutions*

Order intake and revenues increased significant year-on-year by 11 per cent. and 10 per cent., respectively. Demand improved in all geographical regions as customer activity intensified or remained stable in all customer segments. The following key items impacted orders and revenues compared to the same period last year:

- the number of working days had a negative impact of about -1 per cent. on both order intake and revenues;
- revenues in the Asia region increased organically by 14 per cent., with significant support from high customer activity in China and across most segments;
- in Europe revenues improved organically by 9 per cent., despite the above average adverse impact from working days. The general engineering and aerospace segments improved while the automotive segment remained stable and the energy segment declined; and
- revenues improved organically by 9 per cent. in North America with positive development across most segments, except automotive which remained stable.

The operating profit improved by 18 per cent. year-on-year, despite a negative impact from changed exchange rates. The operating margin increased to 23 per cent. The following items impacted operating profit and margin:

- positive organic growth in revenues of 10 per cent.;
- changed exchange rates had an adverse impact of -SEK 113 million on operating profit;
- ongoing announced efficiency measures generated year-on-year savings of SEK 80 million; and
- slight inventory build-up in the third quarter of 2017, compared with last year's reduction, supported the operating margin by 0.5 per cent. year-on-year.

#### *Sandvik Materials Technology*

Organic order intake increased by 9 per cent. and book-to-bill ratio was 102 per cent. Excluding the impact from major orders, order intake improved by 14 per cent. Revenues improved organically by 3 per cent. Higher alloy prices positively impacted both order intake and revenues by 1 per cent, primarily related to nickel. The following key items impacted orders and revenues compared to the same period last year:

- order intake was positively impacted by a large order received worth about SEK 250 million related to the energy segment (SEK 350 million in the same period last year);
- demand remained stable at a low level for the more standardised tubular product offering. Over time, competition has gradually increased, related to both the downturn in the energy segment, as well as a stronger product offering from primarily Asian competitors; and
- higher demand for heating systems and high-alloy metal powder for such applications as additive manufacturing.

An operating loss of SEK 57 million was reported, in a seasonally weak quarter. If metal price effects were excluded, operating profit would have been SEK 7 million and the operating margin would have been 0.2 per cent. (in each case, including a positive impact from currencies). The following key items impacted operating profit and margin:

- excluding the positive impact from changed alloy prices, organic revenues improved by 2 per cent. However, a negative mix in deliveries and lower profitability in the standardised tubular business weighed on operating profitability;
- adverse impact by about -SEK 30 million on operating profit due to re-scheduled product deliveries to the fourth quarter of 2017;
- changed exchange rates had a positive impact of SEK 13 million on operating profit; and
- changed metal prices had an adverse impact of -SEK 64 million on operating profit.

#### *Other Operations*

Organic order intake improved by 9 per cent., which was the result of positive development in Hyperion, although this was partially offset by a decline in Process Systems. Revenues increased by 10 per cent. as received orders received were converted into deliveries.

The following key items impacted orders and revenues compared to the same period last year:

- *Process Systems*: Organic order intake declined significantly due to the timing of orders placed by customers. Customer activity in the belts business was stronger in relative terms, while it was somewhat slower in the project business, Industrial Processing. The strong order intake in recent quarters supported revenues, which improved; and
- *Hyperion*: Double-digit growth was reported for both order intake and revenues, supported by a general positive development in customer activity in most segments.

Operating profit improved by 8 per cent. and the operating margin increased to 10.3 per cent., adversely impacted by transaction-related costs of about -SEK 20 million. The following key items impacted operating profit and margin:

- Process Systems reported a significant improvement in operating profit, and the operating margin also rose sharply, supported by organic growth;
- both operating profit and operating margin improved in Hyperion, supported by positive organic growth; and
- changed exchange rates had an adverse impact of -SEK 9 million on operating profit.

## PARENT COMPANY

The Issuer's revenues after the third quarter of 2017 amounted to SEK 12.241 billion (compared with SEK 10.988 billion for the same period in 2016) and the operating profit was SEK 1.229 million (compared with -SEK 200 million for the same period in 2016). Expense of shares in Group companies consists primarily of dividends and Group contributions to these and amounted after the third quarter to -SEK 3.841 billion. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 16.225 billion. Investments in property, plant and machinery amounted to SEK 533 million.

## ACQUISITIONS AND DIVESTMENTS

On 1 October 2016, Comara GmbH (**Comara**) was acquired by way of an asset-transfer arrangement. Comara specialises in collecting, evaluating and using real-time data to connect machines, and as at the date of the acquisition, the annual revenue generated by Comara was SEK 8 million. Together with Walter, Comara also develops software solutions for connecting all devices in the production environment, from machines and tools to logistics and databases. With "appCom", Comara offers machine manufacturers and industrial companies their own platform for individual "apps" (special software modules) in the production environment.

On 2 November 2017, the Issuer announced the completion of divestments of Mining Systems (which is a supplier of design and engineering of material handling systems, with annual revenue of SEK 2.9 billion in 2016):

- The project part of the business related to mining industry has been divested to FLSmidth, with the exception of the project business assets in South Africa which awaits merger control clearance. Clearance is expected during the first quarter of 2018.
- Ongoing orders and deliveries related to the non-mining material handling project business (mainly harbour projects) and some mining projects will be delivered by Sandvik through an operational agreement with FLSmidth. The projects are expected to be finalised during 2017-2019.
- The conveyor components part of the Mining Systems business has been divested to NEPEAN Conveyors Pty Ltd, a privately owned Australian based company.

On 1 December 2017, the Issuer announced the completion of the divestment of Sandvik Process Systems (which is a supplier of industrial process solutions, with annual revenue of SEK 1.7 billion in 2016) to FAM AB.

## Significant acquisitions during the most recent 18-month period

Business area	Company/unit	Closing date
Sandvik Machining Solutions	Comara GmbH	1 October 2016

## Significant divestments during the most recent 18-month period

Business area	Purchaser(s)	Closing date
Sandvik Mining Systems <sup>2</sup>	FLSmidth and NEPEAN	2 November 2017
Sandvik Process Systems	FAM AB	1 December 2017

## MANAGEMENT

The Board of Directors of the Issuer (the **Board**) is responsible for the Issuer's organisation and the management of the Issuer's business. The Board is required to continuously monitor the Issuer's and the Group's financial position.

The Board is to ensure that the Issuer's organisation is designed in a way that ensures that the financial statements, the management of assets and the Issuer's financial condition in general are controlled in a satisfactory manner.

The President is appointed by the Board and is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the President is laid down in the Board's Procedural Guidelines which are reviewed and adopted each year. The review is based on such aspects as the Board's evaluation of the individual and collective work that the Board performs.

In addition to financial reporting and the monitoring and follow-up of daily operations and profit trend, Board meetings address the goals and strategies for the operations, significant acquisitions and investments, as well as matters relating to the capital structure. Senior executives report business plans and strategic issues to the Board on an ongoing basis.

The Board consists of eight members (**Directors**) elected by the Annual General Meeting. Pursuant to Swedish legislation, trade unions are entitled to representation on the Board and they have appointed two members and two deputies.

### Members of the Board

**Johan Molin**, b. 1959. Chairman of the Board since 2015. Chairman of the Remuneration Committee.

*Education and business experience:* Master of Science in Business and Economics from the Stockholm School of Economics. President and CEO of ASSA ABLOY since 2005, President and CEO of Nilfisk-Advance 2001–2005 and various positions within the Atlas Copco Group 1983–2001.

*Current Board assignments:* Director of ASSA ABLOY AB.

**Jennifer Allerton**, b. 1951. Director of the Issuer since 2015

*Education and business experience:* M.Sc. in Physics and B.Sc. in Mathematics, Physical Sciences and Geosciences. Chief Information Officer at F. Hoffmann-La Roche Ltd 2002–2012, Technology Director at Barclaycard 1999–2002 and various positions at ServiceNet, USA, BOC (now Linde), Cable & Wireless Business Networks and Unilever plc.

*Current Board assignments:* Director of Iron Mountain Inc and AVEVA Group plc.

**Claes Boustedt**, b. 1962. Director of the Issuer since 2015. Chairman of the Audit Committee.

*Education and business experience:* MBA. Vice President of L E Lundbergföretagen AB since 1997 and President of L E Lundberg Kapitalförvaltning AB since 1995.

*Current Board assignments:* Director of Hufvudstaden AB.

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<sup>2</sup> The project part of the business related to mining industry has been divested to FLSmidth, with the exception of the project business assets in South Africa which awaits merger control clearance. Clearance is expected during the first quarter of 2018.



**Johan Karlström**, b. 1957. Director of the Issuer since 2011. Member of the Remuneration Committee.

*Education and business experience:* MSc (Eng.). President of Skanska AB since 2008, various senior positions at BPA (currently Bravida) 1995–2000.

*Current Board assignments:* Director of Skanska AB.

**Björn Rosengren**, b. 1959. President and CEO of the Issuer since November 2015, Director of the Issuer since 2016

*Education and business experience:* M.Sc. in Technology. President and CEO of Wärtsilä 2011–2015. Senior Executive Vice President of Atlas Copco AB and Business Area President for Construction and Mining Technique 2002–2011. President of the Atlas Copco Rock Drilling Equipment Division 2001–2002. President of the Atlas Copco Craelius Division 1998–2001. General Manager of Nordhydraulic, Nordwin AB, Sweden 1995–1998. Various positions within ESAB Group 1985–1995.

*Current Board assignments:* Director of Danfoss A/S.

**Helena Sjernholm**, b. 1970. Director of the Issuer since 2016. Member of the Audit Committee

*Education and business experience:* M.Sc. Econ. President and CEO of AB Industrivärden since 2015. Prior to joining Industrivärden, she was a partner in the private equity firm IK Investment Partners where she had worked since 1998. In 1997-1998 she worked as a consultant at Bain & Company.

*Current Board assignments:* Board member in AB Industrivärden, AB Volvo and Telefonaktiebolaget LM Ericsson.

**Lars Westerberg**, b. 1948. Director of the Issuer since 2010. Member of the Audit Committee and the Remuneration Committee.

*Education and business experience:* MSc (Eng.) and BSc (Econ.), CEO and President of Autoliv Inc. 1999–2007, Gränges AB 1994–1999 and ESAB 1991–1994. Various positions in ESAB and ASEA from 1972.

*Current board assignments:* Director of SSAB, AB Volvo and Stena AB.

**Tomas Kärnström**, b. 1966. Director of the Issuer since 2006 (Employee representative).

*Education and business experience:* Chairman of the Union Committee, Metal Worker's Union, Sandvik Materials Technology. Various positions within the Group since 1986.

*Current Board assignments:* None.

**Marika Fredriksson**, b. 1963. Director of the Issuer since 2017.

*Education and business experience:* Master of Business Administration. CFO & Group Executive Vice President of Vestas Wind Systems A/S since 2013. Previously CFO of Gambro AB, CFO of Autoliv Inc. and several senior positions within the Volvo Group.

*Current Board assignments:* Director of SSAB AB.

**Tomas Lilja**, b. 1975. Director of the Issuer since 2016 (Employee representative).

*Education and business experience:* Technical College Graduate – Mechanical Engineering. Chairman of Trade Union Unionen Sandvik Sweden and Unionen Coromant & Machining Solutions. Process & System Coordinator Direct Purchasing at Sandvik Tooling 2007-2010 and Professional Buyer Direct Material at Sandvik Coromant/ Tooling 2000-2007. Various positions within production and logistics at Scania 1995-2000.

*Current Board assignments:* None.

## Deputy members

**Thomas Andersson**, b. 1962. Deputy Director of the Issuer since 2012 (Employee representative).

*Education and business experience:* Chairman of the Union Committee, Metal Workers' Union, Sandvik Coromant, Gimo. Various operator positions within Gimoverken since 1984. Construction firm Anders Diös 1980–1984.

*Current Board assignments:* None.

**Mats W Lundberg**, b. 1974. Deputy Director of the Issuer since 2015 (Employee representative).

*Education and business experience:* Master of Science and PhD in Chemical Engineering. Principal R&D Engineer, Sandvik Materials Technology since 2010. Scientist and postdoctoral researcher at Risø DTU, Denmark 2007–2010 and Technical Sales Specialist at Spectral Solutions AB 2005–2007.

*Current Board assignments:* None.

## Honorary Chairman

**Percy Barnevik**, b. 1941. Chairman of the Board of the Issuer 1983–2002.

## Board Secretary

**Åsa Thunman**, b. 1969. Board Secretary, Executive Vice President and General Counsel of the Issuer since 2014.

*Education and business experience:* Master of Laws (LLM). Securitas Group, 2009–2014, general counsel since 2011. Elekta AB, 1999–2009, several leading positions, including general counsel. Lagerlöf & Leman law firm, 1996–1999.

*Current Board assignments:* None.

The business address for the Members of the Board is currently Kungsbron 1, Section G, Floor 6, Box 510, Stockholm SE-10130, Sweden.

## Auditor

### **KPMG AB**

*Auditor-in-charge* (as from January 2017): **Joakim Thilstedt**, b. 1967. Auditor-in-charge, Authorised Public Accountant.

*Other auditing assignments:* Auditor-in-charge at Ahlsell AB, Holmen AB, Hufvudstaden AB, LE Lundbergföretagen AB and Modern Times Group MTG AB, among others.

## President and the Group Executive Management

The President and CEO is accountable for Group decision-making in all areas delegated by the Board. In order to ensure a full Group perspective in these matters, the President has appointed the Group Executive Management as an advisory forum, focusing on how to achieve Group targets, strategies, structure and organisation. The Group Executive Management meets each month and its members are accountable for implementing the President's decisions.

As of the date of this Base Prospectus, the present members of the Group Executive Management include:

**Björn Rosengren**, b. 1959. President and CEO of the Issuer since November 2015, Director of the Issuer since 2016.

*Education and business experience:* M.Sc. in Technology. President and CEO of Wärtsilä 2011–2015. Senior Executive Vice President of Atlas Copco AB and Business Area President for Construction and Mining Technique 2002–2011. President of the Atlas Copco Rock Drilling Equipment Division 2001–

2002. President of the Atlas Copco Craelius Division 1998–2001. General Manager of Nordhydraulic, Nordwin AB, Sweden 1995–1998. Various positions within ESAB Group 1985–1995.

*Current Board assignments:* Director of Danfoss A/S

**Jessica Alm**, b. 1977. Executive Vice President and Head of Group Communications of the Issuer, since 2013.

*Education and business experience:* MSc in Geological and Earth Sciences/Geosciences and Journalism. Employed at the Group since 2006. Various senior positions, including Vice President Communication and Marketing at Sandvik Coromant 2012–2013 and Internal Communication Manager at Sandvik Coromant 2010–2012.

*Current Board assignments:* None.

**Tomas Eliasson**, b. 1962. Executive Vice President and Chief Financial Officer, Sandvik AB, since 1 April 2016

*Education and business experience:* B.Sc. in Business Administration and Economics, Uppsala University. Chief Financial Officer of AB Electrolux 2012–2016. Chief Financial Officer and Executive Vice President of ASSA ABLOY AB 2006–2012. Chief Financial Officer of Seco Tools AB 2002–2006. Financial Manager of ABB Robotics AB 1999–2002. Financial Manager of ABB Flexible Automation AB 1997–1999. Various positions within the ABB Group in Sweden and Australia 1987–1997.

*Current Board assignments:* Director in Millicom International Callular S.A.

**Göran Björkman**, b. 1965. President of the Sandvik Materials Technology business area since November 2017.

*Education and business experience:* M.Sc. in Mechanical Engineering. Employed at Sandvik since 1990. Various leading positions within Sandvik Materials Technology 1990–2008, including General Manager Process Support and Distribution, and Vice President and Head of Primary Products. Several senior positions within business area Sandvik Machining Solutions 2008–2017, including Head of Business Development, Vice President Production Strategy, and Vice President Production at product area Sandvik Coromant.

*Current Board assignments:* None.

**Lars Engström**, b.1963. President of the Sandvik Mining and Rock Technology business area since 1 July 2016.

*Education and business experience:* MSc Industrial Engineering and Management. President of the Sandvik Mining business area 2015-2016. President and CEO BE Group AB 2014-2015. President and CEO of Munters AB 2006-2014. Various senior positions within Atlas Copco 1994–2006, such as President of the Atlas Copco Rock Drilling Equipment/Underground Rock Excavation Division 2002–2006 and General Manager Atlas Copco CMT Australia and New Zealand 2000–2002. Various positions within Seco Tools 1988–1994.

*Current Board assignments:* Director of the industry association Svemin.

**Klas Forsström**, b.1967. President of the Sandvik Machining Solutions business area, as of April 2017.

*Education and business experience:* M.Sc. Material Physics and an MBA in International Marketing and Business, Uppsala University, Sweden. Advance Management Program at INSEAD, France. Various positions within Sandvik since 1992, including President for Sandvik Coromant 2011-2017 and President for Sandvik Hard Materials 2009-2011.

*Current Board assignments:* None.

**Johan Kerstell**, b.1970 Executive Vice President and Head of Human Resources, Sandvik AB, since 1 June 2016.

*Education and business experience:* M.Sc.in Business and Economics. Cap Gemini 1999–2003. Various leading positions in Human Resources and Organisational Development within the Group 2004–2016.

*Current Board assignments:* None.

**Åsa Thunman**, b. 1969. Executive Vice President and General Counsel of the Issuer since 1 October 2014.

*Education and business experience:* Master of Laws (LL.M). Securitas Group 2009–2014, general counsel since 2011. Elekta AB, 1999–2009, several leading positions, including general counsel. Lagerlöf & Leman law firm 1996–1999.

*Current Board assignments:* None.

The business address for the Group Executive Management and Extended Group Executive Management is currently Kungsbron 1, Section G, Floor 6, Box 510, Stockholm SE-101 30, Sweden.

### **Committees of the board of directors**

The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees' primary task is to prepare issues and present them to the Board for resolution.

#### *Remuneration Committee*

During 2016, the members of the Remuneration Committee were the Chairman of the Board Johan Molin (Chairman of the Committee), Johan Karlström and Lars Westerberg. The tasks of the Remuneration Committee are, among others, those prescribed by the Code, which include preparing proposals regarding guidelines for remuneration of senior executives and long-term incentive programmes for senior executives.

Based on the recommendations of the Remuneration Committee, the Board decides the remuneration and terms of employment for the President, who in turn decides on the remuneration to be paid to the Group Executive Management in consultation with the Remuneration Committee.

#### *Audit Committee*

Since the 2016 Annual General Meeting, the members of the Audit Committee are Claes Boustedt (Chairman of the Committee), Helena Stjernholm and Lars Westerberg. Areas addressed by the Audit Committee mainly related to:

- financial reporting;
- effectiveness of the system of internal control;
- planning, scope and follow-up of the internal and external audit for the year;
- the Group's systematic processes for risk management, including legal disputes, accounting procedures, taxation, finance operations and pension issues;
- the development and effectiveness of compliance processes and Speak Up, the Issuer's global whistleblowing system; and
- the Issuer's sustainable business strategy and materiality analysis.

In 2016, the Audit Committee held five meetings at which the Issuer's external auditor and representatives of the Issuer's management were present.

### *Nomination Committee*

The Nomination Committee is a preparatory body that prepares proposals for, among other things, the election of the Board of Directors, the Chairman of the Board and auditors as well as fees for adoption at the General Meeting. The Annual General Meeting has adopted an instruction for the Nomination Committee, which includes a procedure for appointing the Nomination Committee, valid until a General Meeting resolves on a change. In accordance with this instruction, the Nomination Committee should consist of representatives of the four largest shareholders, in terms of the number of votes, on the final business day in August plus the Chairman of the Board (convener).

For the 2017 Annual General Meeting, the Nomination Committee consists of Fredrik Lundberg, Chairman (Industrivärden), Kaj Thorén (Alecta), Pär Boman (Handelsbanken Pension), Marianne Nilsson (Swedbank Robur Funds) and Johan Molin (the Issuer's Chairman of the Board).

Up to the date of the Annual General Meeting, the Nomination Committee met on three occasions and held separate sessions to interview potential candidates for the Board. Through the Issuer's Chairman of the Board, the Nomination Committee was informed of the results of the Board's own evaluation. The Committee also met with the Issuer's President to review the company's operations, stage of development and overall strategy. The Nomination Committee discussed the general criteria that Board members should fulfill, including the independence requirement, and reviewed the number of Board assignments that each Board member has in other companies. Furthermore, the Nomination Committee paid special attention to the requirements relating to diversity and breadth as well as the requirement to strive for gender balance.

### **CORPORATE GOVERNANCE**

Corporate governance within the Issuer is based on external rules such as the Swedish Companies Act, the Stock Exchange's Rule Book for Issuers, the Swedish Code of Corporate Governance (the **Code**) and other relevant laws and regulations. The Code is available from [corporategovernanceboard.se](http://corporategovernanceboard.se). In 2016 the Issuer applied the Code without deviating from any of its regulations. Any content of the website of The Swedish Corporate Governance Board shall not form part of this Base Prospectus.

Helena Stjernholm is not regarded as independent in relation to major shareholders in the Issuer and Björn Rosengren is not regarded as independent in relation to the Issuer and its executive management. The other six Board members elected by the General Meeting are all independent in relation to the Issuer and its executive management, as well as the Issuer's major shareholders. Accordingly, the composition of the Board complies with the independence requirements of the Code.

There are no potential conflicts of interest between the duties to the Issuer of the persons who are listed under Members of the Board and President and Group Executive Management above and their private interests or other duties.

Matters may come before the Board of Directors as to which one or more members of the Board of Directors has a potential conflict of interest. If such a matter arises, any member of the Board of Directors with a potential conflict of interest will not participate in the discussion or voting with respect to such matter in accordance with the rules and regulations of the Code.

### **MAJOR SHAREHOLDINGS**

The Issuer is listed on the NASDAQ Stock Exchange in Stockholm and is one of the Exchange's oldest companies. The Issuer shares can also be traded in the US in the form of American Depositary Receipts. The Swedish Financial Supervisory Authority (**Sw. Finansinspektionen**) maintains a public register of senior executives in listed companies, and publishes changes in their shareholdings on a daily basis.

The Issuer's authorised and issued share capital is SEK 1,505,263,107.60 and consists of 1,254,385,923 shares. Each share carries one vote. As at 30 September 2017, the Issuer's ten largest shareholders held 35.6 per cent. of the total number of shares. They are as follows: Industrivärden (11.9 per cent.), Alecta Pensionsförsäkring (5.9 per cent.), AMF – Försäkring och Fonder (3.1 per cent.), Swedbank Robur Fonder (2.6 per cent.), Handelsbanken Pensionsstiftelse (2.6 per cent.), L E Lundbergföretagen AB (2.4 per cent.), BlackRock (2.1 per cent.), Vanguard (2 per cent.), SEB Fonder (1.6 per cent.), Göranssonska Stiftelserna (1.4 per cent.).

As far as the Issuer is aware no shareholders' agreement exists between above shareholders.

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

The information set out in this Base Prospectus shall be read in conjunction with the Issuer's audited financial statements for 2016 and 2015 and the consolidated unaudited interim financial statements for the nine months ended 30 September 2017.

## STATEMENT OF COMPLIANCE

The Issuer's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), as endorsed by the EU. In addition, the standard RFR 1 Supplementary Accounting Rules for Groups accounts, issued by the Swedish Financial Reporting Board has been applied. The financial statements are presented on pages 70 to 81 of the Annual Report of 2016, and pages 71 to 81 of the Annual Report of 2015. The quarterly financial statements are prepared under IFRS and are unaudited.

## ALTERNATIVE PERFORMANCE MEASURES

<b>Metric</b>	<b>Definition</b>	<b>Reconciliation (where relevant) and comparative information</b>	<b>Rationale for inclusion</b>
<b>EBIT</b>	A financial measure to express earnings before interest costs and tax	Is the same as "Operating profit"	Measure of operating performance
<b>EBITDA</b>	A financial measure to express earnings before interest costs, tax, depreciation and amortisation	Sum of "Operating profit" and "Depreciation, amortisation and impairment losses"	Measure of operating performance
<b>FFO (funds from operations)</b>	A financial measure to express cash generation excluding working capital	EBITDA less "Taxes paid and net interest costs paid"	Measure of cash generation from operations
<b>Net Debt</b>	A financial measure to express interest bearing current and non-current debts, including net provision for pensions, less cash and cash equivalents	Interest-bearing current and non-current liabilities, including net provisions for pensions, less cash and cash equivalents	Measure of indebtedness and borrowing capacity
<b>Leverage Ratio</b>	A financial measure to express the ratio of Net Debt to EBITDA	Net Debt divided by EBITDA	Measure of indebtedness and borrowing capacity
<b>Interest Coverage Ratio</b>	A financial measure to express the ratio of post-tax earnings to financing costs	FFO divided by Financial expenses	Measure of indebtedness and borrowing capacity

The Issuer considers the following metrics (which are referred to in this Prospectus, the Issuer's 2016 Annual Report and accounts, the Issuer's 2015 Annual Report and accounts and/or the Issuer's interim report for the Third Quarter of 2017, as the case may be) to constitute Alternative Performance Measures (as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures).

## TAXATION

The following is a general description of certain EU tax considerations relating to the Notes and also certain Swedish tax consequences relating to the holders of the Notes. This summary is based upon the laws as currently in effect on the date of this Base Prospectus (i.e. the laws of Sweden in respect of the section on Swedish taxation) and is subject to any change in law that may take effect after such date. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere, and is neither intended to be nor should be construed as legal or tax advice. The section on Swedish taxation does not address, *inter alia*, situations where Notes are held in an investment savings account (Sw. *investeringssparkonto*) or the rules regarding reporting obligations for, among others, payers of interest. Investors should consult their respective professional tax advisers as to which countries' tax laws could be relevant in their particular circumstances in relation to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries (including the applicability and effect of tax treaties).

### Swedish Taxation

#### *Holders not tax resident in Sweden*

Payments of any principal or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income tax, *provided that* such a holder (a) is not resident in Sweden for Swedish tax purposes or (b) does not have a permanent establishment in Sweden to which the Notes are effectively connected.

However, broadly speaking, *provided that* the value of or the return on the Notes relates to securities taxed as shares, private individuals who have been residents of Sweden for tax purposes due to a habitual abode or continuous stay 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 are liable for capital gains taxation in Sweden upon disposal or redemption of such Notes. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes, except in relation to certain payments of interest (and other distributions on Notes) to a private individual (or the estate of a deceased individual) who is resident in Sweden for Swedish tax purposes (see "*Holders tax resident in Sweden*" below).

#### *Holders tax resident in Sweden*

In general, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (for example, income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences may be applicable to certain categories of corporations, for example life insurance companies. Moreover, specific tax consequences may be applicable if, and to the extent that, a holder of Notes realises a capital loss on the Notes and to any currency exchange gains or losses.

If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally also be withheld on other returns on Notes (but not capital gains), if the returns are paid out together with such a payment of interest referred to above.

### US Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of FATCA impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (a) any non-US financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a participating FFI (**Participating FFI**) by entering into an agreement with the US 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 (b) any investor (unless otherwise exempt from



FATCA) that does not provide information sufficient to determine whether the investor is a US 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.

This withholding regime is now in effect for payments from sources within the US and will apply to **foreign passthru payments** (a term not yet defined fully) no earlier than 1 January, 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for US federal tax purposes that are issued after the **grandfathering date**, which is the date that is the later of 1 January 2019 or the date that is six months after the date on which the final US Treasury regulations defining the term foreign passthru payment are published with the US Federal Register, or are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for US federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date and additional Notes of the same series are issued 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 US and a number of other jurisdictions have announced their intention to negotiate IGAs to facilitate the implementation of FATCA. Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the US, 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 an IGA jurisdiction would generally 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. 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. The US and Sweden have entered into an agreement (**US-Sweden IGA**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-Sweden IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from the payments it makes.

Whilst the Notes are in global form and held within the ICSDs, 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 participants in the ICSDs 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 ICSDs. 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. The above description is based in part on regulations, official guidance, model IGAs, signed IGAs and IGAs that have been agreed in substance and published by the US Treasury, all of which are subject to change. 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.**

#### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission’s 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**). However, Estonia has since stated it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission’s Proposal 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.

However, the FTT proposal remains subject to negotiation between participating Member States. 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

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in an amended and restated Dealer Agreement dated 15 December 2017 (the **Dealer Agreement**) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. Any such agreement will also provide that the obligations of the Dealers to subscribe for Notes may be subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### ***Selling Restrictions***

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the US or to, or for the account or benefit of, US 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 Bearer Notes are subject to US tax law requirements and may not be offered, sold or delivered within the US or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the US or to, or for the account or benefit of, US persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the US or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the US by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

From 1 January 2018, unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of the Notes specify the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the Prospectus Directive.

Prior to 1 January 2018 and from that date if the Final Terms in respect of any Note specify the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 had not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or would be the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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) Approved prospectus: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**) following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) Fewer than 150 offerees: at any time to fewer than 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 Issuer for any such offer; or
- (d) Other exempt offers: 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 (b) to (d) above shall require the 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 and the expression **Prospectus Directive** means Directive 2003/71/EC as amended, including by Directive 2010/73/EU and includes any relevant implementing measures in the Relevant Member State.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

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

- (a) **No deposit-taking:** in relation to any Notes having 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:
      - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
      - (B) 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 Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Issuer; and
  - (c) **General compliance:** 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.

### **Selling Restrictions Addressing Sweden Securities Laws**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or definite 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 (Sw. *lagen* (1991:980), *om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Base Prospectus or will examine, approve or register this Base Prospectus.

### **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, accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 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 other relevant laws, regulations and ministerial guidelines of Japan.

### **Hong Kong**

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the **SFO**) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus”, as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the **C(WUMPO)**) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors”, as defined in the SFO and any rules made under the SFO.

### **People’s Republic of China**

The Notes may not be offered or sold directly or indirectly within the borders of the PRC (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan province). This Base Prospectus or the information contained herein has not been approved by or registered with any relevant governmental authorities in the PRC and may not be offered for sale in the PRC. Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not made, and will not make, any offers, promotions, or solicitations for sales of or for, as the case may be, any Notes in the PRC, except where permitted by competent authorities or where the activity otherwise is permitted under the PRC law. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences (if any) by themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange and other competent regulatory authorities and complying with all relevant PRC regulations (if applicable), including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

### **Singapore**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted, and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer to sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to section 274 of the SFA, (ii) to a relevant person (as defined in section 275(2) of the SFA) or to any person pursuant to section 275(1) of the SFA or to any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that

corporation or that trust has acquired the Notes pursuant to an offer made under section 275 of the SFA except:

- i. to an institutional investor or to a relevant person defined in section 275(2) of the SFA, or to any person arising from an offer referred to in section 275(1A) or section 276(4)(i)(B) of the SFA;
- ii. where no consideration is or will be given for the transfer;
- iii. where the transfer is by operation of law;
- iv. as specified in section 276(7) of the SFA; or
- v. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **General**

Each Dealer has severally represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to severally represent, warrant and agree, to the Issuer that it has complied and will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense unless agreed otherwise. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the Relevant Agreement (as defined in the Dealer Agreement) or, in the case of Exempt Notes, in the Relevant Agreement or in the relevant Pricing Supplement (in each case, where the supplement or modification relates only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Authorisation

1. The update of the Programme was authorised by a resolution of the board of directors of the Issuer on 13 December 2016. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the update of this Base Prospectus.

### Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and/or its Subsidiaries.

### Significant/Material Change

3. Since 31 December 2016 there has been no material adverse change in the prospects of the Issuer and since 30 September 2017 there has not been any significant change in the financial or trading position of the Issuer and its Subsidiaries.

### Auditors

4. The consolidated and unconsolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2016 and 31 December 2015 by KPMG AB, of Evenemangsgatan 17, Box 3018, 169 03 Solna, Sweden, with authorised public accountant and member of FAR (the Association of Certified Public Accountants), Joakim Thilstedt, as auditor-in-charge, who have given and have not withdrawn, their consent to the inclusion of their report in this Base Prospectus in the form and context in which it is included.

### Documents on Display

5. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Fiscal Agent at the Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom for 12 months from the date of this Base Prospectus:
  - (a) the constitutive documents of the Issuer;
  - (b) the audited consolidated and unconsolidated financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2015 and the unaudited consolidated and unconsolidated financial statements of the Issuer for the nine months ended 30 September 2017;
  - (c) the Agency Agreement;
  - (d) the Deed of Covenant;
  - (e) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
  - (f) the Issuer - ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in NGN and NSS forms).

### Clearing of the Notes

6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg or, in the case of Swedish Registered Notes, Euroclear Sweden. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing



system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

#### **Dealers transacting with the Issuer**

7. 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 services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**PRINCIPAL OFFICE OF THE ISSUER**

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**REGISTRAR**

**Citibank N.A., London Branch**

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United Kingdom

**PAYING AGENT**

**Citibank N.A., London Branch**

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**TRANSFER AGENT**

**Citibank N.A., London Branch**

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**LEGAL ADVISERS**

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*To the Dealers as to Swedish law:*

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