

This prospectus was approved by the Swedish Financial Supervision Authority on 17 August 2020.

The SKF logo is rendered in a bold, blue, sans-serif typeface. The letters are thick and blocky, with a slight shadow effect on the right side of each letter, giving it a three-dimensional appearance. The 'S' and 'K' are connected at the top, and the 'F' is slightly offset to the right.

Aktiebolaget SKF (publ)

Prospectus regarding admission to trading of

**SEK 900,000,000 senior unsecured fixed rate notes
ISIN: SE0014449658**

Issuing Agent

The SEB logo consists of the letters 'S', 'E', and 'B' in a bold, black, sans-serif font. Each letter is separated from the others by a thin vertical line, creating a segmented effect.

Joint Bookrunners

The SEB logo, identical to the one above, is positioned on the left side of the footer area.The Handelsbanken logo features the name 'Handelsbanken' in a blue, sans-serif font. The letters are bold and evenly spaced.The Nordea logo displays the name 'Nordea' in a blue, sans-serif font. The letters are bold and evenly spaced.

Important information

In this prospectus, the “**Issuer**” means Aktiebolaget SKF (publ). The “**Group**” means the Issuer with all its subsidiaries from time to time (each a “**Group Company**”). The “**Joint Bookrunners**” means Skandinaviska Enskilda Banken (publ), Nordea Bank Abp and Svenska Handelsbanken AB (publ). The “**Issuing Agent**” means Skandinaviska Enskilda Banken AB (publ).

“**Euroclear Sweden**” refers to Euroclear Sweden AB. “**SEK**” refers to Swedish kronor.

Words and expressions defined in the Terms and Conditions have the same meanings when used in this prospectus (the “**Prospectus**”), unless expressly stated otherwise follow from the context.

Notice to investors

The Issuer issued a total of 450 senior unsecured fixed rate notes in the Total Nominal Amount of SEK 900,000,000 (the “**Notes**”) on 10 June 2020 (the “**Issue Date**”). This Prospectus has been prepared for the admission to trading of the Notes on Nasdaq Stockholm or another regulated market. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) pursuant to Article 20 in Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Prospectus is correct and complete.

This Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus.

This Prospectus may not be distributed in any jurisdiction where such distribution would require any additional prospectus, registration or measures other than those required under Swedish law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this Prospectus may come are required to inform themselves about, and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. Subject to certain exemptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or the securities laws of any state or other jurisdiction outside Sweden.

No person has been authorised to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of this Prospectus nor the offering, sale or delivery of any Note implies that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer’s or the Group’s business since the date of this Prospectus. If the information in this Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Prospectus Regulation.

Any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor. In making an investment decision, investors are advised to read carefully, and should rely solely on, the detailed information in this Prospectus and related documents referred to herein. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of the investment in the Notes.

Forward-looking statements and market data

The Prospectus contains certain forward-looking statements that reflect the Issuer’s current views or expectations with respect to future events and financial and operational performance. The words “intend”, “estimate”, “expect”, “may”, “plan”, “anticipate” or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical or current facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialise. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause the Issuer’s and the Group’s actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in “*Risk factors*”. The forward-looking statements included in this Prospectus apply only to the date of the Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and the Group or persons acting on the Issuer behalf is subject to the reservations in or referred to in this section.

The Prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which the Group participates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Prospectus is also derived from estimates made by the Issuer.

Presentation of financial information

This Prospectus incorporates the Issuer’s consolidated historical financial statements for 2018 and 2019 and the interim reports for January 2020-March 2020 and April 2020-June 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU. The financial statements for 2018 and 2019, but not the interim reports for January 2020-March 2020 and April 2020-June 2020, have been audited by the Issuer’s auditor. Certain financial and other information presented in this Prospectus has been rounded off for the purpose of making this Prospectus more easily accessible for the reader. As a result, the figures in tables may not tally with the stated totals.

With the exception of the Issuer’s consolidated historical financial statements for 2018 and 2019, no information in this Prospectus has been audited or reviewed by the Issuer’s auditor. Financial data in this Prospectus that have not been audited by the Issuer’s auditor stem from internal accounting and reporting systems.

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RISK FACTORS

In this section, material risk factors are illustrated and discussed, including risks relating to the Group's business and operations, legal risks, financial risks as well as risks relating to the Notes. The Issuer's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus. The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

Risks relating to the Issuer and the Group

Risks relating to the Group's business and operations

The Group is exposed to risks related to changed economic climate and changes in customer behavior.

The Group is a global supplier of products, solutions and services within bearings, seals, lubrication systems and services, and operates in many different industrial and geographical areas that are at different stages of the economic cycle. Demand for the Group's products, solutions and services depends on the general economic climate within the segments and sectors to which the Group's offering is focused, which in turn is affected by macroeconomic factors in those countries and regions where the Group conducts operations, including the rate of growth in the global economy, currency rate fluctuations, tariffs and other global measures restricting trade, price or exchange controls, commodity prices and inflation, as well as extraordinary events such as natural disasters and pandemics. A reduced demand for the Group's products, solutions and services as a result of a general economic downturn at global level or in the markets in which the Group operates presents a highly significant risk to the Group's business, results of operations and financial position.

For example, the recent global spread of Covid-19 and the mitigations and practices implemented by governments, such as restrictions on movement of people, temporary closure of businesses and/or public works stoppages has led to and may continue to lead to a fall in demand for the Group's products, solutions and services. During the second quarter 2020, the Group's net sales fell organically by 25 per cent and sales were impacted across most regions due to both government-imposed closures as well as lower underlying demand. The degree to which Covid-19 will affect the demand of the Group's products, solutions and services going forward is uncertain, and presents a highly significant risk to the Group.

In addition, there is a risk that a general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries. With the high levels of uncertainty in the current global economic situation and potential additional initiatives by authorities and Group's customers, there is a considerable risk that a weaker economic climate, changes in customers' purchasing behaviour and a continuously falling demand for the Group's products and services would have a material adverse effect on the Group's business, financial position and results of operations.

The Group is exposed to risks related to outages and disruptions at its manufacturing units.

The Group owns and operates 103 manufacturing units in 22 countries around the world and the manufacturing comprises a chain of processes in which outages and disruptions can affect the Group's possibilities to perform its obligations to customers. The Group's manufacturing units are primarily located in Europe, North America and Asia. The Group is exposed to a number of risks which may be more or less specific to the region in question. These risks include, among other things, geopolitical unfavorable developments, pandemics, extreme weather conditions and natural disasters, fire, theft, systems failures, mechanical failures or equipment breakdown and similar risks. For example, due to the Covid-19 pandemic, some manufacturing units have been temporarily closed, and in some, the capacity has been reduced. The degree to which the reduced production capacity isolated has affected the Group is uncertain, given that the Covid-19 pandemic also has an adverse effect on the demand for the Group's products and services (see further "The Group is exposed to risks related to changed economic climate and changes in customer behaviour" above). Disruption upstream in the demand chain may also affect the Group's ability to manufacture and produce. Any extensive outages or disruptions as a

consequence of such events would affect the Group's ability to manufacture, sell and distribute products, which could have a material adverse effect on the Group's business, results of operations and financial position.

The Group is exposed to risks related to price and access to raw materials, components and energy.

The Group uses a number of different raw materials, components and energy in its manufacturing and is thereby exposed to risks associated with the price structure of, and access to, raw materials, components and energy that are necessary for the Group's production. In 2019, the cost of raw materials and components amounted to approximately MSEK 27,917. As of 31 December 2019, an increase/decrease of +/- 1 per cent in the cost of raw materials and components would have affected the Group's operating profit by approximately +/- MSEK 279. The single most important raw material for the Group is steel, which is a major component in the production of bearings. In addition to raw materials and components, the Group uses a significant quantity of energy in its manufacturing, of which electricity makes up the absolute majority in terms of costs. Based on the conditions prevailing on 31 December 2019, an increase/decrease of +/- 10 per cent in the energy costs would have affected the Group's operating profit by approximately MSEK 130. Accordingly, an increase in the price of raw materials, components and energy adversely affects the Group's operating profit and financial position.

The Group's ambition is to use local sourcing as far as possible, however parts of the Group are also to a certain extent dependent on long distance sourcing of raw materials and components. The access to raw materials and components may be adversely affected by tariffs and other global measures restricting trade. For example, the price in the United States for steel increased in 2018 as a result of the customs tariffs that the United States imposed on imported steel. These circumstances related to disruptions in access to important raw materials and components may thus adversely affect the Group's manufacturing costs and profitability, thereby presenting a significant risk for the Group.

The Group is exposed to IT related risks.

The Group is dependent on a well-functioning IT infrastructure in order to manufacture, develop and sell its products, solutions and services. Due to the ongoing digitalization of the industry, the Group's operations are increasingly dependent on electronically stored and processed data, computer systems and other technology solutions. For example, the Group's offering of technology to connect, collect and analyse critical data from customers' machines is highly dependent on the Group's IT infrastructure. Accordingly, the Group is exposed to risks related to outages and disruptions in its IT infrastructure, which may be caused by, among other things, data viruses, power outages, human or technical errors, sabotage, weather and nature-related events or problems due to deficient care and maintenance. IT attacks, errors and damage to IT systems, operational disruptions, defective or incorrect deliveries of IT services from the Group's IT providers that lead to extensive manufacturing outages or loss of information would materially adversely affect the Group's business.

The Group has initiated a programme to replace its current ERP systems in order to create a common ERP platform for the Group. There is a risk that the process will not be successful and not fulfil the Group's anticipated effects, for example by the ERP system not being compatible with the rest of the IT infrastructure. If the roll-out of the ERP system, or other updates of the IT infrastructure, does not work satisfactorily, and that would lead to inefficiency and major disruptions in the operations, it would have an adverse effect on the Group's reputation and business.

The Group's business includes, in certain cases, the handling of sensitive and confidential information which, if it falls into the wrong hands, risks to damage both the Group and the business of its customers. Such confidential information consist of, for example, manufacturing data, customer data in sales processes or research and development data. Accordingly, the Group is dependent on maintaining adequate information management systems. There is a risk that the Group will be subject to cyber intrusion by potential adversaries placing so-called ransomware on IT assets or gaining unauthorised access to the Group's information or computer systems, which could lead to, among other things, loss, theft or manipulation of sensitive data such as personal data or data relating to export control regulations. In addition, the ongoing digitalization within the Group is increasing the risk of loss of data, for example by its employees not having enough knowledge of how to handle the relevant data. Extensive dissemination or loss of sensitive and confidential data would have a material adverse effect on the Group's business and reputation.

The Group is exposed to risks related to product liability and claims.

The Group's customers are primarily industrial and automotive companies, and the Group's offering consist of, among other things, developing and manufacturing bearings, seals and lubrication systems, as well as rotating shaft services to their industrial customers, and customized bearings, seals and related products for wheel-end,

driveline, engine, e-powertrain, suspension and steering applications to their automotive customers. The Group's offerings are often customized and must then meet certain requirements, both requirements from the customers and requirements imposed by laws and regulations. For example products for railway need to fulfill specific application standard for railway bearings. There is a risk that the Group's offerings will not meet such requirements, or in other ways be defective, which could lead to the Group's facing both warranty and product liability claims. The highest risk for claims, both in terms of likelihood and financial impact, is from the aerospace, automotive, railway, energy and marine customers, due to the nature and high safety standards of such industries. If such claims are not covered by the Group's insurance programs, this would have a material adverse effect on the Group's financial position. In addition, extensive adverse publicity about warranty and product liability claims could also damage the Group's reputation, even if the claims are unfounded.

The Group is subject to risks related to market competition.

The Group operates in a global industry. The trend is towards fewer, larger and more international manufacturers and distributors. Like most global industries, the Group's industry is exposed to strong competition and the Group estimates that a small number of global bearing manufacturers represents approximately 60 per cent of the global bearing market. Over the last years, the global bearing market has been affected by digitalization, changing customer requirements, pressure to decarbonize industry sectors and disruptive business models. The trend of disruptive technologies is an opportunity for entrepreneurial companies to win market shares, which would lead to more competitors to the Group. These factors entail that the Group will need to reposition and adapt its business and offering to the driving trends of the industry. If the Group fails with such repositioning, or adapting to new technology and new business models, or for any other reason fails to compete effectively, this would lead to the Group losing market shares or customers and have a material adverse effect on the Group's net sales business.

In addition, the Group's competitiveness depends on a number of factors, among other things, price, quality of the products and distribution channels. Competitors may find better and more cost-efficient ways to produce and distribute products and services, find ways to produce better functioning products to meet the customers' needs, as well as lower its prices. As a result, the Group may have to make investments, restructurings and/or price reductions in order to adapt to a changed competitive situation, which could lead to a lowered margin for the Group's business. There is also a risk that the Group is not able to counteract the effects of the competition at all, which would have a material adverse effect on the Group's operating profit and financial position.

The Group owns or otherwise holds a large number of intellectual property rights such as patents, trademarks and logos, which have significant relevance for the Group's competitiveness. There is a risk that the Group fails to adequately maintain protection for its intellectual property rights and that competitors will seek to the Group's patents, trademarks and logos when they market their products. For example, in 2017, the Group completed legal proceedings against a dealer of counterfeit SKF bearings in Greece, where 15 tons of bearings were seized and destroyed. If similar situations occur again and a competitor sells products of low quality under any of the Group's trademarks and logos, this risks to seriously limit the Group's competitiveness as well as damage the Group's brand image and reputation.

The Group is dependent on attracting and retaining key employees.

The Group is dependent on attracting and retaining highly knowledgeable and skilled employees. The Group's business require key skills with respect to, among other things, digitalization and automation. However, the competition for qualified employees within these areas is strong and as the industry is more digitalized, more organizations are competing for the same skills and capabilities, entailing that there is a risk of scarcity of some of the key skills on the labour market. In turn, this may lead to increased remuneration levels, which would adversely affect the Group's results of operations. In 2019, employee benefit expenses, including social security charges, amounted to MSEK 26,227. Based on the conditions prevailing on 31 December 2019, an increase of 1 per cent in the Group's employee benefit expenses, including social security charges, would have adversely affected operating profit by approximately MSEK 262. Conversely, if the Group were to offer excessively low remuneration levels, this might lead to employees choosing to terminate their employments, which would adversely affect the Group's competitiveness and business. Reorganizational measures may present difficulties to retain correct competence and employees. As an example, the Group is currently taking major steps to reduce the negative impact of the uncertain situation due the Covid-19 pandemic, such as by closure of sites, reducing number of employees and increasing flexibility within the workforce. There is a risk that these activities will have an adverse impact on employees' motivation, loyalty and optimism and may cause unwanted attrition and loss of key personnel and capabilities.

Further, in order to meet demands on the future workforce and driving trends of the industry, the Group must re-skill parts of its current employees. The Group has initiated programmes including, among other things, re-skilling from production execution to maintenance by offering theoretical and practical education in electronics and mechanics, up-skilling in automation technology, robotics and simulations. If the Group fails to provide employees with the correct support and skills development in their new roles, such attempts to re-skill employees risks leading to a shortfall in skills, dissatisfaction among employees and ultimately terminated employments.

The Group is exposed to risks associated with acquisitions.

In 2019, the Group acquired four companies and the acquisition costs totalled MSEK 729. Three of the acquisitions in 2019 were carried out to strengthen the Group's rotating equipment performance offering, which helps customers move towards a circular economy. The ongoing digitalization and driving trends of the industry could result in that the Group must strengthen more sections of its business through acquisitions. However, there is a risk that in the future, the Group will be unable to carry out such strategic acquisitions due to, for example, competition from other buyers or lack of suitable acquisition candidates. If the Group fails to carry out necessary strategic acquisitions, there is a risk that the Group's competitiveness and business is adversely affected.

In conjunction with acquisitions, the Group is exposed to risks relating to the integration of new businesses and employees. Hence, it is important to retain key employees and to have a well-functioning and effective integration process. There is a risk that dissatisfaction can arise among the personnel of the acquired business and the Group's personnel, and that this ultimately leads to key employees choosing to terminate their employments. In addition, the Group may incur significant acquisition costs and restructuring costs or other costs in connection with acquisitions, which may be higher than initially anticipated. There is also a risk that anticipated synergies will not be realised, or that additional integration costs will be required in order to achieve synergies. Furthermore, there is a risk that acquired businesses will not perform as expected. Following acquisitions, there is also a risk that business relations with customers and suppliers change or cease, which risks making it difficult for the Group to successfully achieve anticipated synergies. In turn, if any of the abovementioned risks are materialised, this could lead to that the Group needs to take an impairment charge on the goodwill or other intangible assets arising in conjunction with acquisitions, which would have an adverse effect on the Group's financial position.

Legal risks

The Group is exposed to risks related to unanticipated claims, legal disputes and administrative proceedings.

The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant. Many of these disputes relate to claims arising in the ordinary course of its business including, but not limited to, alleged defects in delivery of the Group's products, services and solutions, warranty undertakings, employment issues, patent rights and other intellectual property rights and other issues on rights and obligations that arise in connection with the Group's operations. The Group may also be exposed to product liability claims in the event of product failure in customer applications (see also "*The Group is exposed to risks related to product liability and claims*" above). Disputes may also arise in connection with mergers and acquisitions. There is a risk that the ultimate outcome of any such disputes may be unfavourable to the Group and, as a consequence, the Group may incur costs and any mitigating measures (including provisions taken on the Group's balance sheet) adopted to protect against the impact of such costs may prove to be inadequate or insufficient. The probability of incurring significant cost is often exacerbated in relation to unanticipated claims, which thus presents a significant risk to the Group's business and results of operations.

In addition, the Group may be subject to investigations and legal proceedings brought by authorities including antitrust and competition authorities. The Issuer is currently subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. Moreover, the Group is subject to related class action claims by direct and indirect purchasers of bearings, for example in the United States, and may face additional follow-on civil actions by both direct and indirect purchasers.

There is further a risk that the Group will become subject to additional claims, disputes and legal proceedings, which may prove costly, be time consuming and disrupt normal operations. The financial, reputational and legal outcomes of material disputes are uncertain and presents a highly significant risk to the Group, since an

unfavourable outcome of such investigations, disputes or legal proceedings would have a material adverse effect on the Group's business, results of operations and financial position.

The Group is exposed to compliance-related risks.

There are regulatory risks associated with the wide geographical presence of the Group. The global and diverse nature of the Group's business and operations means that the Group is required to adhere to numerous laws and regulations related to all aspects of its activities. Failure to meet these requirements could lead to legal and financial consequences as well as damage to the Group's reputation. The Group is exposed to compliance risks mainly related to competition law, fraud and corruption, export control, data privacy (including, but not limited to, in relation to Regulation (EU) No. 2016/679 (the General Data Protection Regulation)), environmental and health and safety regulations (see also "*The Group is exposed to environmental risks*"). The Group is dependent on the compliance of such laws and regulations by its employees, suppliers and other third parties. There is a risk that the Group's internal governance documents, such as codes of conduct and policies, internal controls and other measures to safeguard compliance with laws and regulations are not at all times adequate and fully effective, particularly if the Group is confronted with risks that it has not fully or adequately identified or anticipated. The Group also faces the risk that its executives make decisions that are not in compliance with adopted corporate governance practices and internal policies and guidelines. If the Group's internal policies, guidelines and controls are insufficient or its executives act contrary to such policies and guidelines, there is a risk that the Group's reputation is damaged and that it becomes subject to fines, penalties and other sanctions and/or exposed to civil or criminal liability.

The Issuer's global operations expose the Group to risks related to sustainability factors such as human rights, employment conditions and corruption. The regions in which the Group's exposure to corruption is the highest are Latin America, Middle East, Africa, Eastern Europe, the CIS countries and Asia. The highest risk for corruption is when the Group uses a distributor or another type of intermediary to sell, purchase or in other ways interact with state owned entities. The highest internal fraud risks for the Group are in the sales and purchasing processes. These frauds are often done by using companies controlled by employees or driven by kickbacks and bribes from business partners. The Group is also subject to external fraud risks by perpetrators using social engineering techniques to obtain payments. During 2019, 26 fraud and corruption incidents were confirmed by the Group's audit team, the majority of which occurred in China and India. As a result, 29 employees had to leave the Group and the Issuer also decided to terminate 20 distributors and other intermediaries for their involvement in unethical business practices. Violations of anti-corruption legislation could further lead to extensive fines and other criminal, civil or administrative sanctions or lead to the Issuer being excluded from participating in public procurement procedures, which would have a material adverse effect on the Group's reputation, business, results of operations and financial position. Corruption-related incidents or accusations against distributors or other third parties with whom the Group has a commercial relationship risk leading to adverse publicity that would damage the Group's reputation, even if the Group is not involved.

The Group is exposed to environmental risks.

As an industrial company, the Group is subject to numerous international, national and local environmental, health and safety laws and regulations governing, among other things, storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Any severe non-compliance with such environmental laws and regulations risk resulting in the imposition of significant fines, penalties or liens, or give rise to civil or criminal liability, which would have a material adverse effect on the Group's reputation, business and results of operations. Authorities around the world require various permits and licenses related to environmental, health and safety matters. In the event of severe non-compliance with legislation, such permits or licences may be revoked, and production activities stopped until sufficient rectification has been completed.

The direct risks to the Issuer related to environmental impact of the Group's business occurs primarily in production processes through the use of materials and energy, emissions into the air and water, or through noise and waste. The areas having the greatest impact on the environment are energy consumption at manufacturing units related carbon dioxide emissions, generation of hazardous and non-hazardous waste and air, water and soil emissions. Recently, focus on environmental and climate issues has increased, both in the media and on the part of politicians. The Group has adopted certain non-financial targets attributable to its environmental impact (e.g. to reduce carbon dioxide emissions from manufacturing by 40 per cent per tonne of bearings sold and from goods transportation by 40 per cent per tonne of shipped products to end customer (with 2015 as the base year and 2025 as the year for reaching the targets)). In 2019, the outcome of the bearing manufacturing target was a

reduction of 36 per cent and the goods transportation target was a reduction of 2 per cent. If the Group fails to reach its non-financial targets attributable to the environment or does not drive improvement regarding for example energy and emissions in other parts of the value chain, this risks to lead to adverse publicity, which would damage the Group's reputation.

As a long-established industrial company, the Issuer may further be held liable to investigate and rectify contamination and emissions at the Group's plants and on property which the Group, or companies and businesses which the Group has acquired or with which it has merged, own or have previously owned, irrespective of whether the Group has caused the contamination or whether the operation which caused the contamination was lawful at the time the contamination occurred. Because of stricter laws and regulations, some with retroactive effect, relating to landfill disposal, some of the Group companies are currently involved in the cleaning-up of old landfills that have not been used for many years, but at which the Group company was one of many companies contributing to waste disposal in the past. The majority of these cases concern so-called superfund sites designated by the U.S. Environmental Protection Agency and U.S. state agencies and the authorities in several other countries. A superfund site is an old landfill or plant site in the United States with soil or groundwater contamination, subject to a remediation programme according to federal law. In addition, a few on-going remedial activities are being carried out for soil and groundwater contamination. The ultimate resolution of these issues is not known at present, but presents a significant risk to the Group's results of operations and financial position.

In addition, stricter environmental laws and regulations, sometimes with retroactive effect, may lead to increased expenditure to comply with these laws and regulations. The Group may also be subject to claims from public authorities, private individuals, companies or other parties who request compensation for alleged personal injury, property damage or damage to nature caused for example by accidental environmental contamination from the Group's operations, which risk leading to large and unexpected costs. Risks of substantial costs and liabilities, including for the investigation and remediation of past or present contamination, are inherent in the Group's ongoing operations, and its ownership and occupation of industrial properties thus present a significant risk to the Group's results of operations.

The Group is exposed to tax risks.

The Group's operations are global with a presence in 130 countries, manufacturing operations in 24 countries and direct sales channels in 70 countries and is thus subject to taxation and several tax laws and regulations worldwide. Its operations, including intra-group transactions, are conducted in accordance with the Group's understanding and interpretation of applicable tax legislation, tax treaties and other regulations in those jurisdictions, and in accordance with the Group's understanding and interpretation of the requirements of the relevant tax authorities. However, there is a risk that the Group's understanding and interpretation of the aforementioned laws, tax treaties and regulations, for example in relation to transfer pricing, is not correct in all respects. There is also a risk that the tax authorities in the relevant countries may make assessments and take decisions that differ from the Group's understanding and interpretation of the aforementioned laws, tax treaties and regulations. The Group's tax status, in respect of both previous years and the current year, may be changed as a consequence of the decisions that relevant tax authorities take, or as a consequence of amended laws, tax treaties or other regulations. In 2017-2019, the Group's tax expenses totalled MSEK 2,375, MSEK 2,511 and MSEK 1,904, respectively, and its effective tax rate amounted to 24.8 per cent, 25.6 per cent and 31.6 per cent, respectively. There is a risk that amended laws, tax treaties or other regulations, which may apply retroactively, lead to increased tax expenses and higher effective tax rate for the Group, which negatively affect its results of operations.

From time to time, the Group is also involved in tax disputes, tax audits and litigations of varying significance and scope. Such processes can lead to lengthy proceedings over several years and may require the Group to pay substantial additional tax, and thus presents a significant risk to the Group. See also "*The Group is exposed to risks related to unanticipated claims, legal disputes and administrative proceedings*" above.

The Group is exposed to employment law issues.

As of 31 December 2019, the Group had 43,360 employees in 130 countries. The Group thus needs to comply with several employment-related laws and regulations. There is a risk that the Group's operations are non-compliant with some of the laws and regulations, or that authorities in the relevant countries may make assessments that differ from the Group's understanding and interpretation of the aforementioned laws and regulations. Further, from time to time, claims are made against the Group by former employees who allege they have been incorrectly pensioned off, terminated or that the Group in some other way has not complied with employment-related laws and regulations. The degree to which non-compliance, or amendments, of employment

laws or regulations may affect the Group is uncertain and presents a significant risk to the Group's business and results of operations.

Certain parts of the Group's employees are covered by collective bargaining agreements and the Group holds collective bargaining agreements with trade unions in 20 countries. Such agreements are renegotiated from time to time. There is a risk that such negotiations are discontinued, that agreements cannot be reached or that the Group will not be able to renew collective bargaining agreements on favourable terms, such as the Group having to offer higher salaries. Based on the conditions prevailing on 31 December 2019, an increase of 1 per cent in the Group's employee benefit expenses, including social security charges, would have adversely affected operating profit by approximately MSEK 262. Negotiations of collective bargaining agreements could also cause disruptions to the operations and increase the risk of strikes other disturbances occasioned by its unionised labour force. Accordingly, within its own business or within the business of suppliers or other third parties, the Group is exposed to risks related to strikes or other industrial conflict measures, which, if they last for a long period or encompass a substantial part of the workforce in a major or important part of the business, would create disruptions and delays in the operations. Employment law related risks thus present a significant risk for the Group.

Financial risks

The Group is exposed to currency risks.

The Group operates on several geographical markets and conducts transactions in a variety of currencies, with the most significant net currency flows being in CNY, EUR, USD and SEK. As the Group's accounts are consolidated in SEK, the Group is exposed to currency risk with respect to adverse fluctuations in the exchange rates between SEK and relevant foreign currencies.

Since the Issuer's foreign subsidiaries report in their functional currency, the Group is subject to translation exposure when translating the results and net assets from the foreign subsidiaries into SEK upon consolidation of the financial statements. Based on the conditions prevailing on 31 December 2019, a +/- 5 per cent change in the CNY/SEK, EUR/SEK and USD/SEK exchange rates would have resulted in a translation effect on the Group's operating profits corresponding to MSEK 125, MSEK 210 and MSEK 72, respectively.

Furthermore, the Group is subject to transaction exposure, which arises as a result of intra-group transactions between the Group's manufacturing companies and the Group's sales companies, situated in other countries and selling the products to end-customers normally in local currency on the local market. In some countries, transaction exposure may arise from sales to external customers in a currency different from the local currency. The Group's principal commercial flows of foreign currencies pertain to exports from Europe to North America and Asia and to flows of currencies within Europe. Based on the conditions prevailing on 31 December 2019, a +/- 5 per cent change in the CNY/SEK, EUR/SEK and USD/SEK exchange rates would have resulted in a transactional currency flow effect on the Group's operating profits corresponding to MSEK 142, MSEK 345 and MSEK 246, respectively. Accordingly, unfavourable fluctuations in relevant currency exchange rates would have a material adverse effect on the Group's results of operations and financial statements.

The Group is exposed to liquidity risks.

Liquidity risk, also referred to as funding risk, is the risk that the Group cannot meet its payment obligations at maturity due to insufficient liquidity, or is unable to obtain requisite financing and/or refinance its existing loans on acceptable or profitable terms and conditions. In order to meet its future capital needs, the Group is highly dependent on sufficient cash flows, liquid assets as well as the availability of external capital, which in turn depends on factors outside of the Group's control, such as credit availability within the financial markets, the Group's credit capacity, general market conditions and credit rating. As of the date of this Prospectus, the credit rating of the Group by each of Moody's and Fitch is Baa1 with a stable outlook and BBB+ with a stable outlook, respectively. Given the uncertainty in the current global economic situation, there is a risk that the demand for the Group's products and services will fall significantly due to the Covid-19 pandemic (see further "*The Group is exposed to risks related to changed economic climate and changes in customer behaviour*" above), thus negatively impacting the Group's cash flow, which in turn could affect the Group's credit rating. In addition, there is a risk that a deterioration in the global economic climate may negatively affect the general terms and conditions on the financial markets, which could result in difficulties raising external capital on acceptable terms or at all.

As of 31 December 2019, the Group's current liabilities, comprising trade payables, short-term provisions, other short-term financial liabilities and other short-term liabilities, totalled MSEK 23,140. Failure to generate sufficient cash flow or maintain access to financing alternatives may impact the amounts of capital available for

necessary expenditures. If the Group is not able to meet its current or future financial commitments, or renew or refinance current or future credit facilities on acceptable terms and conditions, it would have an adverse effect on the Group's liquidity, results of operations and financial position.

The Group is exposed to credit risks.

The Group is exposed to credit risk, which arises from the Group's operating activities as well as from certain financing activities. The credit risk refers to the risk that the Group's customers and other counterparties fail to fulfil their obligations, thus causing the Group to incur a loss. If there were to be a continued downturn in the economy leading to any of the Group's larger customers declaring bankruptcy or otherwise suffering from weakened financial abilities, it may negatively affect the likelihood of such counterparties honouring their obligations towards the Group. As of 31 December 2019, the Group had trade receivables amounting to MSEK 14,006 (of which MSEK 650 had fallen due for payment more than 30 days ago) and other receivables amounting to MSEK 5,636. The maximum exposure to credit risk for the Group amounted to MSEK 26,172. A significant increase in trade and other receivables falling due without payment would have a material adverse effect on the Group's results of operations and financial position.

The Group is exposed to interest rate risks.

Increases in market interest rates present a risk to the Group, as it may affect the interest charged on its borrowed capital, and consequently increase the Group's costs. As of 31 December 2019, the Group's total interest-bearing financial liabilities amounted to MSEK 33,295. Based on the conditions prevailing on the same date, a 1 per cent increase in the interest rate would have reduced the Group's pre-tax profits, including the effect of derivatives, by approximately MSEK 90. Accordingly, increased market interest rates may lead to significantly increased costs for the Group, thus adversely impacting its results.

Furthermore, changes in the discount rates may affect, for example, the Group's pension liabilities. The pension liabilities are calculated based on several assumptions, one of the most significant being the discount rate. Based on the conditions prevailing on 31 December 2019, and taking into account the Group's most significant pension plans in the United States, Germany, the United Kingdom and Sweden, a 1 per cent decrease in the discount rate would have increased the Group's defined gross benefit obligations with MSEK 5,538. Consequently, a significant decreased discount rate would have an adverse impact on the Group's financial position.

The Group is exposed to price risks.

The Group is further exposed to price risks as a result of its investment in equity securities. As of 31 December 2019, the Group held a total of MSEK 355 in investments in equity securities with quoted stock prices, which are measured at fair value. The value of the financial assets is highly dependent on, and subject to risks associated with, stock exchange prices and indexes, which are in turn affected by the general economic climate. Consequently, the uncertainty in terms of the effects of the Covid-19 pandemic presents a significant risk with respect to the value of the Group's equity securities. Based on the conditions prevailing on 31 December 2019, a +/- 5 per cent change in the market share prices would have affected the available-for-sale reserve in equity by +/- MSEK 18. Accordingly, there is a risk that decreased stock exchange prices and indexes have a significant negative impact on the value of the Group's liquidity and financial position.

Risks relating to the Notes

Credit risk

Investors in the Notes carry a credit risk relating to the Issuer and the Group. Investors' ability to receive payment under the Terms and Conditions is therefore dependent on the Group's financial position. If the Group's financial position deteriorates it is likely that the credit risk associated with the Notes will increase since the risk that the Issuer cannot fulfil its payment obligations under the Notes increases. The Group's financial position is affected by numerous risk factors, some of which have been outlined above.

There is a risk that an increased credit risk will cause the market to charge the Notes a higher risk premium, which will affect the Notes' value negatively. There is also a risk that if the financial position of the Group deteriorates it will reduce the Group's possibility to receive debt financing at the time of the maturity of the Notes, or earlier, if necessary.

Risk related to the Notes' interest rate structures

The value of the Notes depends on several factors, one of the most significant in the long term being the market interest rates. For example, the market value of the Notes will decrease if the market interest rates increase, since

the market value of the Notes tends to develop reversely to the applicable market interest rates. This entails the risk that investors in the Notes lose part of their investment. Generally, the longer the remaining term of the securities, the greater the risk and an increase in the general market interest rates may result in the value of the Notes decreasing. The value of the Notes is thus to a large extent dependent on the level of the market interest rates, which entails a risk for the Noteholders since the general interest rate level to a high degree is affected by the state of the Swedish and international economy, is outside the Group's control and is difficult to predict.

Risks relating to admission to trading

The Issuer has undertaken to ensure that the Notes are admitted to trading on a regulated market within certain stipulated time periods, as defined in the Terms and Conditions. There is a risk that the Notes will not be admitted to trading

Even if the Notes are admitted to trading on an exchange market, in accordance with the Terms and Conditions, the Notes may not always be actively traded. In general, financial instruments with a high nominal value, such as the Notes, are not traded as frequently as financial instruments with a lower nominal value. Given the high nominal value of the Notes there is a risk that there will not be a liquid market for trading in the Notes. This may result in Noteholders being unable to sell their Notes when they wish to do so or at a price which allows them to make profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Notes.

No action against the Issuer and Noteholders' representation

In accordance with the Terms and Conditions, the Agent will represent all Noteholders in all matters relating to the Notes and the Noteholders are prevented from taking unilateral action against the Issuer. Consequently, individual Noteholders do not have the right to take legal action to declare any default by claiming any payment from the Issuer and may therefore lack effective remedies against the Issuer, unless and until a requisite majority of the Noteholders agree to take such action. There is consequently, a risk that the value of the Notes will decrease meanwhile a requisite majority is not willing to take necessary legal actions against the Issuer. The unwillingness of a majority of Noteholders to act could thus damage the value of other Noteholders' investments in the Notes.

However, there is a risk that an individual Noteholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions), which could adversely affect an acceleration of the Notes or other action against the Issuer. For example, would an individual Noteholder initiate a bankruptcy proceeding against the Issuer, such proceeding could, despite being in breach of the Terms and Conditions, be legally valid, and consequently, cause damage to the Issuer and/or the other Noteholders.

Under the Terms and Conditions, the Agent will in some cases have the right to make decisions and take measures, including the right to agree to amend and waive provisions under the Terms and Conditions, that bind all Noteholders. Consequently, there is a risk that the actions of the Agent in such matters affect a Noteholder's rights under the Terms and Conditions in a manner that is undesirable or negative for some of the Noteholders, and consequently, the materiality of such risks are dependent on the preferences of each Noteholder.

Risks relating to currency

The Notes are denominated and payable in SEK. If Noteholders measure their investment return by reference to a currency other than SEK, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the SEK relative to the currency by reference to which investors measure the return on their investments. This could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Note. As a result, there is a risk that investors may receive less interest or principal than expected, or no interest or principal at all.

Risks relating to credit rating

Moody's have assigned credit rating to the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Moody’s is a registered credit rating agency under the CRA Regulation.

DESCRIPTION OF THE NOTES AND USE OF PROCEEDS

This section (Description of the Notes and use of proceeds) is only intended to serve as an introduction to the Notes. Any decision to invest in the Notes shall be based on an assessment of all information contained in this Prospectus as well as all documents incorporate herein by reference. The Terms and Conditions (as defined below) of the Notes are found in a separate section (Terms and Conditions) below.

The Notes

The Notes are senior unsecured fixed rate notes issued 10 June 2020 on a fully paid basis in accordance with the terms and conditions relating to the Notes (the “**Terms and Conditions**”). The Notes have a Nominal Amount of 2,000,000 each and are denominated in Swedish kronor. The aggregate nominal amount of the Notes was SEK 900,000,000 on the Issue Date. In total, 450 Notes have been issued.

ISIN and trading code

The Notes have been allocated the ISIN code SE0014449658. The Notes will also be allocated a trading code upon admission to trading. Such trading code has not been allocated at the date of this Prospectus.

Form of the Notes

The Notes are issued in dematerialised book-entry form and registered on a Securities Account on behalf of the relevant Noteholder. Hence, no physical notes or certificates in respect of the Notes have been issued. The Notes are registered in accordance with the Financial Instruments Accounts Act and registration requests relating to the Notes shall be directed to an Account Operator. The Notes are governed by Swedish law and are unilateral debt instruments intended for public trading as set out in Chapter 1 Section 3 of the Central Securities Depositories and Financial Instruments Accounts Act (*ensidig skuldförbindelse avsedd för allmän omsättning enligt 1 kap. 3 § lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

The Notes are freely transferable, without any restrictions in transferability, but the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes, as applicable, under local laws to which a Noteholder may be subject.

Status of the Notes

The Notes constitute direct, general, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among them and at least *pari passu* with all other direct, general, unconditional, unsecured and unsubordinated obligations of the Issuer.

Issuance, repurchase and redemption

Issue Date and Final Maturity Date

The Notes were issued on 10 June 2020. Unless previously redeemed or repurchased and cancelled in accordance with the Terms and Conditions, the Issuer shall redeem all, but not some only, of the outstanding Notes in full with an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest on 10 June 2024 (the “**Final Maturity Date**”).

Subject to applicable regulations, any Group Company may at any time and at any price purchase Notes on the market or in any other way. Notes held by a Group Company may at such Group Company’s discretion be sold or, if held by the Issuer, cancelled by the Issuer.

Early redemption due to illegality (call option)

The Issuer may redeem all, but not some only, of the outstanding Notes at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest on a Redemption Date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the relevant Terms and Conditions.

Payments in respect of the Notes

Any payment or repayment under the Terms and Conditions shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant payment date, or to such other person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.

Interest and default interest

Interest

Each Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the Issue Date up to (and including) the relevant Redemption Date.

Interest carried by the Notes shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis). Interest shall be paid on 10 June of each year in accordance with the Terms and Conditions (each an “**Interest Payment Date**”). The first Interest Payment Date shall be 10 June 2021 and the last Interest Payment Date shall be the relevant Redemption Date.

The interest rate applicable to the Notes is 1.125 per cent. *per annum*, or, upon the occurrence of a Change of Control Event, 6.125 per cent. *per annum*.

Default interest

If the Issuer fails to pay any amount payable by it under the relevant Terms and Conditions on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is 200 basis points higher than the prevailing Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

Undertakings

The Issuer makes certain undertakings in the Terms and Conditions. These include undertakings and limitations relating to:

- (a) negative pledge;
- (b) admission to trading; and
- (c) undertakings relating to the CSD.

Undertakings relating to negative pledge and admission to trading are elaborated on below. The undertakings are subject to qualifications. See Section 10 of the Terms and Conditions.

Negative pledge

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness of any Group Company will be secured by any Security upon, or with respect to, any of the present or future property, assets or revenues of any Group Company unless the Issuer, in the case of the creation of a Security, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security equally and rateably with the Relevant Indebtedness; or
- (b) such other Security or other arrangement (whether or not it includes the giving of a Security) is provided as is approved by the Noteholders;

provided that the Issuer shall not be required to take such action where (i) the aggregate outstanding principal amount of the Relevant Indebtedness secured by such Security shall not exceed 10 per cent. of the consolidated total assets of the Group, as calculated by reference to the then latest audited consolidated accounts of the Issuer or (ii) the Security is on the present or future property, assets or revenues of any company becoming a Subsidiary of the Issuer after the date of issue of the Notes which Security exists at the time of such company becoming a Subsidiary of the Issuer (other than any Security created in contemplation thereof).

Admission to trading

The Issuer shall ensure that the Notes are admitted to trading on a Regulated Market within three (3) months after the Issue Date. Following an admission to trading the Issuer shall use its best efforts to maintain it for as long as any Notes are outstanding, or if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market. The Notes are however not required to be admitted to trading on another Regulated Market from and including the last day on which the admission reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

It is estimated that the Issuer's costs in conjunction with the admission to trading will be no higher than SEK 137,500.

Decisions by Noteholders

A request by the Agent for a decision by the Noteholders on a matter relating to the Terms and Conditions shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

Only a Noteholder, or a person who has been provided with a power of attorney or other authorisation pursuant to the Terms and Conditions from a Noteholder on the Business Day specified in the notice pursuant to the Terms and Conditions, in respect of a Noteholders' Meeting or Written Procedure respectively may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the definition of Adjusted Nominal Amount.

A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.

Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Noteholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer.

No direct action by Noteholders

Subject to certain exemptions set out in the Terms and Conditions, a Noteholder may not take any steps whatsoever against any Group Company to enforce or recover any amount due or owing to it pursuant to the Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation or bankruptcy in any jurisdiction of any Group Company in relation to any of the obligations and liabilities of any Group Company under the Terms and Conditions.

Prescription

The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.

Governing law

The Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden. The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

The CSD

Euroclear Sweden, Swedish Reg. No. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden, is initially acting as Central Securities Depository (CSD) and registrar in respect of the Notes.

The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. For the purpose of carrying out any administrative procedure that arises out of the Terms and Conditions, the Issuing Agent shall be entitled to obtain information from the Debt Register.

The Agent

Skandinaviska Enskilda Banken AB (publ), Swedish Reg. No. 502032-9081, is initially acting as Agent on behalf of the Noteholders in accordance with the Terms and Conditions. The Terms and Conditions are available at the website of the Issuer (www.skf.com).

The Issuing Agent

Skandinaviska Enskilda Banken AB (publ), Swedish Reg. No. 502032-9081, is initially acting as Issuing Agent in accordance with the Terms and Conditions.

Rating

Moody's Deutschland GmbH ("**Moody's**") has assigned the Notes an Baa1 rating and has presented its rating of the Notes in a new issue report which is available on Moody's website: moodys.com. Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). A rating is not a recommendation to buy, sell or hold securities and there is no assurance that any assigned rating will continue for any period of time, or that they will not be reviewed, revised, suspended or withdrawn entirely at any time by Moody's if any information, on which the rating is based, changes or for any reason becomes unavailable, or if Moody's deems that the circumstances so warrant. Moody's may also at any time revise the rating methodology which could result in the assigned rating of the Notes being lowered.

The following table sets out the possible long-term ratings assigned by Moody's.

Moody's
Aaa
Aa1
Aa2
Aa3
A1
A2
A3
Baa1
Baa2
Baa3

Use of proceeds

The Issuer shall use the proceeds from the issue of the Notes, less the costs incurred by the Issuer in connection with the issue of the Notes, for general corporate purposes.

DESCRIPTION OF THE ISSUER AND OF THE GROUP

All competitive statements made in this section in terms of the Group, are based on information included in publicly available financial statements, analyst reports, news media and certain internal Group estimates.

History and development of the Issuer

The Issuer's legal and commercial name is Aktiebolaget SKF. The Issuer was incorporated in Sweden on 16 February 1907 and was registered with the Swedish Companies Registration Office (*Bolagsverket*) with registration number 556007-3495 on 11 March 1907. Its Legal Entity Identified (LEI) Code is 549300B6HWYEE57O8J84. The Issuer is a public limited liability company regulated by the Swedish Companies Act (*aktiebolagslag (2005:551)*). The Issuer is headquartered and has its registered office in Göteborg, Sweden and its principal offices are located at Hornsgatan 1, SE-415 50 Göteborg, Sweden. The Issuer's telephone number is +46 (0) 31 337 10 00. The Issuer's website is www.skf.com. The information on the website or any other website is not part of this Prospectus and has not been scrutinized or approved by the SFSA unless that information is incorporated by reference into this Prospectus.

The Issuer is the parent company of the Group.

From the outset the Issuer has focused intensively on quality, technical development and marketing. The Group's investment in research and development ("**R&D**") has resulted in numerous innovations, new standards, products, solutions and services.

Organizational structure

The Issuer is, directly or indirectly, the ultimate holding company of all companies in the Group, and its assets are substantially comprised of shares in such companies. The Group is composed of 192 subsidiaries and the vast majority of the subsidiaries perform activities related to manufacturing and sales. A limited number are involved in central Group functions such as treasury or reinsurance or act as intermediate holding companies. The Issuer is the entrepreneur within the Group, entitled to the residual profit and taking costs for R&D and management services. The Issuer's revenues are comprised of residual profits from its subsidiaries. The Issuer is thus dependent upon such subsidiaries ability to generate sufficient income from their operations to fulfil the Issuer's obligations.

The following operating subsidiaries have assets that exceed 10 per cent. of the Group's consolidated total assets or contribute more than 10 per cent. to the Group's net income.

<i>Company</i>	<i>Country</i>	<i>Holding per cent.</i>
SKF GmbH	Germany	100.0
SKF USA Inc.	USA	100.0

Business overview

The Group is a leading global supplier of products, solutions and services within bearings and units, seals, lubrication systems, condition monitoring equipment, and services. Services include technical support, maintenance and reliability services, engineering consulting and training.

The Group groups its core technologies into the following technology areas: bearings and units, seals, lubrication systems, condition monitoring equipment, and services. By utilizing capabilities from all or some of these technology areas, the Group develops tailor-made offers for each industry, helping customers improve performance, reduce energy use and lower total costs. The Group works with its customers at every stage in the asset life cycle, providing solutions from design right through to maintenance and back to design upgrades.

The Group's operations are divided into the two segments, industrial and automotive.

The Group is present in nearly all industries, including light vehicles, trucks, marine, aerospace, energy, railway, heavy industries, agriculture and food and beverage.

The Group is represented in over 130 countries through its own sales companies and over 17,000 distributor locations. The Group has 103 manufacturing units and 15 technology centres.

The Group is committed to sustainability which is defined by the Group as SKF Care including business care, environmental care, employee care and community care.

Board of directors and group management

The Board of Directors of the Issuer shall, in addition to specially appointed members and deputies, according to the Articles of Association of the Issuer, comprise a minimum of five and a maximum of twelve Board members, with a maximum of five deputies. The Board members are elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting.

The Board of Directors currently comprises of nine Board members, including the chairman. In addition, the employees have appointed two Board members and two deputy Board members. No Board member, except for the President, is included in the management of the Issuer.

The address of the Board of Directors and Group Management is Hornsgatan 1, SE-415 50 Göteborg, Sweden.

Board of directors as at the date of this Prospectus

Hans Stråberg

Chairman, Board member since 2018
Born 1957

Other on-going principal assignments: Chairman of Atlas Copco AB, Roxtec AB and CTEK AB. Vice Chairman of Stora Enso Oyj. Board member of Investor AB, Mellby Gård AB, Hedson AB and Anocca AB.

Hock Goh

Board member since 2014
Born 1955

Other on-going principal assignments: Member of the Board of Stora Enso Oyj since 2012, Santos Australia since 2012 and Vesuvius PLC since 2015.

Alrik Danielson

Board member since 2015
Born 1962

Other on-going principal assignments President and Chief Executive Officer of AB SKF. Board member of the Association of Swedish Engineering Industries since 2015.

Ronnie Leten

Board member since 2017
Born 1956

Other on-going principal assignments: Chairman of Ericsson, Epiroc and Piab AB.

Barb Samardzich

Board member since 2017
Born 1958

Other on-going principal assignments: Board member of Adient plc, Velodyne LidDAR and Bombardier Recreational Products. Board of Trustee member of Lawrence Technological University.

Colleen Replier

Board member since 2018
Born 1960

Other on-going principal assignments: Board member of Kimball Electronics and Triumph Group.

Geert Follens

Board member since 2019
Born 1959

Other on-going principal assignments: Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB.

Håkan Buskhe

Board member since 2020
Born 1963

Other on-going principal assignments: Chairman of IPCO AB and board member of FAM AB.

Susanna Schneeberger

Board member since 2020

Born 1973

Other on-going principal assignments: Board member of Concentric AB and Hempel A/S.

Employee representatives (not elected by the Annual General Meeting)

Jonny Hilbert

Board member since 2015

Born 1981

Other on-going principal assignments: Chairman Unionen, SKF, Gothenburg.

Zarko Djurovic

Board member since 2015

Born 1977

Other on-going principal assignments: Chairman Metalworker's Union, SKF, Gothenburg.

Kennet Carlsson

Deputy board member since 2015

Born 1962

Other on-going principal assignments: Chairman SKF World Union Council and chairman SKF European Works Council.

Claes Palm

Deputy board member since 2016

Born 1971

Other on-going principal assignments: Board member of Unionen at SKF in Gothenburg.

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Directors and their private interests or other duties.

Group management as at the date of this Prospectus

Alrik Danielson

President and Chief Executive Officer

Born 1962

Employed since 2014 and 1987-2005

Other on-going principal assignments: board member of the Association of Swedish Engineering Industries.

Niclas Rosenlew

Chief Financial Officer and Senior Vice President

Born 1972

Employed since 2019

John Schmidt

President, Industrial Sales Americas

Born 1969

Employed since 2001 and 1993–1998

Erik Nelander

President, Industrial Sales Europe and Middle East and Africa

Born 1963

Employed since 1987

Patrick Tong

President, Industrial Sales Asia

Born 1962

Employed since 1989

Kent Viitanen

President, Bearing Operations

Born 1965

Employed since 1988

Other on-going principal assignments: board member of Chalmers University of Technology

Victoria Van Camp

CTO and President, Innovation and Business Development

Born 1966
 Employed since 1996
 Other on-going principal assignments: board member of BillerudKorsnäs AB and Amexci AB

Carina Bergfelt

General Counsel and Senior Vice President, Group People, Communication and Legal, and Secretary to the Board

Born 1960

Employed since 1990

Other on-going principal assignments: board member of The Association of Exchange listed Companies

Thomas Fröst

President, Industrial Technologies

Born 1962

Employed since 1988

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Issuer's Group Management and their private interests or other duties.

Auditors

PricewaterhouseCoopers AB ("PwC") authorized accountants and members of FAR SRS, have audited the Issuer's financial statements, without qualification, in accordance with IFRS for each of the financial years ended on 31 December 2018 and 31 December 2019. PwC's registered address is Torsgatan 21, 113 97 Stockholm, Sweden.

Major shareholders

Since 1914, SKF A and B shares are listed at Nasdaq Nordic (Stockholm Large cap).

The following table sets forth, as of 31 May 2020, the largest shareholders known by the Issuer to be owners of any class of the Issuer's voting securities. The information in this table is based on information furnished to the Issuer by Modular Finance AB.

	The ten largest shareholders according to voting rights	Number of A shares	Number of B shares	In per cent. of voting rights	In per cent. of share capital
1	FAM AB	17,150,000	45,786,151	29.1	13.8
2	Harris Associates	0	30,084,045	4.0	6.6
3	Alecta Pension Insurance	2,192,404	0	2.9	0.5
4	Merian Global Investors	1,978,108	560,545	2.7	0.6
5	Life Insurance Skandia	1,690,527	1,442,653	2.5	0.7
6	AFA Insurance	1,542,500	2,649,655	2.4	0.9
7	Swedbank Robur Funds	0	16,923,365	2.3	3.7
8	Fidelity International (FIL)		14,731,309	2.0	3.2
9	Vanguard	112,631	11,681,966	1.7	2.6
10	SEB-Stiftelsen	1,250,000	250,000	1.7	0.3

Each A Share entitles the holder to one vote and each B Share to one-tenth of one vote. It was decided at the Issuer's annual general meeting on 18 April 2002 to insert a share conversion clause in the articles of association which allows owners of A Shares to convert A shares into B shares.

The total number of issued and outstanding A shares and B shares of the Issuer as of 31 May 2020 was 32,397,042 (7.1 per cent.) and 422,954,026 (92.9 per cent.) respectively. The total number of shares was 455,351,068.

As far as the Issuer is aware, no person exercises any direct or indirect control over the Issuer and there are no agreements or other arrangements that will or may result in a change of control over the Issuer.

Credit rating

The Issuer has been assigned rating Baa1 by Moody's and BBB+ by Fitch Ratings Ltd. Moody's and Fitch Ratings Ltd are established in the European Union and are registered under the CRA Regulation. A credit 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.

Alternative Performance Measures

Alternative Performance Measures (APMs) are financial measures of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (among others IFRS and the Swedish Annual Accounts Act). SKF uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports.

In the following, APMs for the Group is presented. The financial information pertaining to the financial years 2018 and 2019 has been derived from the Group's Annual Reports for the financial years 2018 and 2019, respectively (incorporated by reference to this Prospectus). The financial information pertaining to the interim period January–March 2020 (Q1/20 (including comparative figures for the interim period January–March 2019 (Q1/19)) has been derived from the Group's interim report for the period January–September 2019 (incorporated by reference to this Prospectus). The financial information pertaining to the interim periods January–March (Q1), April–June (Q2), July–September (Q3) and October–December (Q4) for the financial years 2014–2019 (including relevant comparative figures) has been the derived from the Group's interim reports for the relevant periods.¹

For additional information, please refer to "Incorporation by reference" in "Legal considerations and supplementary information".

Adjusted operating profit, MSEK

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Adjusted operating profit	1,972	2,020	1,811	1,741	2,357	2,436	2,211	2,092	2,667
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Adjusted operating profit	2,946	2,683	2,197	2,720	2,856	2,380	2,181	2,572	1,565

Operating margin, %

	2018	2019
Operating margin	12.9	10.9

Adjusted operating margin, %

¹ The Group's interim reports for the relevant periods are available on the Group's website <https://investors.skf.com/en/reports-and-presentations>.

	Q1/19	Q1/20	Q2/19	Q2/20
Adjusted operating margin	12.9	12.8	12.7	9.4

Organic growth, %

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Organic growth	-6.1	-4.4	-0.6	1.2	8.0	7.5	8.0	8.2	7.5
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Organic growth	9.0	6.9	5.0	0.3	-1.6	-3.0	-2.9	-8.6	-25.2

Net debt, MSEK

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Net debt	25,688	30,705	30,442	30,892	31,739	29,514	29,390	26,269	27,471
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net debt	27,915	26,500	23,357	22,465	23,466	22,143	21,274	21,889	22,238
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	
Net debt	20,368	17,400	21,431	24,103	24,548	22,176	22,877	22,866	

Net debt/equity, %

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Net debt/equity	117.6	143.7	132.5	126.6	122.2	113.4	114.2	99.9	105.7
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net debt/equity	117.7	104.7	84.4	76.0	85.7	79.4	71.3	66.4	66.9
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	
Net debt/equity	59.9	49.1	57.1	67.6	67.0	59.3	57.6	62.5	

Net debt, excl. leasing & post empl. benefits/equity, %

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Net debt, excl. leasing & post empl. benefits/equity	70.4	93.4	80.1	69.5	61.7	64.6	59.9	50.4	50.3
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net debt, excl. leasing & post empl. benefits/equity	49.0	43.8	34.2	31.7	38.4	37.1	30.3	28.6	29.9
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	

Net debt, excl. leasing & post empl. benefits/equity	25.4	12.9	11.8	17.2	12.3	10.2	7.5	12.7	
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Definitions and explanations

APM	Definition	Explanation
Adjusted operating profit	Operating profit (net sales less costs of goods sold less selling and administrative expenses plus other operating income/expenses) excluding one-time items affecting comparability.	Measures the business' operating profitability.
Operating margin	Operating profit, as a percentage of net sales.	Measures the business' ability to cover operational costs and generate profit to create value for shareholders.
Adjusted operating margin	Adjusted operating profit, as a percentage of net sales.	A measure that is considered to provide a better understanding of the business' operating margin.
Organic growth	Change in total net sales on a year-to-year basis in percent, less change in currency and structure (i.e. acquired and divested businesses).	Demonstrates competitiveness in the market. It shows the business' ability to leverage on its existing strengths and competence and the attractiveness of the offer towards customers.
Net debt	Loans (excluding derivatives) plus post-employment benefits plus lease liabilities less other short-term financial assets (excluding derivatives).	Measures the Group's overall debt situation.
Net debt/equity	Net debt, as a percentage of equity.	Measures the dependency on external funding and the ability to meet financial obligations on a long-term basis.
Net debt, excl. leasing & post empl. benefits/equity	Net debt excluding leasing and post-employment benefits, as a percentage of equity.	Measures the dependency on external funding and the ability to meet loan obligations on a long-term basis.

Reconciliation of Alternative Performance Measures

Adjusted operating profit, MSEK

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Net sales ²	17,676	18,319	17,862	18,732	19,601	20,229	18,627	19,481	20,560
Cost of goods sold ¹	-13,282	-13,840	-13,373	-14,337	-14,627	-15,129	-14,066	-14,691	-15,312
Selling and administrative expenses	-2,495	-2,583	-2,310	-2,834	-2,691	-2,776	-2,583	-2,762	-2,700
Other operating	-24	-21	12	25	12	-9	-13	-11	77

² Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

income/expenses, net									
Operating profit	1,875	1,875	2,191	1,586	2,295	2,315	1,965	2,017	2,625
One-time items affecting operating profit ¹	97	145	-380	155	62	121	246	75	42
Adjusted operating profit	1,972	2,020	1,811	1,741	2,357	2,436	2,211	2,092	2,667
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Net sales	22,620	21,341	21,192	21,278	22,488	21,039	21,208	20,085	16,599
Cost of goods sold	-16,895	-16,132	-16,490	-15,857	-16,841	-15,972	-16,401	-15,226	-13,547
Selling and administrative expenses	-2,829	-2,753	-3,045	-2,805	-3,103	-2,918	-2,993	-2,708	-2,569
Other operating income/expenses, net	29	141	1,245	42	-5	139	96	117	186
Operating profit	2,925	2,597	2,902	2,658	2,539	2,288	1,910	2,268	669
One-time items affecting operating profit ¹	21	86	-705	62	317	92	271	304	896
Adjusted operating profit	2,946	2,683	2,197	2,720	2,856	2,380	2,181	2,572	1,565

¹ Significant income/expenses that affects comparability between accounting periods. This includes, but is not limited to, restructuring costs, impairments and write-offs, currency exchange rate effects caused by devaluations and gains and losses on divestments of businesses.

Operating margin, %

MSEK	2018	2019
Net sales	85,713	86,013
Cost of goods sold	-64,829	-65,071
Selling and administrative expenses	-11,327	-11,819
Other operating income/expenses, net	1,492	272
Operating profit	11,049	9,395
Operating margin, %	12.9	10.9

Adjusted operating margin, %

	Q1/19	Q1/20	Q2/19	Q2/20
Adjusted operating profit	2,720	2,572	2,856	1,565
Net sales	21,278	20,085	22,488	16,599
Adjusted operating margin, %	12.8	12.8	12.7	9.4

Organic growth, %

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Total net sales, change y-o-y, %	-8.9	-8.0	-2.5	3.1	-7.1	10.4	4.3	4.0	4.9
Currency	2.0	3.0	-0.1	-3.7	-4.9	-4.9	3.0	3.6	1.9
Structure	0.8	0.6	2.0	1.8	2.0	2.0	0.7	0.6	0.7
Organic growth	-6.1	-4.4	-0.6	1.2	8.0	7.5	8.0	8.2	7.5
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Total net sales, change y-o-y, %	11.8	14.6	8.8	3.5	-0.7	-1.4	0.1	-5.6	-26.2
Currency	-3.4	-7.8	-4.8	-5.7	-3.5	-4.2	-4.8	-2.9	-1.0
Structure	0.6	0.1	1.0	2.5	2.6	2.6	1.8	-0.1	–
Organic growth	9.0	6.9	5.0	0.3	-1.6	-3.0	-2.9	-8.6	-25.2

Net debt, MSEK

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Loans ¹	21,820	23,971	23,298	23,387	22,828	21,597	22,003	21,349	21,504
Post-employment benefits, net	10,321	10,754	12,039	13,942	15,712	12,698	13,962	13,011	14,383
Lease liabilities	0	0	0	0	0	0	0	0	0
Other short-term financial assets ¹	-6,453	-4,021	-4,895	-6,438	-6,801	-4,781	-6,575	-8,091	-8,416
Net debt	25,688	30,705	30,442	30,892	31,739	29,514	29,390	26,269	27,471
Net debt excl. leasing & post empl. benefits	15,367	19,951	18,403	16,950	16,027	16,816	15,428	13,258	13,088
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Loans ¹	20,999	20,492	20,399	20,156	17,305	17,103	17,479	18,302	16,024
Post-employment benefits, net	16,287	15,403	13,891	13,083	12,950	11,797	12,229	12,464	12,285

Lease liabilities	0	0	0	0	0	0	0	0	0
Other short-term financial assets ¹	-9,371	-9,395	-1,933	-10,774	-6,789	-6,757	-8,434	-8,877	-6,071
Net debt	27,915	26,500	23,357	22,465	23,466	22,143	21,274	21,891	22,238
Net debt, excl. leasing & post empl. benefits	11,628	11,097	9,466	9,382	10,516	10,346	9,045	9,425	9,953
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	
Loans ¹	16,559	16,149	16,517	16,758	15,077	14,992	15,841	17,950	
Post-employment benefits, net	11,740	12,833	13,958	14,978	17,004	15,314	16,834	15,282	
Lease liabilities	0	0	3,040	2,976	3,025	3,011	3,074	2,923	
Other short-term financial assets ¹	-7,931	-11,582	-12,084	-10,609	-10,558	-11,141	-12,872	-13,289	
Net debt	20,368	17,400	21,431	24,103	24,548	22,176	22,877	22,866	
Net debt, excl. leasing & post empl. benefits	8,629	4,567	4,433	6,148	4,518	3,851	2,968	4,660	

¹ Excluding derivatives.

Net debt/equity, %

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Net debt	25,688	30,705	30,442	30,892	31,739	29,514	29,390	26,269	27,471
Equity	21,837	21,360	22,977	24,404	25,964	26,037	25,735	26,282	25,995
Net debt/equity	117.6	143.7	132.5	126.6	122.2	113.4	114.2	99.9	105.7
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net debt	27,915	26,500	23,357	22,465	23,466	22,143	21,274	21,891	22,238
Equity	23,716	25,310	27,683	29,576	27,372	27,874	29,823	32,964	33,245
Net debt/equity	117.7	104.7	84.4	76.0	85.7	79.4	71.3	66.4	66.9
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	
Net debt	20,368	17,400	21,431	24,103	24,548	22,176	22,877	22,866	
Equity	33,981	35,452	37,507	35,660	36,630	37,366	39,724	36,596	
Net debt/equity	59.9	49.1	57.1	67.6	67.0	59.3	57.6	62.5	

Net debt, excluding post-employment benefits and leasing/equity, %

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Net debt excl. leasing & post empl. benefits	15,367	19,951	18,403	16,950	16,027	16,816	15,428	13,258	13,088
Equity	21,837	21,360	22,977	24,404	25,964	26,037	25,735	26,282	25,995
Net debt, excl. leasing & post empl. benefits /equity, %	70.4	93.4	80.1	69.5	61.7	64.6	59.9	50.4	50.3
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net debt, excl. leasing & post empl. benefits	11,628	11,097	9,466	9,382	10,516	10,346	9,045	9,425	9,953
Equity	23,716	25,310	27,683	29,576	27,372	27,874	29,823	32,964	33,245
Net debt, excl. leasing & post empl. benefits /equity, %	49.0	43.8	34.2	31.7	38.4	37.1	30.3	28.6	29.9
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	
Net debt, excl. leasing & post empl. benefits	8,629	4,567	4,433	6,148	4,518	3,829	2,968	4,660	
Equity	33,981	35,452	37,507	35,660	36,630	37,366	39,724	36,596	
Net debt, excl. leasing & post empl. benefits /equity, %	25.4	12.9	11.8	17.2	12.3	10.2	7.5	12.7	

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

Information about the Prospectus

The Prospectus has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129 (the Prospectus Regulation). The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. The SFSA's approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This Prospectus is valid for twelve months after the date of the approval of the Prospectus. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

Authorizations and responsibility

The Issuer has obtained all necessary resolutions, authorizations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Notes on 10 June 2020 was authorized by a resolution of the Board of the Issuer on 27 May 2020.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. The Board of Directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Any information in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Material contracts

Neither the Issuer nor any other Group Company has concluded any material agreements that are not entered into in the ordinary course of its business which could result in any Group Company being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders.

Legal and arbitration proceedings

The Group has not been party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened which the Issuer is aware of) during the previous 12 months from the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group's financial position or profitability.

Certain material interests

Skandinaviska Enskilda Banken AB (publ), Nordea Bank Abp and Svenska Handelsbanken AB (publ) are Joint Bookrunners in conjunction with the issuance of the Notes. The Joint Bookrunners (and closely related companies) have provided, and may in the future provide, certain investment banking and/or commercial banking and other services to the Issuer and the Group for which they have received, or will receive, remuneration. In particular, it should be noted that each of Skandinaviska Enskilda Banken AB (publ), Nordea Bank Abp and Svenska Handelsbanken AB (publ) are lenders under certain credit facilities with the Issuer as borrower. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Bookrunners having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

Trend information

There has been no material adverse change in the prospects of the Issuer since 4 March 2020, being the date of publication of the annual report for 2019 of the Issuer, which is the last audited financial information of the Issuer.

There has been no significant change in the financial performance of the Issuer since 30 June 2020, being the end of the last financial period for which financial information has been published, to the date of this Prospectus.

Significant changes since 30 June 2020

There have been no significant changes in the financial position of the Group since 30 June 2020, being the end of the last financial period for which financial information was presented.

Incorporation by reference

The following information has been incorporated into this Prospectus by reference and should be read as part of the Prospectus:

Annual Report for 2018

<https://investors.skf.com/sites/default/files/pr/201903065678-1.pdf>

as regards the audited consolidated financial information on

- page 66 (*Consolidated income statements*);
- page 68-69 (*Consolidated balance sheets*);
- page 70-72 (*Consolidated statements of cashflow*);
- page 73 (*Consolidated statements of changes in equity*);
- page 74-107 (*Notes to the consolidated financial statements*); and
- page 148-151 (*Auditor's report*).

Annual Report for 2019

https://investors.skf.com/sites/default/files/pr/SKF_AR19_ENG_bookmarks_.pdf

as regards the audited consolidated financial information on

- page 64 (*Consolidated income statements*);
- page 66-67 (*Consolidated balance sheets*);
- page 68-70 (*Consolidated statements of cashflow*);
- page 71 (*Consolidated statements of changes in equity*);
- page 72-103 (*Notes to the consolidated financial statements*); and
- page 144-147 (*Auditor's report*).

2020 Q1 Interim Report

<https://investors.skf.com/sites/default/files/pr/202004225968-1.pdf>

as regards the unaudited consolidated financial information for the period from January to March 2020 on

- page 8 (*Accounting principles*)
- page 9 (*Condensed consolidated income statements*);
- page 10 (*Condensed consolidated balance sheets*);
- page 10 (*Condensed consolidated statements of change in shareholder's equity*); and
- page 11 (*Condensed consolidated statements of cash flow*).

2020 Q2 Interim Report

<https://investors.skf.com/sites/default/files/pr/202007209324-1.pdf>

as regards the unaudited consolidated financial information for the period from April to June 2020 on

- page 8 (*Accounting principles*)
- page 11 (*Condensed consolidated income statements*);
- page 12 (*Condensed consolidated balance sheets*);
- page 12 (*Condensed consolidated statements of change in shareholder's equity*); and
- page 13 (*Condensed consolidated statements of cash flow*).

Information in the above documents which is not incorporated by reference is either deemed by the Issuer not to be relevant for investors in the Notes or is covered elsewhere in the Prospectus.

In addition, the Prospectus contains certain financial information pertaining to the interim periods January–March (Q1), April–June (Q2), July–September (Q3) and October–December (Q4) for the financial years 2014–

2019 (including relevant comparative figures) as well as certain Alternative Performance Measures. Please see “*Alternative Performance Measures*” in “*Description of the Issuer and of the Group*” for additional information.

The Issuer’s Annual Report for 2018, Annual Report for 2019, 2020 Q1 Interim Report and 2020 Q2 Interim Report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Swedish Annual Report Act (*årsredovisningslag (1995:1554)*). With the exception of the Annual Reports, no information in this Prospectus has been audited or reviewed by the Issuer’s auditor.

Documents on display

Copies of the following documents are available at the Issuer’s website (www.skf.com):

- the Issuer’s articles of association; and
- the Issuer’s certificate of registration.

TERMS AND CONDITIONS

**TERMS AND CONDITIONS FOR
AKTIEBOLAGET SKF (PUBL)
SEK 900,000,000
SENIOR UNSECURED FIXED RATE NOTES
ISIN: SE0014449658**

SELLING RESTRICTION

No action is being taken that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.

PRIVACY NOTICE

The Issuer and the Agent may collect and process personal data relating to the Noteholders, the Noteholders' representatives or agents, and other persons nominated to act on behalf of the Noteholders pursuant to these Terms and Conditions (name, contact details and, when relevant, holding of Notes). The personal data relating to the Noteholders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.

The personal data collected will be processed by the Issuer and the Agent for the following purposes:

- (a) to exercise their respective rights and fulfil their respective obligations under these Terms and Conditions;
- (b) to manage the administration of the Notes and payments under the Notes;
- (c) to enable the Noteholders' to exercise their rights under these Terms and Conditions; and
- (d) to comply with their obligations under applicable laws and regulations.

The processing of personal data by the Issuer and the Agent in relation to items (a) - (c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under these Terms and Conditions. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer or Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.

Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.

Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have right to get access to their personal data and may request the same in writing at the address of the Issuer and the Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format. Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.

The Issuer's and the Agent's addresses, and the contact details for their respective Data Protection Officers (if applicable), are found on their websites www.skf.com and <https://seb.se>.

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1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these terms and conditions (the “**Terms and Conditions**”):

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Noteholder has opened a Securities Account in respect of its Notes.

“**Accounting Principles**” means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).

“**Adjusted Nominal Amount**” means the Total Nominal Amount less the Nominal Amount of all Notes owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Notes.

“**Affiliate**” means (i) an entity controlling or under common control with the Issuer, other than a Group Company, and (ii) any other person or entity owning any Notes (irrespective of whether such person is directly registered as owner of such Notes) that has undertaken towards a Group Company or an entity referred to in item (i) to vote for such Notes in accordance with the instructions given by a Group Company or an entity referred to in item (i). For the purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

“**Agent**” means Skandinaviska Enskilda Banken AB (publ), Swedish Reg. No. 502032-9081, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

“**Business Day**” means a day in Sweden other than a Sunday or other public holiday. Saturdays, Swedish national day (*nationaldagen*), Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

“**Business Day Convention**” means the first following day that is a Business Day.

“**Change of Control**” means each time (whether or not approved by the Board of Directors of the Issuer) that any person or persons acting in concert or any person or persons acting on behalf of any such person(s) (the “**Relevant Persons**”), at any time acquire(s) (i) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (ii) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person(s) are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) pro rata interest in the share capital of the Relevant Person(s) as such shareholders have, or as the case may be, had in the share capital of the Issuer.

“**Change of Control Event**” means (i) a Change of Control and within the Change of Control Period (if at the time that Change of Control occurs the Notes are rated by a Rating Agency) a Rating Downgrade in respect of that Change of Control occurs or (ii) a Change of Control (if at such time the Notes are not rated by a Rating Agency).

“**Change of Control Period**” means the period ending 90 days after the public announcement of the Change of Control having occurred.

“**CSD**” means the Issuer’s central securities depository and registrar in respect of the Notes, Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden, or another party replacing it, as CSD, in accordance with these Terms and Conditions.

“**CSD Regulations**” means the CSD’s rules and regulations applicable to the Issuer, the Agent and the Notes from time to time.

“**Debt Register**” means the debt register (*skuldbok*) kept by the CSD in respect of the Notes in which (i) an owner of Notes is directly registered or (ii) an owner’s holding of Notes is registered in the name of a nominee.

“**Event of Default**” means an event or circumstance specified in Clause 11.1.

“**Final Maturity Date**” means 10 June 2024.

“**Financial Indebtedness**” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money, including without limitation any notes, bonds, debentures, debenture stock, loan stock or other securities or any liability under or in respect of any acceptance or acceptance credit.

“**Financial Instruments Accounts Act**” means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

“**Force Majeure Event**” has the meaning set forth in Clause 21.1.

“**Group**” means the Issuer and its Subsidiaries from time to time (each a “**Group Company**”).

“**Insolvent**” means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other relevant jurisdiction).

“**Interest**” means the interest on the Notes calculated in accordance with Clauses 7.1 to 7.3.

“**Interest Payment Date**” means 10 June of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 10 June 2021 and the last Interest Payment Date shall be the relevant Redemption Date.

“**Interest Period**” means (i) in respect of the first Interest Period, the period from (but excluding) the Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant). An Interest Period shall not be adjusted due to an application of the Business Day Convention.

“**Interest Rate**” means;

- (a) upon the occurrence of a Change of Control Event, 6.125 per cent. *per annum*; and
- (b) in each other case, 1.125 per cent. *per annum*.

“**Issue Date**” means 10 June 2020 or such other date as agreed between the Issuing Agent and the Issuer.

“**Issuer**” means Aktiebolaget SKF (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556007-3495.

“**Issuing Agent**” means, initially, Skandinaviska Enskilda Banken AB (publ), Swedish Reg. No. 502032-9081 and thereafter each other party appointed as Issuing Agent in accordance with these Terms and Conditions and the CSD Regulations.

“**Market Loans**” means bonds, notes or other debt securities (however defined), which are or are intended to be quoted, listed, traded or otherwise admitted to trading on a Regulated Market, an MTF or an organised trading facility (each as defined in Directive 2014/65/EU on markets in financial instruments).

“**MTF**” means any multilateral trading facility (as defined in Directive 2014/65/EU on markets in financial instruments).

“**Net Proceeds**” means the gross proceeds from the offering of the relevant Notes, minus the costs incurred by the Issuer in conjunction with the issuance thereof.

“**Nominal Amount**” has the meaning set forth in Clause 2.3.

“**Note**” means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions.

“**Noteholder**” means the person who is registered on a Securities Account as direct registered owner (*direktregistrerad ägare*) or nominee (*förvaltare*) with respect to a Note.

“**Noteholders’ Meeting**” means a meeting among the Noteholders held in accordance with Clauses 13.1 (*Request for a decision*), 13.2 (*Convening of Noteholders’ Meeting*) and 13.4 (*Majority, quorum and other provisions*).

“**Rating Agency**” means Moody’s Deutschland GmbH and their successor or any other rating agency or equivalent international standing specified by the Issuer.

“**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 Notes by any Rating Agency is (a) withdrawn or (b) 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 (c) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

“**Record Date**” means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Noteholders is to be made under Clause 12 (*Distribution of proceeds*), (iv) the date of a Noteholders’ Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

“**Redemption Date**” means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 8 (*Redemption and repurchase of the Notes*).

“**Regulated Market**” means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

“**Relevant Indebtedness**” means (i) any Market Loans and (ii) any guarantee or indemnity in respect of any such indebtedness.

“**Relevant Persons**” has the meaning set forth in the definition of Change of Control.

“**Securities Account**” means the account for dematerialised securities (*avstämningsregister*) maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner’s holding of securities is registered in the name of a nominee.

“**Security**” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

“**Subsidiary**” means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

“**Swedish Kronor**” and “**SEK**” means the lawful currency of Sweden.

“**Total Nominal Amount**” means the total aggregate Nominal Amount of the Notes outstanding at the relevant time.

“**Written Procedure**” means the written or electronic procedure for decision making among the Noteholders in accordance with Clauses 13.1 (*Request for a decision*), 13.3 (*Instigation of Written Procedure*) and 13.4 (*Majority, quorum and other provisions*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- (a) “**assets**” includes present and future properties, revenues and rights of every description;
- (b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- (c) a “**regulation**” includes any law, regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

- (d) a provision of regulation is a reference to that provision as amended or re-enacted; and
 - (e) a time of day is a reference to Stockholm time.
- 1.2.2 An Event of Default is continuing if it has not been remedied or waived.
- 1.2.3 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.
- 1.2.4 A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
- 1.2.5 No delay or omission of the Agent or of any Noteholder to exercise any right or remedy under these Terms and Conditions shall impair or operate as a waiver of any such right or remedy.
- 1.2.6 The selling restrictions, the privacy notice and any other information contained in this document before the table of contents section do not form part of these Terms and Conditions and may be updated without the consent of the Noteholders and the Agent.
- 2. STATUS OF THE NOTES**
- 2.1 The Notes are denominated in Swedish Kronor and each Note is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Notes and to comply with these Terms and Conditions.
- 2.2 By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to these Terms and Conditions and by acquiring Notes, each subsequent Noteholder confirms such agreement.
- 2.3 The nominal amount of each Note is SEK 2,000,000 and integral multiples of SEK 2,000,000 in excess thereof (the “**Nominal Amount**”). The Total Nominal Amount of the Notes as at the Issue Date is SEK 900,000,000. All Notes are issued on a fully paid basis at an issue price of 99.961 per cent. of the Nominal Amount.
- 2.4 The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among them and at least *pari passu* with all other direct, general, unconditional, and unsubordinated and unsecured obligations of the Issuer, except obligations which are preferred by mandatory regulation and except as otherwise provided in these Terms and Conditions.
- 2.5 The Notes are freely transferable but the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes, as applicable, under local regulation to which a Noteholder may be subject. Each Noteholder must ensure compliance with such restrictions at its own cost and expense.
- 2.6 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other

material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

3. USE OF PROCEEDS

The Issuer shall use the Net Proceeds from the issue of the Notes, for general corporate purposes.

4. NOTES IN BOOK-ENTRY FORM

4.1 The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Notes will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Notes shall be directed to an Account Operator. The Debt Register shall constitute conclusive evidence of the persons who are Noteholders and their holdings of Notes.

4.2 Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Note shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.

4.3 The Issuer and the Agent shall at all times be entitled to obtain information from the Debt Register. For the purpose of carrying out any administrative procedure that arises out of these Terms and Conditions, the Issuing Agent shall be entitled to obtain information from the Debt Register.

4.4 The Issuer and the Agent may use the information referred to in Clause 4.3 only for the purposes of carrying out their duties and exercising their rights in accordance with these Terms and Conditions and shall not disclose such information to any Noteholder or third party unless necessary for such purposes.

5. RIGHT TO ACT ON BEHALF OF A NOTEHOLDER

5.1 If any person other than a Noteholder wishes to exercise any rights under these Terms and Conditions, it must obtain a power of attorney or other authorisation from the Noteholder or a successive, coherent chain of powers of attorney or authorisations starting with the Noteholder and authorising such person.

5.2 A Noteholder may issue one or several powers of attorney or other authorisations to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under these Terms and Conditions in relation to the Notes for which such representative is entitled to represent the Noteholder.

5.3 The Agent shall only have to examine the face of a power of attorney or other authorisation that has been provided to it pursuant to Clause 5.2 and may assume that such document has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

- 5.4 These Terms and Conditions shall not affect the relationship between a Noteholder who is the nominee (*förvaltare*) with respect to a Note and the owner of such Note, and it is the responsibility of such nominee to observe and comply with any restrictions that may apply to it in this capacity.

6. PAYMENTS IN RESPECT OF THE NOTES

- 6.1 Any payment or repayment under these Terms and Conditions shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant payment date, or to such other person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.
- 6.2 If a Noteholder has registered, through an Account Operator, that principal, interest or any other payment shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Noteholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- 6.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 7.4 during such postponement.
- 6.4 If payment or repayment is made in accordance with this Clause 6, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- 6.5 The Issuer is not liable to gross-up any payments under these Terms and Conditions by virtue of any withholding tax, public levy or the similar.

7. INTEREST

- 7.1 Each Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the Issue Date up to (and including) the Redemption Date.
- 7.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.
- 7.3 Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).
- 7.4 If the Issuer fails to pay any amount payable by it under these Terms and Conditions on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is 200 basis points higher than the Interest Rate. The default interest shall not be capitalised but be payable to each person who was a Noteholder on the Record Date for the original due date. No default

interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

8. REDEMPTION AND REPURCHASE OF THE NOTES

8.1 Redemption at maturity

The Issuer shall redeem all, but not some only, of the outstanding Notes in full on the Final Maturity Date with an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

8.2 Purchase of Notes by any Group Company

8.2.1 Any Group Company may, subject to applicable regulations, at any time and at any price purchase Notes on the market or in any other way.

8.2.2 Notes held by a Group Company may at such Group Company's discretion be retained or sold or, if held by the Issuer, cancelled by the Issuer.

8.3 Early redemption due to illegality (call option)

8.3.1 The Issuer may redeem all, but not some only, of the outstanding Notes at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest on a Redemption Date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under these Terms and Conditions.

8.3.2 The Issuer may give notice of redemption pursuant to Clause 8.3.1 no later than twenty (20) Business Days after having received actual knowledge of any event specified therein (after which time period such right shall lapse). The notice from the Issuer is irrevocable, shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Noteholder to receive the amounts due on such Redemption Date. The Issuer shall redeem the Notes in full at the applicable amount on the specified Redemption Date.

9. INFORMATION TO NOTEHOLDERS

9.1 Information from the Issuer

9.1.1 The Issuer shall make the following information available to the Noteholders by way of press release and by publication on the website of the Issuer:

- (a) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited consolidated financial statements for that financial year prepared in accordance with the Accounting Principles;
- (b) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, its consolidated financial statements or the year-end report (*bokslutskommuniké*) (as applicable) for such period prepared in accordance with the Accounting Principles; and

- (c) any other information required by the Swedish Securities Markets Act (*lag (2007:582) om värdepappersmarknaden*) and the rules and regulations of the Regulated Market.

9.1.2 The Issuer shall immediately notify the Noteholders and the Agent upon becoming aware of the occurrence of a Change of Control Event. Such notice may be given in advance of the occurrence of a Change of Control Event and be conditional upon the occurrence of a Change of Control Event, if a definitive agreement is in place providing for such Change of Control Event.

9.2 Information from the Agent

9.2.1 Subject to the restrictions of a non-disclosure agreement entered into by the Agent in accordance with Clause 9.2.2, the Agent is entitled to disclose to the Noteholders any document, information, event or circumstance directly or indirectly relating to the Issuer or the Notes.

9.2.2 If a committee representing the Noteholders' interests under these Terms and Conditions has been appointed by the Noteholders in accordance with Clause 13 (*Decisions by Noteholders*), the members of such committee may agree with the Issuer not to disclose information received from the Issuer, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Noteholders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

9.3 Availability of Terms and Conditions

The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer.

10. GENERAL UNDERTAKINGS

10.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness of any Group Company will be secured by any Security upon, or with respect to, any of the present or future property, assets or revenues of any Group Company unless the Issuer, in the case of the creation of a Security, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security equally and rateably with the Relevant Indebtedness; or
- (b) such other Security or other arrangement (whether or not it includes the giving of a Security) is provided as is approved by the Noteholders;

provided that the Issuer shall not be required to take such action where (i) the aggregate outstanding principal amount of the Relevant Indebtedness secured by such Security shall not exceed 10 per cent. of the consolidated total assets of the Group, as calculated by reference to the then latest audited consolidated accounts of the Issuer or (ii) the Security is on the present or future property, assets or revenues of any company becoming a Subsidiary of the Issuer after the date of issue of the Notes which Security exists at the

time of such company becoming a Subsidiary of the Issuer (other than any Security created in contemplation thereof).

10.2 Admission to trading

10.2.1 The Issuer shall ensure that the Notes are admitted to trading on a Regulated Market within three (3) months after the Issue Date.

10.2.2 Following an admission to trading the Issuer shall use its best efforts to maintain it for as long as any Notes are outstanding, or if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market. The Notes are however not required to be admitted to trading on a Regulated Market from and including the last day on which the admission reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

10.3 CSD related undertakings

The Issuer shall keep the Notes affiliated with a CSD and comply with all applicable CSD Regulations.

11. ACCELERATION OF THE NOTES

11.1 The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount (such demand shall, if made by several Noteholders, be made by them jointly) or following an instruction given pursuant to Clause 11.6, on behalf of the Noteholders (i) by notice to the Issuer, declare all, but not some only, of the outstanding Notes due and payable together with any other amounts payable under these Terms and Conditions, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under these Terms and Conditions, if:

(a) Non-payment

The Issuer does not pay on the due date any amount payable by it under these Terms and Conditions, unless the non-payment:

- (i) is caused by technical or administrative error; and
- (ii) is remedied within, in the case of principal, five (5) Business Days from the due date, or, in the case of any other amount (including, but not limited to, interest), ten (10) Business Days from the due date.

(b) Other obligations

The Issuer does not comply with any terms of or acts in violation of these Terms and Conditions to which it is a party (other than those terms referred to in paragraph (a) above), unless the non-compliance:

- (i) is capable of remedy; and
- (ii) is remedied within forty-five (45) days of the Agent giving notice to the Issuer requiring the non-compliance being remedied.

(c) Invalidity

These Terms and Conditions becomes invalid, ineffective or varied (other than in accordance with the provisions of these Terms and Conditions), and such invalidity, ineffectiveness or variation has a detrimental effect on the interests of the Noteholders.

(d) Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step other than vexatious or frivolous and as disputed in good faith discharged within forty-five (45) days, is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) of the Issuer;
- (ii) a composition, compromise, assignment or arrangement with creditors of the Issuer;
- (iii) the appointment of a liquidator or other similar officer in respect of the Issuer or any of its assets; or
- (iv) any step analogous to items (i)- (iii) above is taken in any jurisdiction in relation to the Issuer;

unless such measure is taken for the purpose of a merger, reconstruction or amalgamation on terms approved by a decision of the Noteholders at a Noteholder' Meeting or by way of Written Procedure.

(e) Insolvency

The Issuer is, or is deemed for the purposes of any applicable regulation to be, Insolvent.

(f) Creditors' process

Any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of the Issuer and is not discharged within forty-five (45) days or any Security over any asset of the Issuer is enforced.

(g) Cross payment default

Any

- (i) Financial Indebtedness of the Issuer is not paid when due nor within any originally applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described),
- (ii) security given by the Issuer for any Financial Indebtedness becomes enforceable; and

- (iii) default is made by the Issuer in making any payment due (subject to any originally applicable grace period therefor) under any guarantee and/or indemnity given by it in relation to any Financial Indebtedness of any other person;

provided that no Event of Default will occur under this paragraph (g) unless the aggregate amount of Financial Indebtedness and any liability under the guarantee or indemnity concerned in respect of which one or more of the events mentioned above in this paragraph (g) have occurred during the immediately preceding six (6) month period exceeds 0.6 per cent. of the consolidated total assets of the Group, as calculated by reference to the then latest audited consolidated accounts of the Issuer.

- 11.2 The Agent may not accelerate the Notes in accordance with Clause 11.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Noteholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- 11.3 The Issuer shall as soon as reasonably practicable notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default.
- 11.4 The Issuer shall notify the Noteholders of an Event of Default as soon as reasonably possible.
- 11.5 The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Notes shall be so accelerated. If the Agent decides not to accelerate the Notes, the Agent shall promptly seek instructions from the Noteholders in accordance with Clause 13 (*Decisions by Noteholders*).
- 11.6 If the Noteholders instruct the Agent to accelerate the Notes, the Agent shall promptly declare the Notes due and payable.
- 11.7 If the right to accelerate the Notes is based upon a decision of a court of law, an arbitral tribunal or a government authority, it is not necessary that the decision has become enforceable under any applicable regulation or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- 11.8 In the event of an acceleration of the Notes in accordance with this Clause 11, the Issuer shall redeem all Notes at an amount per Note equal to 101 per cent. of the Nominal Amount, together with accrued but unpaid Interest.

12. DISTRIBUTION OF PROCEEDS

- 12.1 All payments by the Issuer relating to the Notes and these Terms and Conditions following an acceleration of the Notes in accordance with Clause 11 (*Acceleration of the Notes*) shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

- (a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with these Terms and Conditions (other than any indemnity given for liability against the Noteholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Notes, or the protection of the Noteholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 15.2.5, and (iv) any costs and expenses incurred by the Agent that have not been reimbursed by the Issuer in accordance with Clause 13.4.11, together with default interest in accordance with Clause 7.4 on any such amount calculated from the date it was due to be paid or reimbursed by the Issuer;
- (b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- (c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Notes; and
- (d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under these Terms and Conditions, including default interest in accordance with Clause 8.4 on delayed payments of Interest and repayments of principal under the Notes.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer.

- 12.2 If a Noteholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 12.1(a) such Noteholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 12.1(a).
- 12.3 Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Notes constitute escrow funds (*redovisningsmedel*) and must be held on a separate bank account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 12 as soon as reasonably practicable.
- 12.4 If the Issuer or the Agent shall make any payment under this Clause 12, the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least ten (10) Business Days before the payment is made. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Noteholder to receive the amounts due on such Redemption Date. Notwithstanding the foregoing, for any Interest due but unpaid, the Record Date specified in Clause 6.1 shall apply.

13. DECISIONS BY NOTEHOLDERS

13.1 Request for a decision

- 13.1.1 A request by the Agent for a decision by the Noteholders on a matter relating to these Terms and Conditions shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

- 13.1.2 Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to these Terms and Conditions shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.
- 13.1.3 The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Noteholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable regulations.
- 13.1.4 The Agent shall not be responsible for the content of a notice for a Noteholders' Meeting or a communication regarding a Written Procedure unless and to the extent it contains information provided by the Agent.
- 13.1.5 Should the Agent not convene a Noteholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 13.1.3 being applicable, the Issuer or the Noteholder(s) requesting a decision by the Noteholders may convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall upon request provide the convening Noteholder(s) with the information available in the Debt Register in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be. The Issuer or Noteholder(s), as applicable, shall supply to the Agent a copy of the dispatched notice or communication.
- 13.1.6 Should the Issuer want to replace the Agent, it may (i) convene a Noteholders' Meeting in accordance with Clause 13.2 (*Convening of Noteholders' Meeting*) or (ii) instigate a Written Procedure by sending communication in accordance with Clause 13.3 (*Instigation of Written Procedure*). After a request from the Noteholders pursuant to Clause 15.4.3, the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 13.2. The Issuer shall inform the Agent before a notice for a Noteholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and supply to the Agent a copy of the dispatched notice or communication.
- 13.1.7 Should the Issuer or any Noteholder(s) convene a Noteholders' Meeting or instigate a Written Procedure pursuant to Clause 13.1.5 or 13.1.6, then the Agent shall no later than five (5) Business Days' prior to dispatch of such notice or communication be provided with a draft thereof. The Agent may further append information from it together with the notice or communication, provided that the Agent supplies such information to the Issuer or the Noteholder(s), as the case may be, no later than one (1) Business Day prior to the dispatch of such notice or communication.

13.2 Convening of Noteholders' Meeting

- 13.2.1 The Agent shall convene a Noteholders' Meeting by way of notice to the Noteholders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete notice from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons).

- 13.2.2 The notice pursuant to Clause 13.2.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Record Date on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) a form of power of attorney, and (v) the agenda for the meeting. The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to these Terms and Conditions, such proposed amendment must always be set out in detail. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- 13.2.3 The Noteholders' Meeting shall be held no earlier than ten (10) Business Days and no later than thirty (30) Business Days after the effective date of the notice.
- 13.2.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

13.3 Instigation of Written Procedure

- 13.3.1 The Agent shall instigate a Written Procedure by way of sending a communication to the Noteholders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete communication from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons).
- 13.3.2 A communication pursuant to Clause 13.3.1 shall include (i) a specification of the Record Date on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (ii) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (iii) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) Business Days from the effective date of the communication pursuant to Clause 13.3.1). The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to these Terms and Conditions, such proposed amendment must always be set out in detail. If the voting is to be made electronically, instructions for such voting shall be included in the communication.
- 13.3.3 If so elected by the person requesting the Written Procedure and provided that it is also disclosed in the communication pursuant to Clause 13.3.1, when consents from Noteholders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 13.4.2 and 13.4.3 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 13.4.2 or 13.4.3, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

13.4 Majority, quorum and other provisions

- 13.4.1 Only a Noteholder, or a person who has been provided with a power of attorney or other authorisation pursuant to Clause 5 (*Right to act on behalf of a Noteholder*) from a Noteholder:
- (a) on the Business Day specified in the notice pursuant to Clause 13.2.2, in respect of a Noteholders' Meeting, or

- (b) on the Business Day specified in the communication pursuant to Clause 13.3.2, in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the Adjusted Nominal Amount. Each whole Note entitles to one vote and any fraction of a Note voted for by a person shall be disregarded. Such Business Day specified pursuant to paragraph (a) or (b) above must fall no earlier than one (1) Business Day after the effective date of the notice or communication, as the case may be.

13.4.2 The following matters shall require the consent of Noteholders representing at least sixty-six and two thirds ($66\frac{2}{3}$) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 13.3.2:

- (a) a change to the terms of any of Clause 2.1, and Clauses 2.4 to 2.6;
- (b) a change to the Interest Rate or the Nominal Amount;
- (c) a reduction of the premium payable upon the redemption or repurchase of any Note pursuant to Clause 8 (*Redemption and repurchase of the Notes*);
- (d) a change to the terms for the distribution of proceeds set out in Clause 12 (*Distribution of proceeds*);
- (e) a change to the terms dealing with the requirements for Noteholders' consent set out in this Clause 13.4 (*Majority, quorum and other provisions*);
- (f) a change of issuer, an extension of the tenor of the Notes or any delay of the due date for payment of any principal or interest on the Notes;
- (g) a mandatory exchange of the Notes for other securities; and
- (h) early redemption of the Notes, other than upon an acceleration of the Notes pursuant to Clause 11 (*Acceleration of the Notes*) or as otherwise permitted or required by these Terms and Conditions.

13.4.3 Any matter not covered by Clause 13.4.2 shall require the consent of Noteholders representing more than 50 per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 13.3.2. This includes, but is not limited to, any amendment to, or waiver of, the terms of these Terms and Conditions that does not require a higher majority (other than an amendment permitted pursuant to Clause 14.1(a) or (c)) or an acceleration of the Notes.

13.4.4 Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 13.4.2, and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:

- (a) if at a Noteholders' Meeting, attend the meeting in person or by other means prescribed by the Agent pursuant to Clause 13.2.4 (or appear through duly authorised representatives); or

- (b) if in respect of a Written Procedure, reply to the request.
- 13.4.5 If a quorum exists for some but not all of the matters to be dealt with at a Noteholders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.
- 13.4.6 If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 13.2.1) or initiate a second Written Procedure (in accordance with Clause 13.3.1), as the case may be, provided that the person(s) who initiated the procedure for Noteholders' consent has confirmed that the relevant proposal is not withdrawn. For the purposes of a second Noteholders' Meeting or second Written Procedure pursuant to this Clause 13.4.6, the date of request of the second Noteholders' Meeting pursuant to Clause 13.2.1 or second Written Procedure pursuant to Clause 13.3.1, as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 13.4.4 shall not apply to such second Noteholders' Meeting or Written Procedure.
- 13.4.7 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under these Terms and Conditions shall be subject to the Issuer's or the Agent's consent, as applicable.
- 13.4.8 A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- 13.4.9 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any owner of Notes (irrespective of whether such person is a Noteholder) for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that consent at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- 13.4.10 A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause the Issuer or the other Noteholders.
- 13.4.11 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 13.4.12 If a decision is to be taken by the Noteholders on a matter relating to these Terms and Conditions, the Issuer shall as soon as reasonably practicable at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates as per the Record Date for voting, irrespective of whether such person is a Noteholder. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Note is owned by a Group Company or an Affiliate.
- 13.4.13 Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to each person registered as a Noteholder on the date referred to in Clause 13.4.1(a) or 13.4.1(b), as the case may be, and also be published on the websites of the Issuer, provided that a failure to do so shall not invalidate any

decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer.

14. AMENDMENTS AND WAIVERS

14.1 The Issuer and the Agent (acting on behalf of the Noteholders) may agree in writing to amend and waive any provision in these Terms and Conditions or any other document relating to the Notes, provided that the Agent is satisfied that such amendment or waiver:

- (a) is not detrimental to the interest of the Noteholders as a group;
- (b) is made solely for the purpose of rectifying obvious errors and mistakes;
- (c) is required by any applicable regulation, a court ruling or a decision by a relevant authority; or
- (d) has been duly approved by the Noteholders in accordance with Clause 13 (*Decisions by Noteholders*) and it has received any conditions precedent specified for the effectiveness of the approval by the Noteholders.

14.2 Any amendments to these Terms and Conditions shall be made available in the manner stipulated in Clause 9.3 (*Availability of Terms and Conditions*). The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the CSD and each other relevant organisation or authority. The Issuer shall as soon as reasonably practicable publish by way of press release any amendment or waiver made pursuant to Clause 14.1(a) or (c), in each case setting out the amendment in reasonable detail and the date from which the amendment or waiver will be effective.

14.3 An amendment to these Terms and Conditions shall take effect on the date determined by the Noteholders Meeting, in the Written Procedure or by the Agent, as the case may be.

15. THE AGENT

15.1 Appointment of the Agent

15.1.1 By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and these Terms and Conditions, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder, including the winding-up, dissolution, liquidation, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.

15.1.2 Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions. The Agent is under no obligation to represent a Noteholder which does not comply with such request.

- 15.1.3 The Issuer shall as soon as reasonably practicable upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions.
- 15.1.4 The Agent is, if so agreed separately in writing between the Agent and the Issuer, entitled to fees for all its work in such capacity. The Agent is to be indemnified for costs, losses and liabilities on the terms set out in these Terms and Conditions and the Agent's obligations as Agent under these Terms and Conditions are conditioned upon the due payment of such fees (if any) and indemnifications.
- 15.1.5 The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

15.2 Duties of the Agent

- 15.2.1 The Agent shall represent the Noteholders in accordance with these Terms and Conditions.
- 15.2.2 When acting pursuant to these Terms and Conditions, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent is never acting as an advisor to the Noteholders or the Issuer. Any advice or opinion from the Agent does not bind the Noteholders or the Issuer.
- 15.2.3 When acting pursuant to these Terms and Conditions, the Agent shall carry out its duties with reasonable care and skill in a proficient and professional manner.
- 15.2.4 The Agent shall treat all Noteholders equally and, when acting pursuant to these Terms and Conditions, act with regard only to the interests of the Noteholders as a group and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in these Terms and Conditions.
- 15.2.5 The Agent is always entitled to delegate its duties to other professional parties and to engage external experts when carrying out its duties as agent, without having to first obtain any consent from the Noteholders or the Issuer. The Agent shall however remain liable for any actions of such parties if such parties are performing duties of the Agent under these Terms and Conditions.
- 15.2.6 The Issuer shall on demand by the Agent pay all costs for external experts engaged by it (i) after the occurrence of an Event of Default, (ii) for the purpose of investigating or considering (A) an event or circumstance which the Agent reasonably believes is or may lead to an Event of Default or (B) a matter relating to the Issuer or these Terms and Conditions which the Agent reasonably believes may be detrimental to the interests of the Noteholders under these Terms and Conditions, and (iii) in connection with any Noteholders' Meeting or Written Procedure, or (iv) in connection with any amendment (whether contemplated by these Terms and Conditions or not) or waiver under these Terms and Conditions. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under these Terms and Conditions shall be distributed in accordance with Clause 12 (*Distribution of proceeds*).
- 15.2.7 The Agent shall, if by the Agent deemed necessary, enter into agreements with the CSD.
- 15.2.8 Other than as specifically set out in these Terms and Conditions, the Agent shall not be obliged to monitor (i) whether any Event of Default has occurred, (ii) the performance,

default or any breach by the Issuer or any other party of its obligations under these Terms and Conditions, or (iii) whether any other event specified in these Terms and Conditions occurred. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.

- 15.2.9 The Agent shall neither be liable to the Issuer or the Noteholders for damage due to any documents and information delivered to the Agent not being accurate, correct and complete, unless it has actual knowledge to the contrary, nor be liable for the content, validity, perfection or enforceability of such documents.
- 15.2.10 Notwithstanding any other provision of these Terms and Conditions to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any regulation.
- 15.2.11 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- 15.2.12 The Agent shall give a notice to the Noteholders (i) before it ceases to perform its obligations under these Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under these Terms and Conditions or (ii) if it refrains from acting for any reason described in Clause 15.2.11.

15.3 Liability for the Agent

- 15.3.1 The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect or consequential loss.
- 15.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts provided to the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.
- 15.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to these Terms and Conditions to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- 15.3.4 The Agent shall have no liability to the Issuer or the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with these Terms and Conditions.
- 15.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, these Terms and Conditions shall not be subject to set-off against the obligations of the Issuer to the Noteholders under these Terms and Conditions.

15.4 Replacement of the Agent

- 15.4.1 Subject to Clause 15.4.6, the Agent may resign by giving notice to the Issuer. The Issuer shall as soon as reasonably practicable give notice to the Noteholders that the Agent has resigned and shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances. Any costs that the Agent may have in connection with such resignation will be paid by the Issuer.
- 15.4.2 Subject to Clause 15.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 15.4.3 A Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice shall, if given by several Noteholders, be given by them jointly), require that a Noteholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Noteholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Noteholders that the Agent be dismissed and a new Agent appointed.
- 15.4.4 If the Noteholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Noteholders, the Issuer shall within thirty (30) days thereafter appoint a successor Agent which shall be an independent financial institution or other reputable company with the necessary resources to act as agent in respect of Market Loans.
- 15.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under these Terms and Conditions.
- 15.4.6 The Agent's resignation or dismissal shall only take effect upon the earlier of (i) the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent, and (ii) the period pursuant to Clause 15.4.4 (ii) having lapsed.
- 15.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of these Terms and Conditions but shall remain entitled to the benefit of these Terms and Conditions and remain liable under these Terms and Conditions in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Noteholders shall have the same rights and obligations amongst themselves under these Terms and Conditions as they would have had if such successor had been the original Agent.
- 15.4.8 In the event that there is a change of the Agent in accordance with this Clause 15.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under these Terms and Conditions. The new Agent shall be entitled to the market standard fees and the same indemnities as the retiring Agent.

16. THE ISSUING AGENT

- 16.1 The Issuer shall when necessary appoint an Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Notes. The Issuing Agent shall be a commercial bank or securities institution approved by the CSD.
- 16.2 The Issuer shall ensure that the Issuing Agent enters into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Issuing Agent, as may be necessary in order for the Issuing Agent to carry out its duties relating to the Notes.
- 16.3 The Issuing Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its gross negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect or consequential loss.

17. THE CSD

- 17.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Notes.
- 17.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Noteholder or the admission to trading of the Notes on the Regulated Market. The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Swedish Securities Markets Act (*lag (2007:528) om värdepappersmarknaden*) and be authorised as a central securities depository in accordance with the Financial Instruments Accounts Act.

18. NO DIRECT ACTIONS BY NOTEHOLDERS

- 18.1 A Noteholder may not take any steps whatsoever against any Group Company to enforce or recover any amount due or owing to it pursuant to these Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation or bankruptcy in any jurisdiction of any Group Company in relation to any of the obligations and liabilities of any Group Company under these Terms and Conditions. Such steps may only be taken by the Agent.
- 18.2 Clause 18.1 shall not apply if the Agent has been instructed by the Noteholders in accordance with these Terms and Conditions to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 15.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under these Terms and Conditions or by any reason described in Clause 15.2.11, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 15.2.12 before a Noteholder may take any action referred to in Clause 18.1.
- 18.3 The provisions of Clause 18.1 shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due by the Issuer to some but not all Noteholders.

19. PRESCRIPTION

- 19.1 The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.
- 19.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Notes, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

20. COMMUNICATIONS AND PRESS RELEASES

20.1 Communications

- 20.1.1 Any notice or other communication to be made under or in connection with these Terms and Conditions:
- (a) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;
 - (b) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch or, if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and
 - (c) if to the Noteholders, shall be given at their addresses registered with the CSD on a date selected by the sending person which falls no more than five (5) Business Days prior to the date on which the notice or communication is sent, and by either courier delivery (if practically possible) or letter for all Noteholders. A Notice to the Noteholders shall also be published on the websites of the Issuer and the Agent.
- 20.1.2 Any notice or other communication made by one person to another under or in connection with these Terms and Conditions shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 20.1.1, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 20.1.1, or, in case of email, when received in readable form by the email recipient.
- 20.1.3 Any notice or other communication pursuant to these Terms and Conditions shall be in English. However, financial reports published pursuant to Clause 9.1.1(a) and (b) may be in Swedish.

20.1.4 Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

20.2 Press releases

20.2.1 Any notice that the Issuer or the Agent shall send to the Noteholders pursuant to Clauses 8.3 (*Early redemption due to illegality*), 9.1.2, 11.3, 13.2.1, 13.3.1, 13.4.13 and 14.2 shall also be published by way of press release by the Issuer.

20.2.2 In addition to Clause 20.2.1, if any information relating to the Notes or the Issuer contained in a notice the Agent may send to the Noteholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Noteholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Noteholders, the Agent shall be entitled to issue such press release.

21. FORCE MAJEURE

21.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

21.2 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

21.3 The provisions in this Clause 21 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

22. GOVERNING LAW AND JURISDICTION

22.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.

22.2 The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

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