

## BASE PROSPECTUS



# ALFA LAVAL TREASURY INTERNATIONAL AB (PUBL)

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

Guaranteed by  
**ALFA LAVAL AB (PUBL)**

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

**EUR 1,500,000,000**

## **Euro Medium Term Note Programme**

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This base prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Base Prospectus comprises a Base Prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application will be made to the Irish Stock Exchange for notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") within twelve months after the date hereof to be admitted to the Official List of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. The Programme also permits Notes to 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 to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Notes to be issued under the Programme have been rated BBB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). S&P appears on the latest update of the list of registered credit rating agencies (as of 21 May 2014) on the ESMA website <http://www.esma.europa.eu>.

**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 abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.*

**Arranger**

**SEB**

**Dealers**

**BNP PARIBAS**

**HSBC**

**ING**

**NORDEA**

**SEB**

27 August 2014

## IMPORTANT NOTICES

### ***Responsibility for this Base Prospectus***

Each of Alfa Laval Treasury International AB (the "**Issuer**") and Alfa Laval AB (publ) (the "**Guarantor**") accepts responsibility for the information contained in this Base Prospectus and any Final Terms (as defined herein) and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### ***Final Terms/Drawdown Prospectus***

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

### ***Other relevant information***

This Base Prospectus must be read and construed together with any 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. 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.

The Issuer and the Guarantor have confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

### ***Unauthorised information***

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 the Guarantor 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, the Guarantor or any Dealer.

None of the Arranger, the Dealers or 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 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 or the Guarantor 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.

### ***Restrictions on distribution***

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, the Guarantor 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, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. 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 Guarantor, 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 shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

### ***Programme limit***

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 1,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into EUR at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed 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*".

### ***Certain definitions***

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 "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**", "**€**" or "**euro**" are to the 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 Kronor**" are to the lawful currency of Sweden, references to "**DKK**" or "**Danish Kroner**" are to the lawful currency of Denmark and references to "**NOK**" or "**Norwegian Kroner**" are to the lawful currency of Norway.

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.

### ***Ratings***

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. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered (or which has applied for registration and not been refused) under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. 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 unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and

registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

### **Stabilisation**

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

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## OVERVIEW OF THE PROGRAMME

*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>	Alfa Laval Treasury International AB (publ)
<b>Guarantor:</b>	Alfa Laval AB (publ)
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.
<b>Arranger:</b>	Skandinaviska Enskilda Banken AB (publ)
<b>Dealers:</b>	BNP Paribas, HSBC Bank plc, ING Bank N.V., Nordea Bank Danmark A/S and Skandinaviska Enskilda Banken AB (publ), and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal and Paying Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Ireland Listing Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.
<b>Listing and Trading:</b>	Applications have been made to the Irish Stock Exchange for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List and to trading on the Main Securities Market. The Programme also permits Notes to 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 to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Initial Programme Amount:</b>	Up to EUR 1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding and guaranteed at any one time.
<b>Issuance in Series:</b>	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. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Forms of Notes:</b>	Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche

may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each 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 Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. 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 Coupons attached and, if appropriate, a Talon for further Coupons.

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. Each Global Registered Note 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 registered in the name of a nominee for such depositary or common depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

Each Note 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 ("**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 New Safekeeping Structure, be registered in the name of a common safekeeper (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 safekeeper for Euroclear and/or Clearstream, Luxembourg.

**Currencies:**

Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Status of the Notes:**

Notes will be issued on an unsubordinated basis.

**Status of the Guarantee:**

Notes will be unconditionally and irrevocably guaranteed by the Guarantor, on an unsubordinated basis.

<b>Issue Price:</b>	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Maturities:</b>	Any maturity of not less than 365 days, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount which shall not be less than par as may be specified in the relevant Final Terms.
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, or upon the occurrence of a Change of Control Put Event, to the extent (if at all) specified in the relevant Final Terms.
<b>Tax Redemption:</b>	Except as described in " <i>Optional Redemption</i> " above, early redemption will only be permitted for tax reasons as described in Condition 9(b) ( <i>Redemption and Purchase - Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
<b>Denominations:</b>	No Notes may be issued under the Programme which (a) have a minimum denomination of less than EUR 100,000 (or nearly 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.
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 5(a) ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Notes will have the benefit of a cross default as described in Condition 13 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments in respect of Notes will be made free and clear of withholding taxes of The Kingdom of Sweden unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 ( <i>Taxation</i> )) 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.
<b>Governing Law:</b>	English law.
<b>Ratings:</b>	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the Kingdom of Sweden, the United Kingdom and Japan, see " <i>Subscription and Sale</i> " below.



## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industry(ies) in which each of them operates together with all other information contained in this Base Prospectus (including information contained in the documents incorporated by reference), including, in particular the risk factors described below. 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 section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.*

### **Risks related to the Group's business that may affect the Issuer's and the Guarantor's abilities to fulfil their obligations under Notes issued under the Programme**

#### **Risks relating to the Issuer and the Guarantor as separate entities**

The risk factors mentioned in this Base Prospectus and described as being relevant for the Group are relevant also for the Issuer and the Guarantor as separate entities.

Further, the Guarantor is a holding company and is dependent on receipt of sufficient income related to the operations of and the ownership in the other entities within the Group, which are legally separate and distinct from the Guarantor and have no obligation to pay amounts due with respect to the Guarantor's obligations and commitments or to make funds available for such payments to enable the Guarantor to make payments under the Guarantee of the Notes. The ability of any operating company of the Group to make such payments to the Guarantor is subject to, among other things, the availability of funds, corporate restrictions, the terms of each company's indebtedness and local law.

#### **Operational risks and market risks**

##### *Business climate*

In an overall economic downturn the Group tends to be affected with a delay of six to twelve months depending on customer segment. The same applies for an economic upturn. Historically, fluctuations in the business climate have not generated decreases in orders received by more than 10 per cent. However, the downturn in the business climate in 2009 and 2010 led to a considerably larger percentage decline in order intake, in part due to the fact that the decline happened abruptly from a very high level of demand and high prices. Any economic downturn may have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

##### *Eurozone crisis*

The financial markets and the overall business climate in Europe has been negatively impacted by recent concerns regarding the large sovereign debts and/or fiscal deficits of some countries in the Eurozone. Any financial instability, including relating to a perceived return to a eurozone crisis, could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

##### *Risk of bad debts*

The risk of bad debts refers to the risk that customers cannot pay for delivered goods due to financial difficulties. The Group sells to a large number of customers in countries all over the world. Some customers from time to time face payment problems or go bankrupt. In 2013, the Group had costs for bad debts in an amount of SEK 67 million. All customers (other than Tetra Laval) each represented less than 1 per cent. of the Group's net

sales as at year-end 2013. However, bad debts from a number of customers could, in aggregate, have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Risk of claims*

The risk of claims refers to the costs the Group may incur as a result of claims for compensation, or to pay for litigation or penalties incurred, relating to faulty products or systems, including in relation to the replacement and/or repair of such products and/or systems. The major risks of such claims are in connection with new technical solutions and new applications. Costs relating to claims could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Risk connected to technical development*

The Group's ability to respond to changing customer needs with new products and improved versions of existing products, and to identify new areas of application for existing products and key technologies is fundamental to its profitable growth. The benchmark value for the Group, which has been characterised by innovation and invention since it was founded in the 1880s, states that the Group should invest approximately 2.5 per cent. of its annual sales in order to further strengthen its product portfolio. However, there is a risk that technology developed by competitors may make the Group's products technically obsolete, less competitive or difficult to sell. This would have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Intellectual property risk*

As at the end of 2013 the Group owned more than 2,000 patents. The success of the Group's business is dependent on the Group being able to protect its intellectual property. There can however be no assurance that the Group will be able to protect its patents or other intellectual property from infringement in the future. Failure to protect the intellectual property of the Group could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Competition risk*

The Group operates in competitive markets. For the Group to achieve profitable growth, it is crucial to identify new market demands and transform them into products faster than the Group's competitors. There can be no assurance that the Group will be able to successfully compete in the future. Such failure, due to increased competition or for any other reason, could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Risk relating to acquisitions*

The Group aims to grow partly through organic growth and partly through acquisitions. In accordance with this aim of the Group, it regularly acquires companies operating in the same or adjacent lines of business as the Group. Technically a recently acquired business activity could be followed independently during an initial period, but acquired businesses are normally integrated into the divisions at a fast rate. There can however be no assurance that such acquisitions, or the integration of acquired businesses into the Group, will prove to be successful. Unsuccessful acquisitions or integrations could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Prices of raw material*

The Group depends on deliveries of raw materials such as stainless steel, carbon steel, copper and titanium, among other things, for the manufacture of its products. The prices in some of these markets are volatile and the supply of titanium in particular has occasionally been limited as there are a limited number of possible suppliers of titanium. The risk of substantially increased prices or limited supply represents a serious risk to production. The ability to pass on higher prices to an end customer vary from time to time and between different markets depending on the competition. Such increase in prices or limited supply could have a negative impact on the

Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Business interruption risk*

Single units or functions within the Group may be hit by business interruption or inferior performance due to:

- strikes and other labour market conflicts;
- fires, natural catastrophes etc.;
- computer access violations, lack of backups etc.; and/or
- corresponding problems at major sub-suppliers.

Being hit by business interruption could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Insurance risk*

The Group may incur costs due to inadequate insurance cover for property, business interruption, liability (including product liability), transport, life and pensions. The Group strives to maintain an insurance coverage that maintains an acceptable level of risk yet that is still cost efficient. There can however be no assurances that the Group in the future will be able to maintain adequate insurance coverage at terms acceptable to the Group. Furthermore, there can be no assurance that the insurance coverage obtained will always prove to be sufficient. If the level of insurance coverage is not sufficient in relation to a significant claim or loss then this could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Political risk*

The authorities in countries where the Group is operating may take political decisions or put in place administrative or bureaucratic provisions that may make continued operations difficult, expensive or impossible for the Group. The Group is mainly operating in countries where the political risk is considered low. The operations performed in countries where political risk is deemed to be higher are not material. However, there is a risk that political decisions or administrative or bureaucratic provisions could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Risk relating to human capital*

The success of the Group's business is dependent on the Group's abilities to retain the competence of its key employees and attract talented employees. There are, however, no guarantees that the Group will be able to retain its key employees or attract new talents with adequate expertise in the future. Any inability to obtain or retain skilled employees could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *IT risk*

There is a risk that interruptions could occur in the information technology systems used in the operations of the Group in the future. Any such interruptions could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Information risk*

The Group's operations rely on confidential, strategic and other sensitive information and there is a risk that such information relating to the Group may be revealed to unauthorised persons. If this were to occur, it could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

## **Financial risks**

### *Financial instruments*

The Group uses a number of financial instruments from time to time including: cash and bank deposits, trade receivables, bank loans, trade payables and a limited number of derivative instruments. Derivatives are used primarily to hedge currency rates or interest rates, but also to hedge the price of metals and electricity, and include currency forward contracts, currency options, interest-rate swaps, metal forward contracts and electricity futures. The Group's holdings of financial instruments is a factor in the Group's exposure to cash flow risk, currency risk, interest risk, liquidity risk, refinancing risk, counterparty risk and market risk (all as described below).

### *Cash flow risk*

The Group is exposed to cash flow risk due to future cash flows linked to financial instruments fluctuating from time to time. This risk is mostly linked to variations in interest rates or currency rates. A significant movement in interest rates and/or currency rates could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Currency risk*

Due to the Group's international business activities and geographical spread the Group is exposed to currency risks. Currency risk is divided into transaction exposure that relates to exchange rate fluctuations that affects the currency flows that arise due to the business activities and translation exposure that relates to the translation of the subsidiaries' statements on financial position from local currency to SEK.

The Group's local sales companies normally sell in domestic currency to local end customers and have their local cost base in local currency. Exports from production and logistics centres to other Group companies are invoiced in the exporting companies' domestic currencies, except for Sweden, Denmark and UK where the exports are denominated in EUR. The Group is principally exposed to currency risk from potential changes in contracted and projected flows of payments and receipts.

When the subsidiaries' statements of financial position in local currency are translated into SEK a translation difference arises that is due to the current year being translated at a different closing rate than last year and that the comprehensive income statement is translated at the average rate during the year whereas the statement of financial position is translated at the closing rate at December 31. The translation differences are reported against other comprehensive income. The translation exposure consists of the risk that the translation difference represents in terms of impact on comprehensive income. The risk is largest for the currencies where the Group has the largest net assets and where the exchange rate movements against SEK are largest.

A significant movement in currency rates, which is not covered by a corresponding hedging contract, could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Interest risk*

Changes in interest rates affect the net financial position of the Group and how the value of financial instruments vary due to changes in market interest rates. The Group attempts to manage interest-rate risk by matching fixed-interest periods of financial assets and liabilities and through the use of derivative financial instruments such as interest-rate swaps. There is however no guarantee that such interest risk management will be successful and a significant interest rate exposure combined with an adverse movement of interest rates could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Liquidity risk*

The Group would incur increased costs in the event of a lack of liquid funds. A lack of liquid funds or the costs incurred as a result thereof could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Refinancing risk*

Refinancing maturing loans may become difficult or costly for a variety of reasons. The Group's access to funding is dependent on, amongst other things, its credit rating, which may change from time to time. The loans of the Group are mainly long term and only mature when the agreed loan period expires. Since the maturity of the loans is distributed over time, rather than concentrated within a period, the refinancing risk is reduced. There is, however, no guarantee that the Group will be able to obtain financing in the future at all, or at prices and other terms acceptable to the Group. Failure to obtain financing, or an ability to do so only at prices unacceptable to the Group, could each have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

There can also be no assurances that the Group will not in the future breach any commitments pursuant to its financing agreements. Any such breaches could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Counterparty risk*

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of cash, deposits and derivatives. The Group maintains cash and bank deposits and short and long-term investments with various financial institutions approved by the Group. These expose the Group to the risk that its counterparties for any reason do not fulfil their obligations to the relevant Group company. The Group is also exposed to credit risk in the event of non-performance by counter-parties to derivative instruments. A counterparty's non-performance of its obligations to a company in the Group could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Market risk*

Market risk is defined as the risk of changes in the value of a financial instrument due to changed market prices. This applies only to financial instruments which are listed or otherwise traded, which for Alfa Laval concern bonds and other securities and other long-term securities. A significant movement in the market value of financial instruments held by the Group could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Legal risks*

#### *Laws and regulations*

The Group operates in a large number of countries. There can be no assurance that there will not occur in the future any inadvertent or accidental breaches of international or local laws or regulations by the Group. Further, changes in laws or regulations, including but not limited to concerning regulatory requirements, taxes or trade barriers, could have a negative impact on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Risk for and in connection with litigation*

The Group may incur costs in managing litigation, including but not limited to costs in connection with settlements or imposed penalties. Such costs could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

#### *Asbestos-related lawsuits*

The Group was named as a co-defendant in a total of 786 asbestos-related lawsuits as at 30 June 2014, with a total of approximately 832 plaintiffs. The Group strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit. There is, however, a risk that these lawsuits could have an adverse effect on the Group's business, operational results and financial condition, the performance of the issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Risk for technically related damages*

The Group may incur costs in connection with products delivered by the Group breaking down and causing damages to life and property. Costs incurred as a result of such damages could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### *Environmental risk*

As environmental problems in society increase, new, stricter regulations are introduced to reduce society's environmental impact. Such new regulations, as well as environmental regulations already existing, are highly relevant for the Group's operations. The Group may incur costs relating to reducing emissions according to environmental legislation, to restore land at previously or currently owned industrial sites, to arrange more effective waste disposal, to obtain prolonged or new concessions etc. The Group has an ambition to be well within the boundaries that local legislation sets. However, there is no guarantee that the Group will be able to meet all local environmental laws, controls or regulations or that all such laws, controls and regulations have not inadvertently been breached in the past. Non-compliance with such laws, controls or regulations could have an adverse effect on the Group's business, operational results and financial condition, the performance of the Issuer under the Notes and the performance of the Guarantor under the Guarantee of the Notes.

### **Risks relating to the Notes**

#### *There is no active trading market for the Notes*

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to listing on the Official List and admitted to trading on the Main Securities Market, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### *The Notes may be redeemed prior to maturity*

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any 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 the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Exercise of an applicable Change of Control Put Option may affect the liquidity of Notes in respect of which such option is not exercised. Depending on the number of Notes in respect of which the Change of Control Put Option is exercised, any trading market for the Notes in respect of which such Change of Control Put Option is not exercised may become illiquid. In addition, investors may only be able to reinvest the moneys they receive upon such early redemption in securities with a lower yield than the redeemed Notes.

*Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer*

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive

definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or a common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

#### *The Notes may not be a suitable investment for all investors*

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### *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 term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Modification, waivers and substitution*

The Terms and 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 or the applications thereof after the date of this Base Prospectus.

#### *Minimum Denomination*

In relation to any issue of Notes which have a denomination consisting of the Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR100,000 (or its equivalent) that are not integral multiples of EUR100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount or less than the minimum Specified Denomination 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.

#### *The Issuer's obligations under the Notes*

The Issuer's obligations under the Notes and, if applicable, the Talons and Coupons relating to them constitute unsecured obligations of the Issuer and shall rank *pari passu* and without preference among themselves. The payment obligations of the Issuer under the Notes and, if applicable, the Coupons relating to them shall, save for any exemptions, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer present and future. However, as unsecured obligations, the Notes and, if

applicable, the Talons and Coupons relating to them will, on winding-up or liquidation of the Issuer, rank junior in priority to any secured obligations of the Issuer, and if the Issuer is insolvent a Noteholder may lose all or some of his or her investment.

#### *The Guarantor's obligations under the Deed of Guarantee*

The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantor's obligations under the Deed of Guarantee constitute direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor. However, as unsecured obligations, the obligations under the Deed of Guarantee will, on winding-up or liquidation of the Guarantor, rank junior in priority to any secured obligations of the Guarantor, and if the Guarantor is insolvent it may not be able to make any payments due to Noteholders under the Deed of Guarantee.

#### *Fixed/Floating Rate Notes*

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

#### *FATCA*

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



## 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 unconsolidated financial statements (including the auditors' report thereon) of the Issuer in respect of the years ended 31 December 2013 and 31 December 2012;
2. the audited consolidated and unconsolidated financial statements (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the years ended 31 December 2013 and 31 December 2012 (set out on pages 59 to 138 and 48 to 127, respectively, of the 2013 and 2012 annual reports of the Guarantor); and
3. the interim report of the Guarantor in respect of the period 1 April – 30 June 2014 (save for the section headed "Outlook for the third quarter" on page 1).

Copies of the documents specified above relating to the Issuer as containing information incorporated by reference in this Base Prospectus may be found at: <http://www.alfalaval.com/about-us/investors/corporate-bond/pages/corporate-bond.aspx> (English translation).

Copies of the documents specified above relating to the Guarantor as containing information incorporated by reference in this Base Prospectus may be found at: <http://www.alfalaval.com/about-us/investors/reports/annual-reports/pages/annual-reports.aspx> and <http://www.alfalaval.com/about-us/investors/reports/quarterly-reports/pages/quarterly-reports.aspx>.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer and the Guarantor. 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.

## **FINAL TERMS 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 the Guarantor 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 and the Guarantor have included 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 or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete 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 described in the relevant Final Terms as completed to the extent described in the relevant Final Terms.

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 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.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), 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 (each a "**Global Note**") which is not intended to be issued in new global note ("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 Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**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 only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States 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 Notes**

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 upon certification as to non-U.S. 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-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the 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 the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the 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) 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).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms ; or
- (c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
  - (i) Euroclear or 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
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

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 Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by 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 duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent 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 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 the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) 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).

#### **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-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the 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 duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the 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 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 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 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).

For the avoidance of doubt, if Notes are to be issued with a minimum Specified Denomination and in integral multiples of another smaller amount in excess thereof as specified in the relevant Final Terms, the Notes cannot be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

#### **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:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms ; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
  - (i) Euroclear or 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
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

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 Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by 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 duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent 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 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 ((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).

For the avoidance of doubt, Notes will only be issued with a minimum Specified Denomination and in integral multiples of another smaller amount in excess thereof if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note".

### **Rights under 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 or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or 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 United States 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 United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

### **Registered Notes**

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 (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 has 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 new structure (the "**New Safekeeping Structure**" or "**NSS**") would be 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**"), 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 New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("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 and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, 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:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note ", then if either of the following events occurs:
  - (i) Euroclear or 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
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the 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 five business days of the delivery, by or on behalf of the registered 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 Terms and Conditions of the Notes 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.

***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.



## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, 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:* Alfa Laval Treasury International AB (publ) (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 1,500,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Alfa Laval AB (publ) (the "**Guarantor**").
- (b) *Final Terms:* 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 a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 27 August 2014 (the "**Agency Agreement**") between the Issuer, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) BNP Paribas Securities Services, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointee from time to time in connection with the Notes) 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) *Deed of Guarantee:* The Notes are the subject of a deed of guarantee dated 27 August 2014 (the "**Deed of Guarantee**") entered into by the Guarantor.
- (e) *Deed of Covenant:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 27 August 2014 (the "**Deed of Covenant**") entered into by the Issuer.
- (f) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer and [www.alfalaval.com](http://www.alfalaval.com).
- (g) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant 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, and the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee 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.

### 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:

- (a) 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; and
- (b) in relation to any sum payable in a currency other than euro, 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;

**"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:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"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;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"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:**
  - (i) 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;
  - (ii) 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
  - (iii) 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
- (e) **"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) and/or such other amount(s) as may be specified in the relevant Final Terms;

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

**"CIBOR"** means, in respect of Danish Kroner and for any specified period, the interest rate benchmark known as the Copenhagen interbank offered rate which is calculated and published by a designated distributor (currently NASDAQ OMX Copenhagen) in accordance with the requirements from time to time of the Danish Bankers' Association based on estimated interbank borrowing rates for Danish Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic CIBOR rates can be obtained from the designated distributor);

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

"**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:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
- (i) 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
  - (ii) 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;
  - (iii) if "**Actual/365**" or "**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);
  - (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
  - (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
  - (vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

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 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 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (vii) 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:

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

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

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:

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

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;

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

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**"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;

**"Group"** means the Guarantor and its consolidated Subsidiaries taken as a whole;

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

- (a) any obligation to purchase such Indebtedness;
- (b) 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;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**"Guarantee of the Notes"** means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised;

**"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 or if none is so specified:

- (a) if the Reference Rate is LIBOR (other than the Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (b) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (c) if the Reference Rate is Euro LIBOR or EURIBOR, the second day on which TARGET2 is open prior to the start of each Interest Period;

- (d) if the Reference Rate is NIBOR, the second Oslo business day prior to the start of each Interest Period;
- (e) if the Reference Rate is CIBOR, the second Copenhagen business day prior to the start of each Interest Period; or
- (f) if the Reference Rate is STIBOR, the second Stockholm business day prior to the start of each Interest Period;

**"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:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) 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, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

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

**"Material Subsidiary"** means at any relevant time a Subsidiary of the Guarantor:

- (a) whose total assets or net sales (on an unconsolidated basis) represents not less than 5 per cent. of the total assets or the total net sales of the Group, all as calculated by reference to the then latest audited financial statements of such Subsidiary and the then latest audited consolidated financial statements of the Guarantor; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

**"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;

**"NIBOR"** means, in respect of Norwegian Kroner and for any specified period, the interest rate benchmark known as the Norwegian interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Norwegian association for banks, insurance companies and financial institutions, Finance

Norway – FNO based on estimated interbank borrowing rates for Norwegian Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic NIBOR rates can be obtained from the designated distributor);

**"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 (Change of Control 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 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 (Change of Control Put)"** 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 Union which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) 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
  - (ii) 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
- (b) if the currency of payment is not euro, any day which is:
  - (i) 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
  - (ii) 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;

**"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;

**"Permitted Security Interests"** means:

- (a) Security Interests on the Property or the Property of an entity existing at the time such Property was acquired by a member of the Group (whether by merger, consolidation, purchase of assets or otherwise) or existing at the time such entity became a Subsidiary; provided, however; that such Security Interests (i) are not created, incurred or assumed in connection with, or contemplation of, such Property or entity being acquired by a member of the Group and (ii) do not extend to any other Property of a member of the Group; and
- (b) Security Interests imposed or required by statute or operation of law (but not through any act or omission to act on the part of any member of the Group);

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

- (a) 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; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Property"** of any Person means all types of real, personal, tangible, intangible or mixed property (including any related contractual rights) owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under IFRS.

**"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;

**"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 and/or 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 or such other amount in the nature of a redemption amount as may be specified 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 the market that is most closely connected with the Reference Rate;

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

**"Reference Rate"** means CIBOR, EURIBOR, LIBOR, NIBOR or STIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

**"Regular Period"** means:

- (a) 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;
- (b) 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
- (c) 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 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 instrument 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;

**"Reserved Matter"** means any proposal to 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, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"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;

**"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;

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

**"STIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Stockholm interbank offered rate which is calculated and published by a designated distributor (currently the Swedish Bankers' Association) in accordance with the requirements from time to time of the Swedish Bankers' Association (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic STIBOR rates can be obtained from the designated distributor);

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**"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;

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

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

**"Zero Coupon Note"** means a Note specified as such in the relevant Final Terms.

(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 12 (*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 12 (*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;
- (vii) if an expression is stated in Condition 2(a) 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; and
- (viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, 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. 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:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms 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) *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.

- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*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.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*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.
- (h) *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.
- (i) *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.
- (j) *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.

#### 4. **Status and Guarantee**

- (a) *Status of the Notes:* The Notes constitute direct, general 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.
- (b) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, 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, neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest except for any Permitted Security Interests upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness 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.

**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 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 10 (*Payments - Bearer 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 (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 seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon 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.
- (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.

**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 10 (*Payments - Bearer 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 (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 seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh 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) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the 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;

- (iii) 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;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent 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
- (v) 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, 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,

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 "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 London inter-bank offered rate (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 applicable 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 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 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, 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 seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **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 10 (*Payments - Bearer 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 the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
  - (i) 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, or such other period(s) as may be specified in the relevant final terms, (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) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*)/the Guarantee of the Notes as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, 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 (2) such obligation cannot be avoided by the Guarantor 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 (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) 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 and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (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 30 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). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the 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 applicable Final Terms, the relevant Make Whole Redemption Price or (ii) the specified percentage (being no less than 100 per cent.) of the nominal amount of the Notes as stated in the applicable 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 applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed or (ii) the nominal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the relevant Dealer(s) 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 applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the nominal 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) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin,

all as determined by the Determination Agent.

In this Condition 9(c):

**"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;



**"Determination Agent"** means an investment bank or financial institution of international standing selected by the Issuer after consultation with the relevant Dealer(s);

**"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;

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

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

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

**"Reference Bond Price"** means, with respect to any date of redemption, (a) 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 (b) 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 basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal 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, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) 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 nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

**"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 this Condition 9(c).

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, 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 the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. 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 9(e)), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), 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. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), 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 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (f) *Change of Control Put Option:* If the Change of Control Put Option is specified in the relevant Final Terms as being applicable, if at any time while any Note remains outstanding, either of the following events shall occur (each, as applicable, a "**Change of Control Put Event**"):
- (i) a Change of Control occurs and, if at the start of the Change of Control Period, the Guarantor is rated by any Rating Agency, a Rating Downgrade in respect of that Change of Control occurs within such Change of Control Period; or
  - (ii) a Change of Control occurs and, on the occurrence of the Change of Control, the Guarantor is not rated by any Rating Agency,

then the Holder of each Note will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 9(b) (*Redemption for tax reasons*) or Condition 9(c) (*Redemption at the option of the Issuer*)) to require the Issuer to redeem or, at the Issuer's option, to purchase or procure the purchase of that Note on the Optional Redemption Date (Change of Control Put), at its principal amount, or such other amount as may be specified in the relevant Final Terms, together with (or, where purchased, together with an amount equal to) accrued interest up to but excluding the Optional Redemption Date (Change of Control Put).

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 19 (*Notices*) specifying the nature of the Change of Control Put Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition.

To exercise the Change of Control Put Option, the Noteholder must deposit any applicable Note, together with each unmatured Coupon relating thereto (if any), to the account of any Paying Agent for the account of the Issuer within the period (the "**Put Period**") of 45 days after the day on which the Change of Control Put Event Notice is given, together with a duly signed and completed Put Option Notice in the form (for the time being current and substantially in the form set out in the Agency Agreement) obtainable from the specified office of any Paying Agent. The Paying Agent to whom a Note has been so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder.

Subject to the deposit of any such Notes to the account of a Paying Agent for the account of the Issuer as described above, the Issuer shall redeem, purchase or procure the purchase of the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above on the Optional Redemption Date (Change of Control Put). No Note, once so deposited with a duly completed Put Option Notice, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Change of Control Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on or prior to the end of the Put Period, payment of the redemption moneys is improperly withheld or refused on the relevant Optional Redemption Date (Change of

Control Put), 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, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of the Note for all purposes.

For the purposes of this Condition 9(f):

**"Change of Control"** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Guarantor) that any person or persons acting in concert or any person or persons acting on behalf of any such person(s) (the **"Relevant Person(s)"**), at any time directly or indirectly come(s) to own or acquire(s) (A) more than 30 per cent. of the issued ordinary share capital of the Guarantor; or (B) such number of the shares in the capital of the Guarantor as carries more than 30 per cent. of the voting rights normally exercisable at a general meeting of the Guarantor;

**"Change of Control Period"** means the period (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant Change of Control and (B) the date of the earliest Potential Change of Control Announcement (as defined below), if any, and (ii) ending on the date which is the 120th day after the date of the first public announcement of the relevant Change of Control (such 120th day, the **"Initial Longstop Date"**); provided that, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of its rating of the Guarantor, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 60 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Guarantor under consideration for rating review either entirely or partially as a result of the relevant public announcement of the Change of Control or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date which falls 90 days after the date of such public announcement by such Rating Agency;

**"Rating Agency"** means Standard & Poor's Credit Market Services Europe Limited or any other rating agency of equivalent international standing specified from time to time by the Issuer, and, in each case, their respective successors or affiliates;

a **"Rating Downgrade"** shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Guarantor by any Rating Agency is (i) withdrawn or (ii) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (iii) if such rating previously assigned to the Guarantor by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB or their respective equivalents); and

**"Potential Change of Control Announcement"** means any public announcement or statement by the Guarantor, any actual or potential bidder or any designated advisor thereto relating to any specific and near-term potential Change of Control (where "near-term" shall mean that such potential Change of Control is reasonably likely to occur, or is publicly stated by the Guarantor, any such actual or potential bidder or any such designated advisor to be intended to occur, within 120 days of the date of such announcement or statement).

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (h) *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 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer, the Guarantor or any of their respective 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.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

10. **Payments – Bearer Notes**

This Condition 10 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 Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) 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 paragraph (a) 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.

*Payments subject to fiscal laws:* All payments in respect of the 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 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto.

- (d) 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 paragraph (a) 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 10(f) 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 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption at the option of the Issuer*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(f) (*Change of Control Put Option*) or Condition 13 (*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 paragraph (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 14 (*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.

#### 11. **Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) 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 by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the

Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) 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 any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) 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 11 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.

## 12. **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 or the Guarantor 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 the Kingdom of Sweden or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor 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 presented for payment:
  - (i) 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 such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings

income or any law implementing or complying with, or introduced in order to conform to, this Directive; or

- (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (iv) where the relevant Note or Coupon or Note Certificate is presented or 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.
- (b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the Kingdom of Sweden, references in these Conditions to the Kingdom of Sweden shall be construed as references to the Kingdom of Sweden and/or such other jurisdiction.

### 13. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 15 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer, Guarantor or Material Subsidiary:*
  - (i) any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary by reason of an event of default (howsoever described); or
  - (iii) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness; or
  - (iv) any Security Interest given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness becomes enforceable by reason of default;

**provided that** the amount of Indebtedness referred to in sub-paragraphs (i), (ii) and/or (iv) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 25,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Insolvency etc:* (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made by the Issuer, Guarantor or a Material Subsidiary) in respect of the Issuer, the Guarantor or any Material Subsidiary or the whole or substantially the whole of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary (other than in relation to a solvent liquidation of a Material Subsidiary), or (iii) the Issuer, the Guarantor or any Material Subsidiary 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 of any Indebtedness given by it; or
- (e) *Winding up etc:* (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (other than in relation to a solvent liquidation of a Material Subsidiary) or (ii) the Issuer, the Guarantor or any Material Subsidiary ceases

or threatens to cease to carry on a substantial part of its business or operations (either directly or through one or more Subsidiaries). For the purpose of this Condition 12(e), a "substantial part of its business or operations" shall mean all or part of the business or operations of the relevant company (as the circumstances may require) which in each case represents over 50 per cent. of the consolidated total assets of the Group, calculated on the basis of the then most recent publicly available consolidated accounts of the Group (whether audited or unaudited); or

- (f) *Analogous event:* any event occurs in respect of the Issuer, the Guarantor or any Material Subsidiary which under the laws of the Kingdom of Sweden has an analogous effect to any of the events referred to in paragraphs (d) to (e) above; or
- (g) *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Deed of Guarantee admissible in evidence in the courts of the Kingdom of Sweden is not taken, fulfilled or done; or
- (h) *Unlawfulness:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Guarantee; or
- (i) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then any Note may, by written notice addressed by the holders thereof of the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately 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.

#### 14. **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.

#### 15. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon 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, Note Certificates or Coupons must be surrendered before replacements will be issued.

#### 16. **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 the Guarantor 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 and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**



- (a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor 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 and the Guarantor 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.

#### 17. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* 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 the Guarantor (acting together) 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 one 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 third 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 signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders 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.

- (b) *Modification:* The Notes, these Conditions, the Deed of Guarantee 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 and the Guarantor 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.

#### 18. **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.

#### 19. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes 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.

20. **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.

21. **Rounding**

- (a) For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (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 United States 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.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including 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 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*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) *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 Alfa Laval Limited at 7 Doman Road, Camberley, Surrey, GU 15 3DN, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

**Final Terms dated [•]**

**ALFA LAVAL TREASURY INTERNATIONAL AB (publ)**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Guaranteed by Alfa Laval AB (publ)**  
**under the EUR 1,500,000,000**

**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 • [and the supplemental Base Prospectus dated •] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of 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 is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [is] [are] available for viewing at [www.alfalaval.com](http://www.alfalaval.com) [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]<sup>1</sup>

*(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.)*

- |    |        |  |   |
|----|--------|--|---|
| 1. | (i)    | Issuer:                                  | Alfa Laval Treasury International AB (publ)   |
|    | (ii)   | Guarantor:                               | Alfa Laval AB (publ)  |
| 2. | [(i)   | Series Number:]                          | [•]   |
|    | [(ii)  | Tranche Number:                          | [•]   |
|    | [(iii) | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to occur on or about [•]].] |
| 3. |        | Specified Currency or Currencies:        | [•]   |

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<sup>1</sup> For all notes not issued under the Prospectus Directive all Prospectus Directive related language should be removed and replaced with this statement.

4. Aggregate Nominal Amount: [•]  
     [(i)] [Series]: [•]  
     [(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•]  
     (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]  
     (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: *[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]  
     [•][•] [CIBOR/EURIBOR/LIBOR/NIBOR/STIBOR]  
     +/- [•] per cent. Floating Rate]  
     [Zero Coupon]  
     (see paragraph [14/15/16] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•]/[100] per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: *[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable]*
12. Put/Call Options: [Investor Put]  
     [Change of Control Put/Put Event]  
     [Issuer Call]  
     [See paragraph [17/18/19] below]
13. [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained: [•] [and [•], respectively]  
     *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
     *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
     (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date

- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30E/360/ Eurobond Basis/ 30/360/ Actual/360/ Actual/365 (Fixed)/ Actual/365/ Actual/Actual (ISDA)/ Actual/Actual (ICMA)]
- ]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (v) Additional Business Centre(s): [Not Applicable/[•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [•] shall be the Calculation Agent
- (viii) Screen Rate Determination:
- Reference Rate: [•][•] [CIBOR/EURIBOR/LIBOR/NIBOR/ STIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate [•]

	Option:	
	• Designated Maturity:	[•]
	• Reset Date:	[•]
	[• ISDA Definitions:	[2006]
(x)	[Linear interpolation	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[30E/360/ Eurobond Basis/ 30/360/ Actual/360/ Actual/365 (Fixed)/ Actual/365/ Actual/Actual (ISDA)/ Actual/Actual (ICMA)]
16.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Accrual Yield:	[•] per cent. per annum
	(ii) Reference Price:	[•]
	(iii) Day Count Fraction in relation to Early Redemption Amount:	[30E/360/ Eurobond Basis/ 30/360/ Actual/360/ Actual/365 (Fixed)/ Actual/365/ Actual/Actual (ISDA)/ Actual/Actual (ICMA)]

## PROVISIONS RELATING TO REDEMPTION

17.	Call Option	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) 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] to 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>
	[(a) Reference Bond:	[Insert applicable Reference Bond]
	[(b) Quotation Time:	[•]
	[(c) Redemption	[•] per cent.

	Margin:	
	[(d) Determination Date:	[•]
	[(e) Reference Dealers:	[•]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
(iv)	Notice period:	[•]
18.	Put Option	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>	
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
19.	Change of Control Put Option:	[Applicable/Not Applicable]
	[(i) Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount]
	[(ii) Put Period:	[•]
20.	Final Redemption Amount of each Note	[•] per Calculation Amount
21.	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:	[Not Applicable]

#### 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 [•] 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 [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

Registered Notes

[Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note]

[Global Registered Note [[Currency] [•] nominal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)) exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note]

- |     |   |  |
|-----|---|--|
| 23. | New Global Note:  | [Yes] [No] / [Not Applicable]  |
| 24. | Additional Financial Centre(s) or other special provisions relating to payment dates:                 | [Not Applicable/give details. <i>Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v) relates</i> ] |
| 25. | Talons for future Coupons 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.]  |

Signed on behalf of Alfa Laval Treasury International AB (publ):

By: .....  
Duly authorised

Signed on behalf of Alfa Laval AB (publ):

By: .....  
Duly authorised



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: [Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Irish Stock Exchange/[•] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Irish Stock Exchange/[•] with effect from [•].] [Not Applicable.]

*(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

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

Ratings: Standard & Poor's Credit Market Services Europe Limited ("S&P"): [•]

S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

### 3. USE OF PROCEEDS

*(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)*

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

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### 5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

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

### 6. OPERATIONAL INFORMATION

ISIN: [•]

Common Code:	[•]
Delivery:	Delivery [against/free of]
Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]
Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. Note that the designation “yes” means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[No. Whilst the designation is specified as “no” at the date of these Final Terms, 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)]. 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.]</p>

## 7. **DISTRIBUTION**

(i)	Method of Distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated:	
	(A) Names of Dealers	[Not Applicable/ <i>give names</i> ]
	(B) Stabilisation Manager(s), if any:	[Not Applicable/ <i>give names</i> ]
(iii)	If non-syndicated, name of Dealer:	[Not Applicable/ <i>give names</i> ]
(iv)	U.S. Selling Restrictions:	[Reg S Compliance Category [1/2]; TEFRA C/TEFRA D]

## 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 Terms and Conditions of the Notes 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 Terms and Conditions of the Notes 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 or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or 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 or the Guarantor 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 or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor 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 Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes 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 Terms and Conditions of the Notes, 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 the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* In the case of a Global Note, or a Global Registered Note, shall be, 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, if the currency of payment is not euro, 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.

*Payment 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.

*Exercise of put option:* In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered 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 9(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 19 (*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 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 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 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied for the general corporate purposes of the Group, including repayment of debt.

## DESCRIPTION OF THE ISSUER

### Introduction

The Issuer is a public limited liability company incorporated under the laws of Sweden for an indefinite period. The Issuer was registered on 3 September 1991 under corporate organisation number 556432-2484. The registered office of the Issuer is located at P.O. Box 73, SE-221 00 Lund, Sweden. The Issuer's telephone number in Sweden is +46 (0) 46-36 65 00.

### Ownership

The Issuer is a member of the Alfa Laval Group (the "**Group**" or "**Alfa Laval**"), of which the Guarantor is the parent company. The Issuer is indirectly wholly-owned by the Guarantor, through the Guarantor's direct subsidiary Alfa Laval Holding AB and Alfa Laval Holding AB's direct subsidiary Alfa Laval NV (the latter being the direct parent company of the Issuer).

According to the Articles of Association of the Issuer, there shall be no less than 20,000 and no more than 80,000 shares in the company. As at 30 June 2014, there were 50,000 shares in the Issuer.

Each share represents one vote at the General Meeting. According to the Articles of Association of the Issuer, its share capital is to be no lower than SEK 2,000,000 and no higher than SEK 8,000,000. As at 30 June 2014, the share capital of the Issuer was SEK 5,000,000.

### Business

The Issuer acts as the internal bank for the Group. The business of the Issuer comprises the direct or indirect owning and managing of assets, liquidity management for the Group, borrowing of money for the financing of the operations of the Group and transactions with foreign currencies and financial instruments, including derivatives.

The Issuer carries out its business in its own name, but under a commissionaire agreement with the principal company Alfa Laval Corporate AB. This means that the results, assets, liabilities, contingent liabilities and employees of the Issuer are accounted for in the financial statements of Alfa Laval Corporate AB. Under Swedish law, Alfa Laval Corporate AB will not become a party to an agreement entered into by the Issuer and a third party, and generally such third party will not acquire any rights against Alfa Laval Corporate AB through its agreement with the Issuer.

### Board of Directors and Management

The Board of Directors consist of four members.

*Dag Olsson (Chairman)*

Mr Olsson was appointed to the board in 1997. He is responsible for Group accounting, consolidation and taxes. Education: BSc. Econ.

*Thomas Thuresson (CEO, Board member and Managing Director)*

Mr Thuresson was appointed to the board in 1997. He is the Chief Financial Officer of the Group. Employed by Alfa Laval since 1988. Former assignments include: Controller of the Flow business area and Group Controller of the Group. Other appointments: Board member of PartnerTech AB. Education: BSc. Econ., IMD (BPSE).

*Jacob Malmros (Board member)*

Mr Malmros was appointed to the board in 1997. He is Tax Manager of the Group. Education: Master of Laws.

*Mikael Wahlgren (Board member)*

Mr Wahlgren was appointed to the board in 2006. He is the General Counsel of the Group. Education: Master of Laws.

The business address of each of the board members and the members of the management, is P.O. Box 73, SE-221 00 Lund, Sweden.

The Issuer is not aware of any potential conflict of interest between the duties to the Issuer of the members of the board and the members of the management and their private interests or other duties.

## DESCRIPTION OF THE GUARANTOR

### Introduction

The Guarantor is a public limited liability company incorporated under the laws of Sweden for an indefinite period. The Guarantor was registered on 27 March 2000 under corporate registration number 556587-8054. The Guarantor is the indirect parent company of the Issuer, and the parent company of the Group. The registered office of the Guarantor is located at P.O. Box 73, SE-221 00 Lund, Sweden. The Guarantor's telephone number in Sweden is +46 (0) 46-36 65 00.

### History

The history of Alfa Laval dates back to 1883, when the company AB Separator was founded by Gustav de Laval and Oscar Lamm. In 1963, the company changed its name from AB Separator to Alfa-Laval AB. The name "Alfa" derives from the conal metal discs, "alfa discs", used by the company to increase the capacity of separators, and the name "Laval" derives from the founder of the company. Alfa Laval was acquired by Tetra Pak in 1991. In 2000, the investment company Industri Kapital acquired Alfa Laval with the intention to further develop Alfa Laval's global leadership within its key technologies and to list the shares publicly within a five-year period. The shares of the Guarantor were listed on NASDAQ OMX Stockholm on 17 May 2002, and have remained listed since that date.

### Ownership

According to the Articles of Association of the Guarantor, there shall be no less than 298,000,000 and no more than 1,192,000,000 shares in the company. There are only one class of shares in the Guarantor. As at 30 June 2014, there were 419,456,315 outstanding shares in the Guarantor. Each share represents one vote at the General Meeting.

The Guarantor had 36,634 shareholders on 30 June 2014. The table below sets out the ten largest shareholders of the Guarantor as of 30 June 2014.

Name	Shareholding
Tetra Laval B.V. ....	26.1 per cent.
Swedbank Robur Fonder .....	(6.1 per cent.).
Foundation Asset Management .....	(6.0 per cent.).
Alecta Pensionsförsäkring .....	(5.7 per cent.).
AMF Försäkring och Fonder .....	(4.4 per cent.).
Nordea Investment Funds .....	(2.0 per cent.).
Fjärde AP-fonden .....	(1.1 per cent.).
Handelsbanken Fonder AB RE JPMEL .....	(0.9 per cent.).
Folksam .....	(0.8 per cent.).
Andra AP-fonden .....	(0.7 per cent.).

According to the Articles of Association of the Guarantor, its share capital is to be no lower than SEK 745,000,000 and no higher than SEK 2,980,000,000. As at 30 June 2014, the issued share capital of the Guarantor was SEK 1,116,719,930.

The Guarantor is not aware of any shareholders' agreements or other arrangements between shareholders of the Guarantor.

### Business concept and operations

The products and services of Alfa Laval aim to help its customers become more productive, energy-efficient and competitive by supplying technology to improve performance in three key technologies: heat transfer; separation; and fluid handling.

The three key technologies are offered in all three business divisions of the Group (as further described below), namely: The Equipment Division, which sells products as components; the Process Technology Division, which combines the products with third-party products and engineering expertise to provide complete solutions; and the Marine & Diesel Division, which delivers products across the three key technologies in the areas of energy, the environment and safety for customers in the marine industry, manufacturers of diesel engines and offshore customers.

In addition, Alfa Laval has an Operations Division to support the activities of the three business divisions.



## **The three key technologies**

### ***Heat transfer***

Alfa Laval has been active in the field of heat transfer since 1931, when the company started to supply pasteurising equipment for the dairy industry. Today, the company can supply heat exchangers that optimise energy use for heating, cooling, refrigeration, ventilation, evaporation and condensation. The offering comprises heat exchangers for applications that range from use in environments with lower pressures and temperatures, to environments that require the handling of aggressive fluids at high and variable pressures and temperatures. Many industrial processes need some form of solution for heat transfer. As a result, Alfa Laval's customers operate in diverse industries, including the chemicals, food, oil, gas and power production, marine and construction industries.

#### *Plate heat exchangers enable efficient energy utilisation*

A heat exchanger operates by transferring heat from one liquid or gas to another. The main products offered by Alfa Laval are compact plate heat exchangers, which may potentially increase the customer's energy efficiency and reduce their environmental impact.

Plate heat exchangers are made up of a series of very thin plates assembled closely to each other. Between the plates, there are two channels containing media at different temperatures. These pass on either side of the plates and in opposite directions to each other. Heating or cooling is then transferred via the plates and the temperatures balanced. Different types of plate heat exchangers (gasketed, brazed, semi-welded and welded heat exchangers) have been designed to withstand various forms of pressure and temperatures.

#### *Air heat exchangers*

Air heat exchangers consist of a series of tubes threaded through corrugated lamellas (i.e. plate or flake-like structures). Fans force air between the lamellas while liquid (i.e. water or another cooling medium) flows through the tubes.

The range of air heat exchangers produced by the Group includes air-cooled condensers, air-cooled liquid coolers, dry coolers, and unit coolers for commercial use, as well as industrial cooling, refrigeration and air-conditioning. The heat exchangers are used for a variety of applications in locations including, but not limited to, industrial cold stores, power plants, industrial processing plants, breweries, dairies and offices.

#### *Shell-and-tube heat exchangers*

Alfa Laval has a niche range of shell-and-tube heat exchangers. These are specially designed for applications in the food and pharmaceutical industries, as well as for cooling, but also for applications in the petrochemical, power, oil and gas, process and marine industries. A shell-and-tube heat exchanger is made up of a shell containing a bundle of tubes. The primary liquid flows through the tubes, while the secondary liquid (normally water) flows through the shell around the tubes to enable heat to be transferred from one liquid to the other. As a result of their robust configuration, shell-and-tube heat exchangers can withstand extremely high pressures and temperatures.

#### *Thermal fluid systems*

A thermal fluid system is a closed system that permits the heating medium (i.e. a synthetic oil) to circulate in a coiled heating surface. The surface gathers the heat that is produced, either from waste steam or through a combustion process, and this heat is transferred to the synthetic oil, enabling it to remain in liquid form. Thermal fluid systems are generally used to generate heat for oil tanks, separators and systems for heating fuel. Other typical applications include delivering heat to steam generators, tank cleaning systems and the central heating of a vessel. These systems are also used to heat various types of cargo whilst in transport, such as bitumen, oil-based products and chemicals.

#### *Boilers*

A boiler is a closed vessel containing thin tubes. The technology is common onboard vessels but can also be utilised for industrial applications. Alfa Laval's product range includes two different types of boilers, in which the tubes are heated in different ways: one uses waste heat from the engine exhaust, while the other, which mainly operates when the engine is turned off, utilises heat from an oil burner. The heat from the tubes is used,

in turn, to heat and vaporise the water in the container, this generates steam that can be used for a number of processes, including heating, cooling (through heat transfer), cleaning, generating electricity or producing hot water for people on board a vessel.

#### *Competition*

Alfa Laval's main competitors are GEA (Germany), Hisaka (Japan), SPX/APX (USA), Swep (USA), Kangrim (Korea), SAACKE (Germany), Miura (Japan), Heatmaster (Netherlands) and Osaka (Japan).

#### *Separation*

Since Alfa Laval was established in 1883, separation technology has been a central part of its operations. The technology is used to separate different liquids from each other and solid particles from liquids. The technology can also be used to separate particles and liquids from gases.

#### *High-speed separators*

High-speed separators have many areas of application, including in: the treatment of fuel and lubricating oils onboard vessels; the processing of vegetable oil; the production of pharmaceuticals, milk, beer, wine, juice and other beverages; and various process in the chemical and oil and gas industries. The separators have high rotation speeds and can rotate as quickly as 12,000 revolutions per minute. They are generally mounted vertically and separation takes place by means of centrifugal force.

#### *Decanters*

Decanter centrifuges are normally based on horizontal separation technology, which works at a speed of 5,000 revolutions per minute. They are used to separate larger particles and are thus commonly used in such applications as the removal of waste water from sludge in wastewater treatment plants, olive oil production, distilleries and handling drilling mud in conjunction with oil extraction.

#### *Belt filter presses*

Presses intended for the removal of waste water from municipal and industrial wastewater. This separation technology is a complement to the decanter technology.

#### *Membrane filtration*

Another separation technology offered is membrane filtration, which is an established solution for separating very small particles.

#### *Competition*

Alfa Laval's main competitors in the separator market are GEA (Germany), Mitsubishi Kakoki Kaisha (Japan) and Peralisi (Italy). Alfa Laval's main competitors in the decanter market are GEA (Germany), Guinard/Andritz (France, Austria), Flottweg (Germany) and Peralisi (Italy).

#### *Fluid handling*

Transporting and regulating fluids in an efficient, safe and hygienic manner are crucial to a number of industrial processes. Prior to the acquisition of Frank Mohn AS in May 2014, Alfa Laval focused on fluid handling in industries with stringent hygiene requirements, such as the food and pharmaceutical industries. The company's pumps, valves and installation material are used in such applications as the production of beverages, dairy products, food, pharmaceutical products, and health and personal care products. Alfa Laval also offers equipment for tank cleaning.

The acquisition of Frank Mohn AS added a unique pumping technology and the capacity to provide pumps for marine and offshore applications.

#### *Pumps and valves*

Pumps drive the flow of liquids during a process and valves are opened and closed to guide and direct the flow. For hygienic applications, Alfa Laval mainly offers centrifugal, liquid ring and rotary lobe pumps. The most common types of valves include control valves, constant-pressure valves, butterfly valves and diaphragm valves.

For the marine and offshore markets, Alfa Laval's offering includes submerged cargo pumps, submerged ballast pumps and electric fire pumps.

#### *Tank equipment*

Alfa Laval offers hygienic tank equipment primarily designed for use in the food and pharmaceutical industries. Alfa Laval's mixers are effective on both low- and high-viscosity liquids, ranging from wine, juice and fruit drinks to milk, yoghurt and desserts.

#### *Competition*

Alfa Laval's main competitors are GEA (Germany), SPX/APV/Waukesha Cherry Burrell (USA) and Fristam (Germany).

#### *Breakdown of net sales for key technologies*

The table below sets out a breakdown of net sales for Alfa Laval's key technologies.

Net sales by product/service **						
Consolidated	Second quarter		First six months		Full year	Last 12
	2014	2013 *	2014	2013 *	2013 *	months
	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions
Own products within:						
Separation .....	1,696	1,567	3,189	3,010	6,576	6,755
Heat transfer .....	4,228	4,071	7,665	7,605	16,001	16,061
Fluid handling.....	1,444	799	2,278	1,573	3,254	3,959
Other .....	248	187	435	351	799	883
Associated products.....	420	539	759	851	1,848	1,756
Services.....	387	352	694	630	1,323	1,387
<b>Total .....</b>	<b>8,423</b>	<b>7,515</b>	<b>15,020</b>	<b>14,020</b>	<b>29,801</b>	<b>30,801</b>

\* Restated to IFRS 11.

\*\* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that complement Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

#### **Organisational structure and operations of the Group**

The Guarantor is the parent of the Group. The Guarantor has numerous subsidiaries in Sweden and in other countries. The Issuer is indirectly wholly-owned by the Guarantor, through the Guarantor's direct subsidiary Alfa Laval Holding AB and Alfa Laval Holding AB's direct subsidiary Alfa Laval NV (the latter being the direct parent company of the Issuer).

Alfa Laval's business is divided into three business divisions: "Equipment"; "Process Technology"; and "Marine & Diesel" that sell to customers, and one support division, "Operations" which covers procurement, production and logistics. These four divisions constitute Alfa Laval's four operating segments.

The three business divisions (operating segments) are split into a number of customer segments. The customers of the Equipment Division purchase components whereas the customers of the Process Technology Division purchase solutions. The customers in the Marine & Diesel Division purchase products and solutions for marine and off-shore applications and for diesel power plants.

#### *Equipment Division*

The Equipment Division consists of four customer segments: Industrial Equipment; Original Equipment Manufacturers ("OEM"); Sanitary Equipment; and Service (i.e. serving the aftermarket). Customers of the Equipment Division typically have well defined and recurring needs for Alfa Laval's products. In most cases,

sales are conducted through third party contractors, as well as dealers, agents and distributors, only a limited proportion of sales are made direct to end-users.

The Equipment Division aims to continuously increase its number of sales channels, since it is strategically important that its products are available through many channels worldwide. As part of its focus on availability, the division also strives to further develop and strengthen the Group's e-commerce offering.

#### *Industrial Equipment segment*

Sales comprise heat exchangers for district heating and cooling, air conditioning of plants, offices and shopping malls, and cooling and freezing solutions for the food, beverage and pharmaceutical industries, as well as supermarkets. In addition, the segment's customers are active in the manufacturing industries to which Alfa Laval sells heat exchangers and separators for temperature regulation and/or cleaning of liquids to enable their reuse, thus lowering operating costs and protecting the environment.

#### *Sanitary segment*

Alfa Laval's heat exchangers, separators, pumps and valves are used in the production of liquid and viscous foods, pharmaceuticals and hygiene products. Customers in this segment are active in the beverage, dairy, food and biotechnology industries, all of which have stringent requirements in terms of hygiene and safety.

#### *OEM segment*

Alfa Laval mainly sells brazed plate heat exchangers, which are later integrated into customers' end-products. Customers in this segment include manufacturers of air conditioning systems, air compressors, heat pumps, air dryers and gas boilers.

#### *Service segment*

Spare parts and service operations are offered directly as well as through a network of sales channels, distributors and service providers, providing lifecycle support in respect of Alfa Laval's products.

#### **Key figures – Equipment Division**

	<b>Second quarter</b>		<b>First six months</b>		<b>Full year</b>	<b>Last 12 months</b>
	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>	<b>2013*</b>	
<b>Consolidated</b>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>
Orders received.....	2,607	2,476	4,882	4,703	9,471	9,650
Order backlog** .....	1,728	1,735	1,728	1,735	1,495	1,728
Net sales.....	2,421	2,353	4,627	4,501	9,462	9,588
Operating income*** .....	306	327	607	602	1,306	1,311
Operating margin.....	12.6%	13.9%	13.1%	13.4%	13.8%	13.7%
Depreciation and amortisation.....	43	41	88	83	170	175
Investments .....	14	12	24	21	54	57
Assets** .....	5,759	6,293	5,759	6,293	5,902	5,759
Liabilities** .....	818	919	818	919	882	818
Number of employees** .....	2,674	2,766	2,674	2,766	2,696	2,674

Notes:

\* Restated to IFRS 11

\*\* At the end of the period

\*\*\* In management accounts

#### **Process Technology Division**

The Process Technology Division consists of four customer segments: Energy & Process; Water & Waste Treatment; Food & Life Science; and Service, the aftermarket segment. The Process Technology division serves customers that require customised solutions to enhance the efficiency of their processes or boost their capacity. Sales are mainly conducted through the Group's own sales companies and contractors, and are made directly to customers. Alfa Laval combines expertise in its key technologies with knowledge about customer processes, and offers package solutions that cover individual products / systems to complete solutions, as well as an efficient customer service.

### *Energy & Process segment*

In the energy sector, Alfa Laval's products (heat exchangers, decanter centrifuges and separators) play a major role in both the extraction of oil and gas and the production of energy in power plants. They are also used in the manufacture of petrochemical products, plastics, polymers, metals, minerals, biofuels, pharmaceuticals, starch, paper and sugar.

### *Water & Waste Treatment segment*

In the waste treatment segment, Alfa Laval supplies products (heat exchangers and decanter centrifuges) that reduce sludge volumes so that they can be managed in a cost-efficient manner in municipal treatment plants throughout the world.

### *Food & Life Science segment*

Alfa Laval supplies solutions (including heat exchangers, separators, pumps and valves) for the beverage, food and life science industries. Among other applications, the Group's solutions are used in the production of beer, wine, juice, fruit concentrates, food ingredients, milk proteins, sugars, semi-processed foods, vegetable/olive oil, and meat and fish proteins.

### *Service segment*

The Service segment offers spare parts and service operations to all of the division's segments.

	Key figures – Process Technology Division					
	Second quarter		First six months		Full year	Last 12
	2014	2013	2014	2013	2013	months
Consolidated	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions
Orders received.....	3,481	3,239	6,757	6,527	13,935	14,165
Order backlog* .....	8,695	8,508	8,695	8,508	8,393	8,695
Net sales.....	3,581	3,496	6,435	6,338	13,813	13,910
Operating income** .....	565	655	1,071	1,148	2,479	2,402
Operating margin.....	15.8%	18.7%	16.6%	18.1%	17.9%	17.3%
Depreciation and amortisation.....	78	75	155	149	297	303
Investments .....	23	21	47	44	98	101
Assets* .....	10,360	10,942	10,360	10,942	10,828	10,360
Liabilities* .....	4,963	4,688	4,963	4,688	4,029	4,963
Number of employees*.....	5,425	5,112	5,425	5,112	5,256	5,425

Notes:

\* At the end of the period

\*\* In management accounts

### *Marine & Diesel Division*

The Marine & Diesel Division consists of four customer segments: Marine & Diesel Equipment; Marine & Offshore Systems; Marine & Offshore Pumping Systems; and Service, the aftermarket segment. The division has a wide and varied range of products in the areas of energy, the environment and safety for customers in the marine industry, manufacturers of diesel engines and offshore customers. Sales are conducted through the Group's own sales organisation directly to customers. The offering includes sales of components, modules and adapted systems, such as boilers, separators, heat exchangers, inert gas systems, freshwater generators, exhaust gas cleaning systems, heat recovery systems, ballast water treatment systems and pumping systems. In addition, the division has a well-developed aftermarket organisation. The aftermarket organisation has a wide offering to the division's customers comprising spare parts, service, repairs, upgrades and replacement products.

### *Marine & Diesel Equipment segment*

The Marine & Diesel Equipment segment supplies ship owners, shipyards and manufacturers of diesel engines with a wide range of products in the areas of energy, the environment and power. The product portfolio includes separators, heat exchangers, freshwater generators, tank cleaning equipment and ballast water treatment systems.

### *Marine & Offshore Systems segment*

The Marine & Offshore Systems segment supplies customers in the marine industry and offshore sector with a number of components, modules and adapted systems aimed at optimising their processes, saving energy and reducing emissions. The offering includes boilers, inert gas systems, exhaust gas cleaning systems and thermal fluid systems.

### *Marine & Offshore Pumping Systems segment*

The Marine & Offshore Pumping Systems segment supplies pumping systems to customers in the marine and offshore industries. Submerged pumping systems are provided for product and chemical tankers and for offshore installations the offering includes water injection pumps and hydraulic fire water pumps.

This segment was added to the portfolio of business as a result of the acquisition of Frank Mohn in AS in May 2014. The order intake for Frank Mohn AS has impacted the order intake for the two first quarterly accounting periods of the financial year 2014 with SEK 583 million.

### *Service segment*

The Service segment offers a wide range of spare parts, service, repairs, upgrades and replacement products.

#### **Key figures – Marine & Diesel Division**

	<b>Second quarter</b>		<b>First six months</b>		<b>Full year</b>	<b>Last 12</b>
	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>	<b>2013*</b>	<b>months</b>
<b>Consolidated</b>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>	<i>SEK millions</i>
Orders received.....	2,881	1,809	4,804	3,424	6,796	8,176
Order backlog** .....	11,272	4,649	11,272	4,649	4,680	11,272
Net sales.....	2,421	1,666	3,958	3,181	6,526	7,303
Operating income*** .....	452	319	732	608	1,248	1,372
Operating margin.....	18.7%	19.1%	18.5%	19.1%	19.1%	18.8%
Depreciation and amortisation.....	113	50	165	99	196	262
Investments .....	16	8	22	9	35	48
Assets** .....	24,753	7,779	24,753	7,779	7,817	24,753
Liabilities** .....	4,051	1,989	4,051	1,989	2,049	4,051
Number of employees** .....	3,089	1,824	3,089	1,824	1,817	3,089

Notes:

\* Restated to IFRS 11

\*\* At the end of the period

\*\*\* In management accounts.

### **Operations Division**

The Operations Division is a shared supply chain that serves all three business divisions of the Group, this centralised unit is responsible for production-related procurement, manufacturing and distribution. Time, cost, quality and sustainability are guiding concepts for this division, since optimal supply chain performance is one of many critical steps in delivering products on time in accordance with customers' requests.

### *Procurement*

Production-related procurement is managed by a specific unit within the Operations Division. Since direct materials comprise approximately 70 per cent. of the cost of goods sold, it is critical that the Group's purchasing volumes are consolidated as this provides greater buying power when negotiating with sub-suppliers. However, the Group's relationships with its sub-suppliers are not only based on cost. Other key factors that must be considered include punctual deliveries, lead times and quality, as well as the supplier's compliance with Alfa Laval's Business Principles with respect to health, safety, the environment and ethics. Alfa Laval's Business Principles, which were established in 2003, are based on the OECD Guidelines for Multi-National Enterprises and the UN Global Compact and form the basis for the Group's work on sustainability. The procurement unit has an on-going programme for developing work plans, methods and frameworks to be used during the procurement process to ensure that the selected suppliers enable Alfa Laval to meet customer expectations in

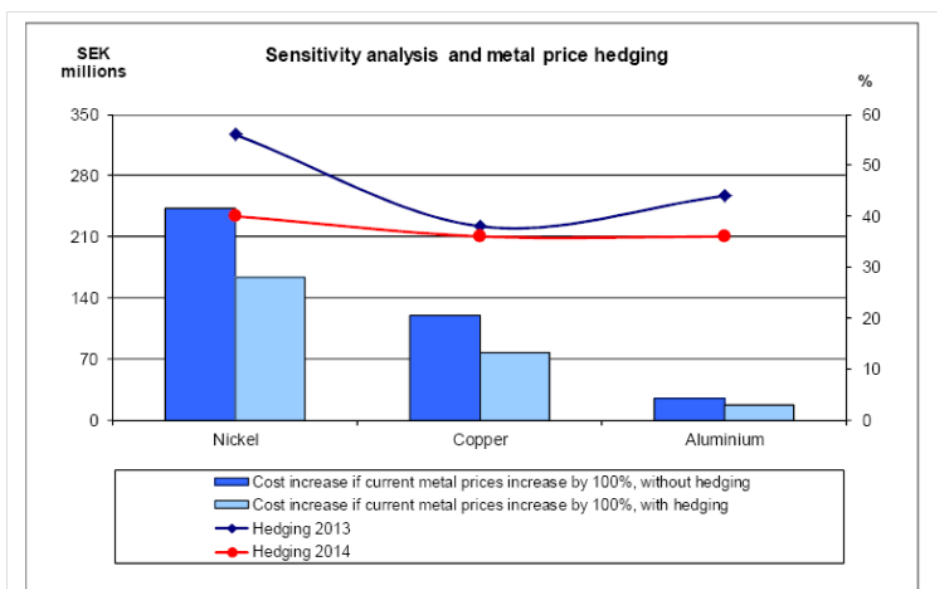
terms of cost, quality and delivery times. Continuous activities are also carried out to develop the supplier base and determine how to manage issues, such as fluctuating purchasing volumes.

### *Raw materials*

Steel, nickel, copper, aluminium and titanium are the primary metals used by Alfa Laval. Accordingly, the company works proactively to reduce the effects of price fluctuations, which can have a major impact on the Group as a whole. This is accomplished in several ways. One method involves signing long-term delivery commitments with the company's suppliers, extending for six to 12 months at fixed prices; another method is to implement price adjustments or include price clauses in customer contracts. In the Process Technology Division, which has a large proportion of contract-based sales, Alfa Laval produces to order and uses advance payments from customers to cover the relevant material purchases.

Alfa Laval generally purchases raw materials when needed to produce to order. However, to some extent, raw materials are stock piled in advance.

The Group uses metal futures to secure the price on strategic metals. The graph below shows how much of the purchases of nickel, copper and aluminium that have been hedged during 2013 and how much of the expected purchases during 2014 that were hedged at the end of 2013. The graph also presents to what extent the Group's costs for these purchases would be affected if the prices would double from the current levels.



### *Manufacturing*

With a global production chain, it is important that all individual production units are standardised, meaning that all units are alike regardless of their location. A standardised production chain simplifies the process of establishing new production units. Several target parameters have also been implemented, including efficiency, production, quality and environmental targets.

Alfa Laval operates more than 30 major production units, spread across Europe, Asia, the US and Latin America. Production is based on manufacturing technology, product group and size, not on the final application of the product. This means, for example, that some units specialise in large-scale separators, while others manufacture small and medium-sized units. Several factors underpin Alfa Laval's global diversification, including the gradual relocation of the Group's production operations to countries with lower manufacturing costs. However, the main focus in deciding on manufacturing locations is the response time in respect of local demand with local production, since shipping is costly, time-consuming and less environmentally friendly.

### *Environment and sustainability*

Alfa Laval's products aim to reduce customers' energy and water consumption, thereby helping to mitigate the environmental impact of their processes. Alfa Laval also aims to make its own operations as energy-smart, clean and efficient as possible. This environmental work is led by the line organisation in order to ensure it is treated as part of the Group's daily operations, thus enabling a long-term approach. Part of the Group's environmental initiatives includes certification in accordance with the ISO 14001 environmental management system. As at 31 December 2013, 93 per cent. of the total delivery value came from certified production sites.

### *Distribution/logistics*

The Group's overall transport needs are supplied across all business segments by a single organisation. This enables Alfa Laval to generate economies of scale, and affords Alfa Laval greater buying power. Centralised management enables a higher service level and also simplifies the Group's work in limiting the environmental impact of its transportation operations. Alfa Laval aims to reduce carbon emissions from transportation and the goal is to achieve an annual reduction of 3 per cent. by 2015. One way to achieve this goal is to reduce the proportion of airfreight and instead ship more goods by sea. Distribution and logistics, however, involve more than transportation of products. These areas also include processes for order handling, inventory management, stock picking and invoicing. Alfa Laval's eight distribution centres (three central and five regional, located in the US (1), Sweden (2), Denmark (1), China (1), Singapore (1), Japan (1) and India (1), serve as hubs for these activities. The distribution centres manage delivery reliability, as well as monitoring the demand for spare parts and managing inventories and deliveries.

### *Production units*

Alfa Laval's production operations have approximately 7,750 employees and 34 major manufacturing units. Alfa Laval's major manufacturing units are located in Asia, Europe, South America and the United States.

### **Competitive nature of the market**

The Group operates in competitive markets. In order to address this competition the Group has for instance:

- organised the operations into divisions based on customer segments in order to get a customer focused market penetration;
- a strategy for acquisition of businesses in order to for instance reinforce the presence on certain markets or widen the Group's product offering;
- worked with creating a competitive cost level based on its international presence; and
- worked with securing the availability of strategic metals and components in order to maintain the ability to deliver.

### **Strategy**

In order to achieve its vision, implement its business concept and attain its growth, profitability and capital utilisation goals, Alfa Laval has established a number of strategic priorities. These include strategies for expanding the Group's product offering and market presence (which are principally to be achieved organically, but also through acquisitions) as well as strategies for increased efficiency.

### **Products**

Alfa Laval's management believes that the existing products in its three key technology areas provide a foundation for the company's continued profitable growth, since the high quality and energy efficiency of these products are becoming increasingly important criteria for customers. At the same time, the company is investing in research and development in order to respond to changing customer needs with new products and improved versions of existing products. Identifying new areas of application for existing products and key technologies is another important means of achieving profitable growth. Alfa Laval also strengthens its offering by adding new products through acquisitions, both supplementary products in its three key technologies and new products that complement the company's offering in application areas where Alfa Laval is already active. An example of this is the acquisition of Frank Mohn AS, which strengthens Alfa Laval's fluid handling portfolio by adding a unique pumping technology.



## Presence

Having a local presence is crucial to Alfa Laval's operations in terms of both sales and production. This requires having a strong geographic presence in areas with good growth potential with regard to demand and favourable operational conditions. Such considerations are continually assessed. The main goal is to identify areas where the company can expand its presence organically, either in terms of breadth by entering new geographic areas or in terms of depth by further expanding the Group's presence in existing countries and regions with strong potential demand.

A potential way to improve the Group's presence in a location is to carry out acquisitions locally. In some areas however, the optimal way to improve the Group's presence is to add new sales channels. Alfa Laval's e-commerce solution, Alfa Laval Anytime, which has gradually been rolled out in various countries, also provides a cost-effective way of bringing the Group's component-based offering to various markets.

The table below sets out a breakdown of Alfa Laval's net sales by geographical area.

	Consolidated		Net Sales			
			Second quarter		First six months	
			2014	2013*	2014	2013*
	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions	SEK millions
To Customers in:						
Sweden .....	215	200	410	396	881	895
Other EU .....	2,180	2,106	4,063	3,868	8,127	8,322
Other Europe .....	644	710	1,150	1,206	2,702	2,646
USA .....	1,330	1,234	2,429	2,334	4,811	4,906
Other North America .....	293	260	469	442	1,117	1,144
Latin America.....	605	467	1,016	854	1,797	1,959
Africa.....	83	68	161	146	299	314
China .....	901	729	1,572	1,330	2,992	3,234
Other Asia .....	2,015	1,634	3,508	3,227	6,643	6,924
Oceania .....	157	107	242	217	432	457
<b>Total</b>	<b>8,423</b>	<b>7,515</b>	<b>15,020</b>	<b>14,020</b>	<b>29,801</b>	<b>30,801</b>

Notes:

\* Restated to IFRS 11

Net sales are reported by country on the basis of invoicing address, which is normally the same as the delivery address.

## Profitability and return

Several basic steps must be taken in order to ensure profitability and a favourable return. The first, which pertains to procurement and production, is to decide which products Alfa Laval should produce itself and which products should be purchased from suppliers. Secondly, and in terms of logistics, Alfa Laval must decide how to meet its customers' services requirements, while at the same time ensuring an efficient allocation of capital. Thirdly, the Group must also establish business models for its sales divisions and consider the breadth of its offering.

## Research and development

To achieve profitable growth, it is necessary to identify new market demands and transform them into new products faster than competitors. This requires continuous investments in research and development. Such investments can result in minor adjustments to existing products or the development of new equipment to meet existing and future requirements.

## Meeting customer needs and requirements

Customers in different industries have different requirements. Some may impose safety requirements – requiring that the product in question can withstand a certain process – which is important, for example, in petrochemical and refinery operations, while others may require products that meet strict hygiene standards and effectively eliminate all risks of contamination, which is crucial in the food and pharmaceutical industries. Customers are

also generally looking for high-quality durable products that can optimise their processes for a number of years without fault and can be upgraded when necessary.

### *Investments*

Alfa Laval invests approximately 2.5 per cent. of its annual sales each year in order to further strengthen its product portfolio. In 2013, Alfa Laval invested SEK 732 million in R&D, corresponding to 2.4 per cent. of the Group's sales in 2013.

### *Patent protection*

New products must be protected to ensure that the company's investments generate revenues. Alfa Laval's patent division works actively to protect and defend Alfa Laval's technologies and products around the world. As at 31 December 2013, Alfa Laval held a total of more than 2,000 patents, registered in Sweden as well as in other countries.

## **Acquisitions**

### *During 2014*

On 22 May 2014, Alfa Laval completed the acquisition of Frank Mohn AS, a manufacturer of submerged pumping systems to the marine and offshore markets. The acquisition was for a total cash consideration of NOK 13 billion, which was paid in cash on a debt free basis, from Wimoh AS, a company controlled by the Mohn family. Frank Mohn, headquartered in Bergen, Norway and with approximately 1,200 employees, generated sales of NOK 3.4 billion, and had an order intake of NOK 6.1 billion, in 2013.

### *During 2013*

On 29 May 2013, Alfa Laval acquired the U.S. based Niagara Blower Company, a manufacturer of energy-efficient niche heat transfer solutions for SEK 444 million. The company's products are engineered-to-order, and particularly suited for use in the oil and gas processing industries. They are also used in a wide range of other industries, such as power, food & beverage and pharmaceuticals.

On 28 February 2013, Alfa Laval acquired the assets and technology for a gas combustion unit from the company Snecma (Safran) for SEK 42 million.

On 22 February 2013, Alfa Laval acquired the remaining minority shares in the company Tranter Solarice GmbH in Germany for SEK 0 million.

### *During 2012*

On 19 September 2011, Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval (India) Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal came as a result of regulatory changes in India which requires Alfa Laval (India) Ltd to have a minimum public float of 25 per cent. or seek delisting. In a reverse book building process that was finalised on 23 February 2012, minority shareholders together holding more than the necessary 50 per cent. of the public float were willing to sell to Alfa Laval. Through such acquisition Alfa Laval achieved an ownership of 94.5 per cent., which enabled Alfa Laval (India) Ltd to delist from both stock exchanges on 12 April 2012. As a part of the process, the remaining minority owners could sell their shares to Alfa Laval during the following 12 month period. During this period, additional minority owners have sold their shares to Alfa Laval, which has increased Alfa Laval's ownership to 98.2 per cent.

Alfa Laval acquired the US-based company Air Cooled Exchangers, LLC (ACE), a leading manufacturer of custom-engineered air-cooled heat exchangers, used to cool air, natural gas, oil and water in the natural gas market as well as other energy-related end markets. The company was acquired on 31 December 2012 for SEK 1,027 billion.

On 27 November 2012, Alfa Laval acquired the remaining 10 per cent. of the shares in the subsidiary LHE Co Ltd in South Korea from the minority shareholder for SEK 102 million.

Alfa Laval acquired Gamajet Cleaning Systems, Inc., a leading provider of tank cleaning machines as well as self-contained and portable cleaning systems for the industrial and sanitary markets in North America for SEK 116 million. The company was consolidated as of 23 August 2012.

Alfa Laval acquired Ashbrook Simon-Hartley, a leading provider of belt filter presses, which is a complement and alternative to Alfa Laval's decanter range in the removal of water from municipal and industrial wastewater for SEK 318 million. Ashbrook Simon-Hartley is headquartered in Houston, Texas, USA, with offices in the UK, Chile and Brazil, and has an installed base in many countries around the world. The company was consolidated as of 1 August 2012.

Alfa Laval acquired the US based company Vortex Systems, a leading manufacturer of innovative mixing and blending solutions for the oil and gas industry, for SEK 350 million. The company was consolidated into Alfa Laval from 30 June 2012.

#### **Asbestos-related lawsuits**

As of 30 June 2014, Alfa Laval was named as a co-defendant in a total of 786 asbestos-related lawsuits with a total of approximately 832 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

#### **Related party transactions**

Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with 4.8 per cent. of net sales (during the financial year 2013). In June 1999, Tetra Pak entered into a purchasing agreement with Alfa Laval that governs the distribution, research and development, market and sales information, use of trademarks and intellectual property. The following areas shall be agreed upon from time to time between representatives of the parties: products that are subject to the agreement, prices and discounts of such products, geographical markets and product areas where Tetra Pak is Alfa Laval's preferred distributor, the right of Tetra Pak to affix its trademarks to Alfa Laval products, sales goals for Tetra Pak in defined geographical markets, products and technologies that are the focus of joint research and development and the ownership rights of the research and development result and use of market and sales information. The agreement aims at the applications within liquid food where Tetra Pak has a natural market presence through the deliveries of packaging equipment and packaging material. The agreement was prolonged by two years from December 31, 2012. It has a 12 month period of notice. The prices Tetra Pak receives are not lower than the prices Alfa Laval would obtain when selling to a comparable third party. The prices are fixed on a calendar year basis.

Alfa Laval rents premises to DeLaval (within the Tetra Laval Group) in Russia. The total rent income for this amounts to SEK 2 million.

At year-end 2013, Alfa Laval had the following balance items against companies within the Tetra Laval Group (Tetra Pak and DeLaval).

Consolidated	Receivables on payables to related parties	
	2013	2012
	SEK millions	SEK millions
<b>Receivables:</b> .....		
Accounts receivable.....	126	140
Other receivables .....	0	3
<b>Liabilities:</b> .....		
Accounts payable.....	0	0
Other liabilities .....	5	16

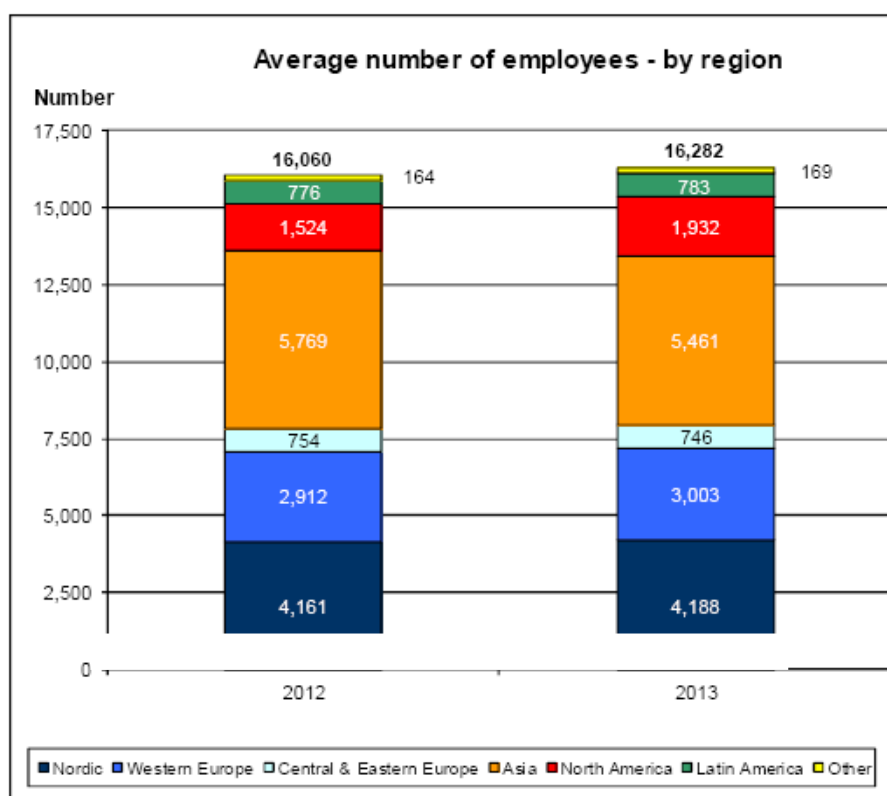
At year-end 2013, Alfa Laval had the following transactions with companies within the Tetra Laval group (Tetra Pak and DeLaval).

## Consolidated

	Revenues/expenses from related parties	
	2013	2012
	SEK millions	SEK millions
Net sales .....	1,441	974
Other operating income .....	2	2

## Employees

As at year-end 2013, Alfa Laval had 16,282 employees, the majority whom were located in China (2,700), Sweden (2,160), USA (1,837), Denmark (1,740), India (1,455) and France (902). The table below shows the average number of employees by region for the financial years 2012 and 2013.



## Board of Directors and Management

### Board of Directors

The Board of Directors consists of nine members, three employee representatives and three deputy employee representatives.

#### Anders Narvinger (Chairman)

Chairman of the Board of Directors since 2003. Other appointments: Chairman of Coor Service Management AB and Capio AB, Board member of JM AB, ÅF AB and Pernod Ricard SA. Formerly President of Teknikföretagen and formerly President and CEO of ABB Sweden. Education: BSc. Eng from the Faculty of Engineering at Lund University, BSc. Econ from Uppsala University.

*Lars Renström (President and CEO)*

Board member since 2005. Other appointments: Chairman of ASA ABLOY AB, Board member of Tetra Laval Group. Education: BSc. Eng., BSc. Econ.

*Arne Frank (Board member)*

Board member since 2010. Other appointments: President and CEO of AarhusKarlshamn AB. Education: BSc. Eng. in industrial economics from Linköping Institute of Technology.

*Björn Hägglund (Board member)*

Board member since 2005. Other appointments include: Chairman of the Board of SweTree Technologies, Board member of Bergvik Skog AB, the Knut and Alice Wallenberg Foundation, the UN Global Impact and AB Karl Hedin. Former positions include: Deputy CEO of Stora Enso. Education: PhD. (For.).

*Ulla Litzén (Board member)*

Board member since 2006. Other appointments include: Board member of Atlas Copco AB, Boliden AB, Husqvarna AB, NCC AB, SKF AB. Former positions include: President of W Capital Management and various executive positions at Investor. Education: BSc. Econ. from the Stockholm School of Economics, MBA from the Massachusetts Institute of Technology.

*Finn Rausing (Board member)*

Board member since 2000. Other appointments: Board member of Tetra Laval Group, De Laval Holding AB, EQT Holdings AB and Swede Ship Marine AB. Education: B.L. MBA from INSEAD.

*Jörn Rausing (Board member)*

Board member since 2000. Other appointments: Head of Mergers and Acquisitions (M&A) in the Tetra Laval Group, Board Member of the Tetra Laval Group, Ocado Ltd. and De Laval Holding AB. Education: BSc. Econ.

*Ulf Wiinberg (Board member)*

Board member since 2013. Other appointments: President and CEO of H. Lundbeck A/S. Formerly director of Wyeth Pharmaceuticals, EMEA/Canada & BioPharma and a number of senior positions in Wyeth. Board member of the European Federation of Pharmaceutical Industries and Associations (EFPIA), the International Federation of Pharmaceutical Manufacturer Associations (IFPMA) and the Industrial Policy Committee of the Confederation of Danish Industry.

*Gunilla Berg (Board member)*

Board member since 2004. Other appointments. Executive Vice President and CFO of the Teracom Group, Board member of L E Lundbergsföretagen AB and Vattenfall AB. Former positions include: Executive Vice President and CFO of the SAS Group and Executive Vice President and CFO of the KF Group. Education: BSc. Econ. from the Stockholm School of Economics.

*Bror Garcia Lantz (Employee representative)*

Employee representative since 2012. Employed by Alfa Laval since 1990. Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

*Susanna Norrby (Employee representative)*

Employee representative since 2003. Employed by Alfa Laval since 1992. Employee representative for the Swedish Association of Graduate Engineers (CF).

*Jan Nilsson (Employee representative)*

Employee representative since 2000. Employed by Alfa Laval since 1974. Employee representative for the Swedish Metal Workers' Union (IF Metall).

*Henrik Nielsen (Deputy Employee representative)*

Deputy Employee representative since 2008. Employed by Alfa Laval since 1994. Deputy Employee representative for the Swedish Metal Workers' Union (IF Metall).

*Leif Norkvist (Deputy Employee representative)*

Deputy Employee representative since 2009. Employed by Alfa Laval since 1993. Deputy Employee representative for the Swedish Metal Workers' Union (IF Metall).

*Stefan Sandell (Deputy Employee representative)*

Deputy Employee representative since 2005. Employed by Alfa Laval since 1989. Deputy Employee representative for the Swedish Organisation for Managers (Ledarna).

## **Management**

*Lars Renström (President and CEO)*

CEO since October 1, 2004. Former positions include: President and CEO of Seco Tools AB, Division Manager at Eriksson AB and Atlas Copco AB. Other appointments: Chairman of the Board of ASSA ABLOY AB, Board member of Tetra Laval Group. Education: BSc. Eng., BSc. Econ.

*Thomas Thuresson (Chief Financial Officer)*

Employed by Alfa Laval since 1988. CFO since 1995. Former assignments include: Controller of the Flow business area and Group Controller of the Group. Other appointments: Board member of PartnerTech AB. Education: BSc. Econ., IMD (BPSE).

*Svante Karlsson (President, Process Technology Division)*

Employed by Alfa Laval since 1984. Former President of the Equipment Division, head of the Thermal business area and President of Marine & Power. Education: BSc. Econ.

*Susanne Pahlén Åklundh (President, Equipment Division)*

Employed by Alfa Laval since 1983. President of the Equipment Division since 2009. Previously responsible for the Mid Europe and Nordic Regions and the Process Industry segment. Other appointments: Board member of Nederman AB. Education: MSc. Eng.

*Peter Leifland (President, Marine & Diesel Division)*

Employed by Alfa Laval since 1985. President of the Marine & Diesel Division since 2011. Formerly regional manager in charge of the Western Europe and North America Region 2004-2011, the Asia and Latin America Region 2001-2004 and the Eastern Europe and Latin America Region 1999-2001. Education: B.L., lic.spec. IMD (PED).

*Joakim Vilson (Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa Region)*

Employed by Alfa Laval since 1990. Regional manager since January 1, 2013. Previous positions include: head of the Mid Europe Region and the Process Industry segment. Education: BSc. Eng.

*Ray Field (Executive Vice President in charge of the Asia, India and Oceania Region)*

Employed by Alfa Laval since 1985. Regional manager since September 1, 2004. Prior to this, he served as President of Alfa Laval China for more than ten years. Education: BSc. Eng.

*Nish Patel (Executive Vice President in charge of the Western Europe and North America Region)*

Employed by Alfa Laval since 1984. Regional manager since 2011. Prior to this, he served as head of India and the UK. Education: BSc. Eng.

*Peter Torstensson (Senior Vice President, Corporate Communication)*

Employed by Alfa Laval since 1999. Senior Vice President, Corporate Communications since 1999. Formerly held such position as President of Borstahusen Informationsdesign.

*Peter Bailliere (Senior Vice President, Human Resources)*

Employed by Alfa Laval since 2007. Senior Vice President, Human Resources, since July 1, 2007. Many years of experience with Volvo Cars, most recently as head of Group Human Resources. Education: Master of Sociology, Bachelor in Fiscal Law.

The business address of each of the board members and the members of the management, with the exception of Ray Field, is P.O. Box 73, SE-221 00 Lund, Sweden. The business address of Ray Field is Suites 1206-09, 12/F., Two Chinachem Exchange Square, 338 King's Road, North Point Hong Kong P. R. China.

Jörn Rausing, Finn Rausing and Lars Renström are board members of Tetra Laval Group, which is a part of Tetra Laval B.V., the Netherlands, being the largest shareholder of the Guarantor with 26.1 per cent. of the shares and the votes in the Guarantor (as at 30 June 2014). This constitutes a potential conflict of interest between their duties to the Guarantor as members of the board and their private interests or other duties. Aside from this, the Guarantor is not aware of any potential conflict of interest between the duties to the Guarantor of the members of the board and the members of the management and their private interests or other duties.

To protect the minority shareholders from any abuse of control by the large shareholders, six out of nine members of the Board of Directors of the Guarantor are independent. The minority shareholders of the Guarantor are also protected from abuse by the shareholders with large shareholdings through the minority shareholder protection provisions of the Swedish Companies Act, pursuant to which the minority shareholders under certain circumstances can block certain kinds of shareholder resolutions, concerning *inter alia* amendments to the company's articles of association. Also, as a general rule under the Swedish Companies Act, all shares in a limited liability company incorporated under the laws of Sweden must be treated equally in the decision-making of the company. Shareholder resolutions where shareholders are not treated equally and where no permitted exception to this principle of equality is applicable can be contested by any shareholder in the company. Further, shareholder resolutions made with the aim of giving a shareholder an undue advantage in relation to the company or the other shareholders of the company can be contested by any other shareholder in the company. Furthermore, according to the Swedish Companies Act, (1) a shareholder is not allowed to take part in the decision making relating to (a) legal claims against the shareholder, (b) the discharge of responsibility for damages or any other obligation in relation to the company and (c) legal claims or discharge referred to in (a) or (b) which relates to any other person, if the shareholder has a material interest which could be contrary to that of the company, (2) a board member is not allowed to take part in the handling of matters relating to agreements between the company and (a) the board member, (b) a third party in which the board member has a material interest which could be contrary to the interest of the company, and (c) a legal person which the board member, alone or in conjunction with another person, is allowed to represent unless the legal person is a member of the same group as the company, in all cases referred to in (a)-(c) unless the board member, directly or indirectly, owns all shares in the company.

## **Committees**

Alfa Laval has a Remuneration Committee and an Audit Committee that report to the Board of Directors of the Guarantor. Committee members are appointed from among the board members of the Guarantor for a period of one year.

### *Audit Committee*

Among other duties, the Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. The Audit Committee formulates guidelines for the Guarantor's financial reporting and follow-up, and has the right to determine the focus of the internal audit. The Audit Committee also examines the procedures for reporting and financial controls, as well as the work qualifications and independence of the external auditors.

Members are appointed annually at the Board of Directors' statutory meeting. The Audit Committee currently comprises Finn Rausing (Chairman), Gunilla Berg and Ulla Litzén.

### *Remuneration Committee*

The Remuneration Committee is involved in recruitment, appointments, and matters pertaining to other conditions of employment relating to the President and CEO or members of Group management. The Remuneration Committee's assignment is to prepare the guidelines for remuneration to senior executives to be resolved on by the annual general meeting of the Guarantor and to submit proposals to the Board of Directors of the Guarantor regarding salary and employment terms for the President and CEO. In addition, the Remuneration Committee addresses matters on behalf of the Board of Directors regarding salary and employment terms for senior executives who report directly to the President and CEO.

The Remuneration Committee is appointed annually at the Board of Directors' statutory meeting. The Remuneration Committee currently comprises Anders Narvinger (Chairman), Jörn Rausing and Arne Frank.



## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant 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. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

### Kingdom of Sweden Taxation

#### *Non-resident Holders of Notes*

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

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

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

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

Private individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have lived permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar

years preceding the year of disposal or redemption. This liability may, however, be limited by tax treaties between Sweden and other countries.

#### *Resident Holders of Notes*

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

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

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

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

On 14 February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the 14 February 2013 proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The draft Directive may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

#### **FATCA**

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, 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, the Guarantor, any paying agent and the Common Depositary and/or Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities 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 withholding. However, definitive notes will only be printed in remote circumstances.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Skandinaviska Enskilda Banken AB (publ), BNP Paribas, HSBC Bank plc, ING Bank N.V. and Nordea Bank Danmark A/S (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 27 August 2014 (the "**Dealer Agreement**") and made between the Issuer, the Guarantor and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

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 subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. 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.

**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 United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver 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 United States or to, or for the account or benefit of, U.S. 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 United States or to, or for the account or benefit of, U.S. 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 United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

Each Dealer has represented, warranted and agreed 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 or the Guarantor..

**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.*

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **General**

Each Dealer has represented, warranted and agreed that it has complied and will comply 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. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor 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 a supplement to this Base Prospectus.

## **Kingdom of Sweden**

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 or sell any Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (*lag (1991:980) om handel med finansiella instrument*) and otherwise in compliance with the laws of Sweden.

## **GENERAL INFORMATION**

### **Authorisation**

1. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 22 August 2014 and resolutions of the board of directors of the Guarantor passed on 28 April 2014 and 16 July 2014. Each of the Issuer and the Guarantor 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 giving of the guarantee relating to them.

### **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 or the Guarantor 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 or the Guarantor and its Subsidiaries.

### **Significant/Material Change**

3. Since 31 December 2013 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer. Since 31 December 2013 there has been no material adverse change in the prospects of the Guarantor or the Guarantor and its Subsidiaries and since 30 June 2014 there has been no significant change in the financial or trading position of the Guarantor or the Guarantor and its Subsidiaries.

### **Auditors**

4. The consolidated financial statements of the Issuer and the Guarantor have been audited without qualification for the years ended 31 December 2013 and 31 December 2012 by Ernst & Young, with individual auditors Staffan Landén and Johan Thuresson in charge for the auditing of the financial statements relating to the financial year ended 31 December 2013, and individual auditors Staffan Landén and Håkan Olsson Reising in charge for the auditing of the financial statements relating to the financial year ended 31 December 2012. Staffan Landén, Johan Thuresson and Håkan Olsson Reising are chartered accountants, and members of FAR (the Swedish institute for authorised public accountants). Ernst & Young 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 (in physical form) (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer at Rudeboksvägen 1, 226 55 Lund, Sweden for 12 months from the date of this Base Prospectus:
  - (a) the certificate of registration and the articles of association of the Issuer;
  - (b) the certificate of registration and the articles of association of the Guarantor;
  - (c) the audited financial statements of the Issuer for the years ended 31 December 2013 and 31 December 2012;
  - (d) the audited consolidated and unconsolidated financial statements of the Guarantor for the years ended 31 December 2013 and 31 December 2012 and the unaudited consolidated financial statements of the Guarantor for the period 1 April -30 June 2014;
  - (e) the Agency Agreement;
  - (f) the Deed of Guarantee;
  - (g) the Deed of Covenant;
  - (h) the Dealer Agreement;

- (i) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (j) 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 New Global Note form).

#### **Material Contracts**

- 6. Neither the Issuer, the Guarantor or any other member of the Group is party to any material contracts outside the ordinary course of their business which could result in them being under an obligation or entitlement that is material to their ability to make payments under any Notes.

#### **Clearing of the Notes**

- 7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. 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.

#### **Issue Price and Yield**

- 8. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

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