



## SCANIA CV AB (publ)

(incorporated with limited liability under the laws of Sweden)

€5,000,000,000

### Euro Medium Term Note Programme

**unconditionally and irrevocably guaranteed by**

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(incorporated with limited liability under the laws of Sweden)

On 23 November, 2001, Scania CV AB (publ) (the **Issuer**) established a Euro Medium Term Note Programme (the **Programme**) and issued a Base Prospectus on that date describing the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect Notes issued prior to the date of this Base Prospectus.

Under this Programme the Issuer may from time to time issue non-equity securities in the meaning of Article 22 no. 6(4) of the Commission Regulation (EC) No. 809/2004 of 29 April, 2004 (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Scania AB (publ) (the **Guarantor**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a base prospectus. By approving this Base Prospectus the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. This Base Prospectus will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

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

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive.

The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The Programme provides that Notes may be listed, or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

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

The Issuer, the Guarantor and the Programme have been rated BBB+ (long term borrowing) by Standard & Poor’s Credit Market Services Europe Limited (**Standard & Poor’s**). Standard & Poor’s is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Standard & Poor’s is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration

has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). A 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. Please also refer to “Ratings of the Notes” in the “*Risk Factors*” section of this Base Prospectus.

*Arranger*

**Deutsche Bank**

*Dealers*

**BNP PARIBAS**

**Danske Bank**

**DNB**

**HSBC**

**ING**

**Morgan Stanley**

**SEB**

**Swedbank AB**

**Citigroup**

**Deutsche Bank**

**Handelsbanken Capital Markets**

**ICBC**

**Mizuho Securities**

**Nordea**

**Standard Chartered Bank**

**The Royal Bank of Scotland**

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a Member State of the EEA.

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme or for any other statement, made or purported to be made by a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of any Notes and accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes issued under the Programme of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base

Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and France) and Japan, see “*Subscription and Sale*”.

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

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

#### **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to:

- U.S. dollars, U.S.\$ and \$ refer to United States dollars;
- SEK refer to Swedish Kronor;
- BRL refer to the Brazilian real;
- Sterling, GBP and £ refer to pounds sterling; and
- euro, Euro, EUR and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Community, as amended.

#### **STABILISATION**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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## DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as completed by the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*” below.

This Base Prospectus and any supplement will only be valid for listing Notes on the Official List of the Luxembourg Stock Exchange during the period of 12 months from the date of this Base Prospectus in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and
- (b) the Euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## RISK FACTORS

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

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

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's and the Guarantor's ability to fulfil its obligations under the Guarantee**

Risks are a natural element of business operations and entrepreneurship. Part of the day-to-day work of the Issuer, the Guarantor and all its Subsidiaries (together, **Scania**) is to manage risks, to prevent risks from harming Scania and to limit the damage that may arise. Various risks may have an adverse impact on Scania with direct effects on business operations and indirectly by having an adverse impact on the company's reputation.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about Scania as a company and its products and services. It is important to monitor and minimise events and behaviour that might adversely affect Scania's brand and reputation.

Scania's strong corporate culture is based on established values, principles and methods and is the foundation of Scania's risk management work. Scania's Board of Directors is responsible to the parent company, Volkswagen AG (**Volkswagen**), for Scania's risk management. Scania continuously reports on risk-related matters to the Board and the Audit Committee of the Board.

### **Strategic Risks**

#### **Corporate governance- and policy-related risks**

The Executive Board carries the main responsibility for managing corporate governance- and policy-related risks. All units of the company work according to a management system that meets Scania's requirements, guidelines and policies and is well documented. Rapid dissemination of appropriate information is safeguarded via the company's management structures and processes. Management systems are continuously being improved, among other ways through regular reviews, performed both internally and by third parties.

#### **Business development risks**

Risks associated with business development and long-term planning are managed primarily through Scania's cross-functional (interdepartmental) meeting structure for decision making of a strategic and tactical nature, as well as Scania's established yearly process for strategic planning. Such planning is discussed and challenged throughout the company, based on external and internal deliberations. All units and levels of the company are involved in the strategic process.

Both the cross-functional meeting structure and the strategic process are long-established and are evolving continuously. Risks of overlooking threats and opportunities, of sub-optimising operations in the company and of making the wrong decisions are thereby minimised, while the risk of uncertainty and lack of clarity concerning the company's strategy and business development is managed in a systematic way. Research and development projects are revised continuously on the basis of each project's technological and commercial relevance.

## **Operational Risks**

### **Market risks**

The demand for Scania's products is mainly driven by transport needs and also by a certain replacement need for vehicles to maintain high availability and low life cycle cost of the vehicles.

Fluctuations in world financial markets impact real economic cycles and thus on the demand for Scania's products. Since commercial vehicles are a capital investment demand is not only affected by need but also by the availability and cost of capital. Markets may temporarily stall, and local currencies may depreciate. Demand for service-related products is less affected by fluctuations in the economic cycle than demand for trucks.

Well-diversified sales in more than 100 countries limits the effects of downturns in any given market. In individual markets, substantial changes may occur in the business environment, such as the introduction or increase of customs duties and taxes, the introduction or cessation of stimulus measures as well as changes to requirements for vehicle specifications. The imposition of sanctions against certain countries may reduce the potential for marketing Scania's products. In addition, shortcomings in national legal systems may substantially impair Scania's ability to carry out operations and sales.

Scania monitors all its markets continuously in order to identify warning signals early and to be able to take action and implement changes in its marketing strategy.

### **Risks in the sales and service network**

In the major markets, distributors are generally owned by Scania. Aside from volume risks that are linked to market risks described above, there are commercial risks in the sales and services network for various types of contracted services and also in relation to residual value obligations and used vehicle prices.

Repair and maintenance contracts comprise one important element of the sales and services business and help to generate high uptime for the customer, good capacity utilisation at workshops and greater customer loyalty. These contracts are often connected to predetermined prices. Thus both price and handling risks arise.

One advanced form of business obligation is an uptime guarantee for a vehicle, in which the customer pays for the distance or time it is used. Scania works actively to improve the expertise and ability of its sales and services network in understanding customers' businesses as well as in managing the risks of these service obligations.

As a result of residual value obligations and repurchase guarantees and trade-ins, the sales and services organisation handles a large volume of used trucks and buses. Prices and sales figures may vary over economic cycles. Due to Scania's high degree of integration into its sales and services network, the company has extensive knowledge in handling these variations.

Sales and services units assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the customer base is widely dispersed and the risk in relation to each individual customer is thus limited.

Operational risks in the sales and services network are detected and eliminated by using the quality system Scania Retail System (SRS), which is an adaptation for the commercial operations of the Scania Production System (SPS). The roll-out of SRS is currently underway in the form of "go- and-see" training conducted by Scania's management, appointment of Role Models and the establishment of a global network of local SRS coordinators with the aim of ensuring that relevant benefits are derived from SRS.

Independent dealers may suffer problems that may have an adverse effect on Scania's operations. This may include shortcomings in management and investment capacity or problems related to generational shifts in family businesses. If the problems are not merely transitory, Scania may replace dealers or take over the business. Scania continuously maintains close contact with its independent dealers in order to spot warning signs at an early stage and to be able to take action.

### **Production risks**

Scania has an integrated component manufacturing network with two geographic bases, Sweden and Brazil/Argentina. This concentration entails some risk, which is nevertheless offset by the fact that the company's uniform global production system enables it to source components from either area. According to the Scania Continuity Planning Principles, Scania must continuously maintain its preparedness at such a level that the company's ability to maintain delivery assurance to its customers is not adversely affected.



Scania has a shared risk management model, the Business Interruption Study, with corporate-level responsibility for coordination and support to line management. This model is continuously being refined and also takes into account the effects of suppliers on Scania's delivery precision. The Business Interruption Study identifies, quantifies and manages potential interruption risks. This also includes evaluating alternatives, methods and lead times for resuming normal operations.

Based on the results of this work, Scania regularly develops continuity plans adapted to each operating unit, which are part of every manager's responsibilities. Training and drills occur with affected employees and service providers at Scania's production units. Follow-up occurs by means of monitoring systems, reporting and response procedures. Yearly reports are submitted to Production and Logistics management.

Scania's Blue Rating Fire Safety system is a standardised method for carrying out risk inspections, with a focus on physical risks and for being able to present Scania's risks in the reinsurance market. Yearly risk inspections are conducted at all production units and numerous Scania-owned distributors/workshops.

Scania Blue Rating – Safety, Health and Environment is a method Scania uses to evaluate and develop the safety, health and working environment at its industrial units. See also "*Sustainability risks*".

Production and quality risks in the workshop network's services production are managed by means of the SRS quality system, the Scania Dealer Operating Standard (DOS) certification and the Scania Code of Practice.

### **Supplier risks**

Scania continually checks that suppliers meet the company's stringent quality, financial, logistic, environmental and ethical requirements. Such checks are also made during nomination of new agreements. This work is regularly reported to Scania Purchasing management.

Scania's suppliers shall undertake to comply with the United Nations Global Compact with respect to sustainability in amongst others the areas of human rights, labour, environment and anti-corruption.

In order to minimise the impact of production interruptions or financial problems among suppliers, Scania's ambition is to work with more than one supplier for critical items.

Scania continuously safeguards the quality and delivery precision of purchased items. It carries out day-to-day monitoring, then prioritises and classifies deviations. In case of repeated deviations, an escalation model is used in order to create greater focus and quickly restore a normal situation. Through Scania's Business Interruption Study risk management model, supplier-dependent risks that may adversely affect the continuity of Scania's production are identified and managed. Yearly reports are submitted to Purchasing management.

Fluctuations in the world's financial markets also risk affecting Scania's suppliers to a greater or lesser degree. The financial status of suppliers is monitored continuously.

### **Natural disaster risk**

It is hard to predict the occurrence of natural disasters as well as their frequency and scale. For Scania's own operations or suppliers located in geographical regions that are repeatedly affected, or where the risk is deemed higher for other reasons, the natural disaster risk is given special attention in both the risk assessment and in the continuity planning process.

### **Competition risk**

Competition is intense among manufacturers of heavy trucks, buses and engines. Scania's products and services face substantial competition from products and services provided by others, and such competition may have a significant impact on the price Scania receives for its products and services and on Scania's future sales volumes. Many of Scania's competitors have greater financial, marketing and operating resources than Scania, as well as broader geographical markets, particularly in North America. There can be no assurance that Scania will be able to compete successfully in the future.

### **Price volatility**

The prices for heavy trucks, buses and engines in certain markets, including service for these products, have at times experienced sharp changes over short periods of time. This volatility is caused by many factors, including volatility in underlying economic conditions, short-term fluctuations in demand, changes in import regulations, shortages of certain supplies and increased competition. There can be no assurance that such price volatility will not continue or that price volatility will not begin in markets which to date have not experienced

such volatility. Continued price volatility in certain markets could adversely affect Scania's results of operations in a particular period.

### **Profitability dependent upon new products**

Scania's long-term profitability depends upon its ability to introduce and market its new products and services successfully. The success of Scania's new products and services programmes will depend on a number of factors, including the economy, competition, customer acceptance and the strength of Scania's importer and dealer networks. There can be no assurance that Scania will be able to introduce and market its new products and services successfully.

### **Production capacity constraints**

The cyclical nature of demand for Scania's products has at times resulted and may in the future result in temporary constraints upon Scania's ability to produce the quantities necessary to fulfil orders in a timely manner. In particular, a sharp increase in order intake in a period can exceed the capability of Scania and its suppliers to satisfy fully the growing demand for Scania's products in certain markets. A prolonged delay in Scania's ability to fulfil orders on a timely basis at a time when Scania's competitors are not experiencing the same difficulty could adversely affect Scania's market share in certain markets.

### **Risks associated with substantial Latin American operations**

Operations in Latin American countries expose Scania to certain risks, including product price volatility, tax liabilities, government regulations, political instability, local economic conditions (including high and generally unpredictable levels of inflation), currency fluctuations and local labour conditions. In addition, Scania currently maintains substantial cash balances in Latin America. The governments in Brazil and Argentina have exercised and continue to exercise substantial influence over many aspects of their respective economies, and have imposed various policies designed to manage their economies. Government-imposed import tariffs have also significantly limited the supply of imported vehicles, thereby increasing the importance of locating manufacturing operations within those countries. Government actions in the future could have a significant effect on economic conditions and the demand for heavy vehicles in Brazil and Argentina. Variations in economic conditions could influence the demand and prices received for Scania's heavy vehicles and, accordingly, the results from its operations in these countries.

### **Human resource and talent recruitment**

For its future success, Scania is dependent on its ability to attract and retain motivated employees with the right expertise for their assignments, in order to ensure that its operations can deliver the required product and service quality. Some of the important risks from a human resource and talent recruitment perspective that may affect deliveries are:

- Insufficient supply of the right expertise
- Inadequate expertise
- Recruitment errors.

Scania has structured, well-established working methods for close cooperation with a number of universities and institutes of technology in order to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium MTG, with the ambition of offering high quality technical upper secondary school education aimed at vocational or university preparation.

Uniform structures, common and coordinated recruitment methods and tools as well as clearly described job requirements help minimise the risk of recruitment errors.

Human resource and talent development occurs with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities.

Trends are continuously monitored, for example by using key figures for healthy attendance, employee turn-over, age structure and professional job satisfaction as well as by using development dialogues. Targeted actions are implemented as needed.

### **Information risks**

For Scania, it is crucial to handle information in a way that enables operations to share and process information in an efficient and reliable way, both within the company and in collaboration with customers, suppliers and other business partners. The main risks which may affect information management are that:

- Interruptions occur in critical information systems, regardless of cause
- Strategic or other sensitive information is revealed to unauthorised persons
- Strategic or other sensitive information is intentionally or unintentionally changed or corrupted.

Scania has a central unit for information security, which is responsible for the introduction and follow-up of Scania's information security policy. As part of their normal responsibilities, managers monitor the risks and security level in their respective area of responsibility and ensure that all employees are aware of their responsibilities. Follow-up occurs by means of both internal monitoring and monitoring performed by third parties.

### **Sustainability risks**

The term "sustainability risks" refers to risks of undesirable consequences related to the environment, health and safety, human rights and business ethics in Scania's business operations. Risk identification and continuity planning are part of every manager's responsibilities and include planning adapted to each operating unit.

Training and drills occur with all affected employees and service providers at Scania's production units. Follow-up occurs by means of monitoring systems, reporting and response procedures.

At its production units around the world, Scania has carried out orientation studies and risk assessments of buildings as well as of soil and groundwater contamination.

As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities.

During 2015, no accidents occurred that caused significant environmental impact or led to major clean-up expenses. All production units have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules. In connection with increased production, Scania applies for new permits covering the affected operations. For certain Scania operations, however, recurrent permit assessments are required.

Scania has adopted a safety, health and environment standard, which covers 16 prioritised areas. Scania Blue Rating – Safety, Health & Environment is a method used in Scania's production and research and development operations to evaluate safety, health and environment work. Follow-up occurs based on Scania's environment and work environment policy and on the targets and legal requirements of the ISO 14001 environmental management standard. Based on the result of this audit, Scania can identify areas for improvement and promote good working methods in order to gradually improve operational working environments and reduce environmental impacts.

Scania's work with values and the Scania Code of Practice creates a natural basis for an ethical and responsible approach among Management and employees in relation to Scania's role in society.

Climate change constitutes a global risk and Scania works continually to reduce the impact of its products and in its operating activities.

### **Research and development risks**

Research and product development occurs in close contact with the production network and the sales and services organisation to effectively safeguard high quality.

#### *New legislation*

The ability to meet future emission standards in various markets is of great importance for Scania's future. In particular, this relates to legal requirements for reduced passing noise, which will gradually enter into effect starting in 2016 and carbon dioxide legislation for heavy trucks in the EU, which is expected to enter into effect in 2018.

Other important future regulations are changed national emissions standards in several of Scania's markets. To meet new regulations, Scania is utilising its global, modularised product range and is adapting technologies in its future product portfolio.

#### *Product launch risks*

Political decisions aimed at influencing the vehicle market in a given direction – for example, for environmental reasons – by such means as tax cuts and levies as well as regional environmental zoning rules, may lead to rapid changes in demand. This may require acceleration of product introductions and increases in research and development resources at an earlier stage. Scania manages this by integrating the work done by the business intelligence group into all its development and introduction projects.

Throughout the development period, work occurs on a cross-functional basis to ensure that the results of business intelligence gathered by all units are taken into account and that Scania establishes the right priorities in its development portfolio. The product launch process includes carrying out risk analyses on a number of occasions in order to manage this type of risk.

#### *Product liability*

It is Scania's objective to develop products that are reliable and safe for the user, the general public and the environment. However, if a product should show signs of technical shortcomings that might be harmful to people or property, that is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur.

### **Insurable risks**

Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level.

A corporate unit is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's Corporate Governance Manual and Finance Policy. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies in identifying and managing risks.

Insurance is obtained only from well-reputed insurance companies, whose financial strength is continuously monitored. Risk inspections, mainly focusing on physical risks, are performed yearly in most cases at all production units and at numerous Scania-owned sales and services units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high claim prevention level and a low incidence of claims.

### **Legal risks**

#### *Contracts and rights*

Scania's operations include a wide variety of intangible licensing agreements, patents and other intellectual property rights. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.

#### *Legal actions*

Scania is affected by numerous legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property or alleged violations of laws and regulations in force. Even if disputes of this kind should be decided in a favourable way without adverse economic consequences, they may adversely affect Scania's reputation. For further details see Scania AB annual report.

#### *Administration of contracts, essential rights, legal risks and risk reporting*

Administration of contracts, essential rights and legal risks occurs in the normal course of operations in accordance with the instructions described in Scania's Corporate Governance Report. Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

### *Tax risks*

Scania and its subsidiaries are the subject of a large number of tax cases, as a consequence of the company's operating activities. These cases mainly relate to the areas of financial expenses and indirect taxes. None of these cases are deemed capable of resulting in a claim that would substantially affect Scania's financial position. Tax risks above a certain level are reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board.

### **Financial risk management in the Scania Group**

Beyond business risks, Scania is exposed to various financial risks. Those that are of the greatest importance are currency, interest rate, refinancing and credit risks. Financial risks are managed in accordance with the Financial Policy adopted by Scania's Board of Directors.

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Finance Policy.

### *Currency risk*

Currency risk is the risk that changes in currency exchange rates will adversely affect cash flow. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement (transaction effect).

Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of Scania CV AB and Scania AB (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

During 2015, 94 per cent. of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies. During 2015, total currency exposure in Scania's operating income amounted to about SEK 37,800 million (compared to SEK 34,600 million in 2014). The largest exposures were against EUR, BRL and GBP.

Based on revenue and expenses in foreign currencies during 2015, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 378 million (compared to SEK 346 million in 2014) on an annual basis. In Vehicles and Services, compared to 2014, the total positive currency rate effects amounted to about SEK 2,270 million.

According to Scania's policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. Maturities over 12 months are decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to the subsidiaries in the form of internal loans in their local currencies.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In Financial Services, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings"<sup>1</sup> in the section on interest rate risk.

At the end of 2015, Scania's net assets in foreign currencies amounted to SEK 23,700 million (compared to SEK 24,900 in 2014). The net foreign assets of subsidiaries are normally not hedged. However, to

<sup>1</sup> See Scania AB Annual report 2015

the extent subsidiaries have significant net monetary assets in functional currencies, they may be hedged. At year-end 2015 no foreign net assets were hedged (SEK 0 million in 2014).

### Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect cash flow or the fair value of financial assets and liabilities. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2015, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

### Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be six months, but that divergences are allowed in the range between 0 and 24 months.

Net cash in Vehicles and Services was SEK 7,579 million at year-end 2015 (compared to SEK 12,139 million at the end of 2014). The borrowing portfolio amounted to SEK 9,728 million for the year ended 31 December 2015 (compared to SEK 166 million for the year end of 31 December 2014) and the average interest rate refixing period for this portfolio was less than 6 (six) months. Short-term investments and cash and cash equivalents amounted to SEK 17,056 million (compared to SEK 12,310 million in 2014) and the average interest rate refixing period on these assets was less than 1 (one) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK 251 million (compared to SEK -5 million in 2014).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2015, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses in Vehicles and Services by about SEK 50 million (compared to SEK 5 million in 2014) and interest income by about SEK 160 million (compared to SEK 120 million in 2014) on an annual basis.

### Interest rate risk in Financial Services

Scania's policy regarding interest rate risks in the Financial Services segment is that lending and borrowing should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing in Financial Services had the following structure as of 31 December 2015:

Interest rate refixing in Financial Services, 31 December 2015	Interest-bearing Portfolio <sup>1</sup>	Interest-bearing liabilities <sup>2</sup>
2016	29,232	28,872
2017	11,662	10,971
2018	8,699	8,034
2019	4,750	2,629
2020	1,736	285
2021 and later	407	35
<b>Total</b>	<b>56,486</b>	<b>50,826</b>

Interest rate refixing in Financial Services, 31 December 2014	Interest-bearing portfolio <sup>1</sup>	Interest-bearing liabilities <sup>2</sup>
2015	29,569	27,698
2016	10,805	10,909
2017	8,427	7,471

<sup>1</sup> Including operating leases.

<sup>2</sup> Including the effect of interest rate derivatives. Other funding consists mostly of equity.

2018	4,679	2,495
2019	1,711	395
2020 and later	365	56
<b>Total</b>	<b>55,556</b>	<b>49,024</b>

Please note that all figures in the table above are in SEK million.

Scania's total borrowing portfolio amounted to SEK 54,942 million at year-end 2015 (compared to SEK 46,741 million in 2014).

Borrowings, 31 December, 2015	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	22,011	19,147
SEK	6,863	26,170
BRL	4,675	4,675
GBP	5,184	-
ZAR	2,116	972
USD	1,885	1,085
NOK	1,646	478
RUB	1,497	62
DKK	1,371	-
CLP	1,258	330
AUD	1,099	-
KRW	775	195
CHF	661	-
THB	559	87
PLN	156	-
CZK	-22	-
Other currencies	3,074	1,607
<b>Total<sup>1</sup></b>	<b>54,808</b>	<b>54,808</b>
Accrued interest	134	134
<b>Total</b>	<b>54,942</b>	<b>54,942</b>

Please note that all figures in the table above are in SEK million.

### Credit risk

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania's sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

#### *Credit risk in Vehicles and Services*

In the Vehicles and Services segment, carried receivables from customers totalled SEK 7,097 million (compared to SEK 7,728 million in 2014), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,075 million. Most of the collateral consisted of repossession rights and bank guarantees. During 2015, collateral valued at SEK 12 million was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2015	Past-due payments 2014
< 30 days	687	1,032
30-90 days	362	296
91-180 days	57	155

<sup>1</sup> Total borrowing excluded SEK 134 million related to accrued interest.

>180 days	56	102
<b>Total</b>	<b>1,162</b>	<b>1,585</b>

Please note that all figures in the table above are in SEK million.

Provisions for bad debts amounted to SEK 313 million (compared to SEK 370 million in 2014), equivalent to 4.2 per cent. (compared to 4.6 per cent. in 2014) of total receivables. The bad debt expense in 2015 amounted to SEK 26 million (compared to SEK 32 million in 2014). Provisions for bad debts changed as follows:

<b>Provisions for bad debts</b>	<b>2015</b>	<b>2014</b>
Provisions, 1 January	370	383
Provision for potential losses	-16	7
Withdrawals due to actual credit losses	-22	-42
Currency rate effect	-20	22
Other	1	0
<b>Total</b>	<b>313</b>	<b>370</b>

Please note that all figures in the table above are in SEK million.

### *Credit risk Financial Services*

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

<b>Credit portfolio</b>	<b>2015</b>	<b>2014</b>
Exposure	57,358	56,425
– of which, operating leases	13,899	11,628
Credit risk reserve	872	869
Carrying amount	56,486	55,556
– of which, operating leases	13,889	11,613

Please note that all figures in the table above are in SEK million.

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are limited by active credit assessment, management of the loan portfolio and its underlying assets as well as an intensive focus and constructive dialogue with those customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exists in the form of the products being financed. The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies.

### **Timing analysis of portfolio assets**

	<b>2015</b>			<b>2014</b>		
<b>Past due but not recognised as impairment losses</b>	<b>Past-due payments</b>	<b>Total exposure<sup>1</sup></b>	<b>Estimated fair value of collateral</b>	<b>Past-due payments</b>	<b>Total exposure</b>	<b>Estimated fair value of collateral</b>
< 30 days	60	2,209	2,146	69	3,005	2,728
30-90 days	93	1,315	1,301	100	1,704	1,717
<b>Past due and recognised as impairment losses</b>						
91-180 days	31	229	206	52	423	409
> 180 days	44	130	122	79	272	251
Inactive contracts	78	310	196	123	586	383
<b>Total</b>	<b>306</b>	<b>4,193</b>	<b>3,971</b>	<b>423</b>	<b>5,990</b>	<b>5,488</b>

Please note that all figures in the table above are in SEK million.

<sup>1</sup> Exposure is defined as maximum potential loss, without regard to the value of any collateral.



A description of credit risk exposure can be seen in the table below:

Concentration of credit risk	Number of customers	Per cent. of total number of customers	Per cent. of portfolio value
On 31 December 2015			
Exposure < 15 SEK million	29,970	98.6	69.4
Exposure 15-50 SEK million	334	1.1	14.1
Exposure > 50 SEK million	87	0.3	16.5
<b>Total</b>	<b>30,391</b>	<b>100.0</b>	<b>100.0</b>

Please note that all figures in the table above are in SEK million

The credit risk concentration in 2015 was equivalent to that of 2014. The table shows that most customers are in the segment with exposure < SEK 15 million. This segment included 98.6 per cent. (compared to 98.5 per cent. in 2014) of the total number of customers, equivalent to 69.4 per cent. (compared to 69.6 per cent. in 2014) of the portfolio. The segment with exposure of SEK 15–50 million included 1.1 per cent. (compared to 1.2 per cent. in 2014) of the total number of customers, equivalent to 14.1 per cent. (compared to 13.9 per cent. in 2014) of the portfolio. The segment with exposure > SEK 50 million included 0.3 per cent. (compared to 0.3 per cent. in 2014) of the total number of customers, equivalent to 16.5 per cent. (compared to 16.5 per cent. in 2014) of the portfolio.

Accounts with past-due receivables ordinarily lead to relatively quick repossession of the item being financed. Renegotiation only occurs in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short term, temporary nature and where renegotiation can take place without greatly worsening its risk position. For Scania's customers the renegotiation need was somewhat higher during 2015 although payment plans were completed. Thus the carrying amount of financial assets whose terms had been renegotiated increased, amounting to SEK 1,458 million at year-end 2015 (compared to 1,505 million in 2014). Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The resale market for repossessed and used vehicles functioned smoothly during 2015. In 2015, 1,283 (compared to 1,759 in 2014) financed vehicles were repossessed. At year-end 2015, the number of repossessed but not yet sold vehicles amounted to 214 (compared to 404 in 2014), with a total carrying amount of SEK 73 million (compared to SEK 115 million in 2014). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts from customers amounted to SEK 872 million in 2015 (compared to SEK 869 million in 2014), equivalent to 1.5 per cent. (compared to 1.6 per cent. in 2014) of the total Financial Services gross portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts (MSEK)	2015	2014
Provisions, 1 January	869	805
Provision for potential losses	210	162
Withdrawals due to actual credit losses	-160	-104
Exchange rate differences	-47	23
Divestment of subsidiaries	-	-17
<b>Provisions, 31 December</b>	<b>872</b>	<b>869</b>
<b>Provisions as percentage of gross portfolio</b>	<b>1.5</b>	<b>1.6</b>

The year's expenses for actual and potential credit losses amounted to SEK 244 million (compared to SEK 167 million in 2014).

## Other credit risks at Scania

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating (at least A or the equivalent) from the credit ratings agencies Standard & Poor's and/or Moody's Investors Service Limited (**Moody's**). To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (**ISDA**) netting contracts with most of its counterparties.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy. Net exposure to counterparty risk related to derivatives trading amounted to SEK 255 million at the end of 2015 (2014: SEK 25 million). Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,175 million (2014: SEK 1,148 million). Estimated gross exposure to cash and cash equivalents and short term investments amounted to SEK 12,508 million (2014: SEK 10,966 million). Short-term investments are deposited with various banks. These banks normally have at least an A- rating with Standard & Poor's and/or the equivalent with Moody's.

As at 31 December 2015 Scania had short-term investments worth SEK 8,438 million (2014: SEK 7,212 million), of which SEK 8,225 million (2014: SEK 7,161) consisted of investments with a maturity of less than 90 days and SEK 213 million (2014: SEK 51 million) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, at year-end 2015, Scania had bank balances worth SEK 4,070 million (compared to SEK 3,754 million at year-end 2014).

## Refinancing risk

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs for the next two years.

For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next year. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2015, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 49,913 million (compared to SEK 40,134 million at year-end 2014).

Scania's credit facilities include customary 'change of control' clauses, which means that a counterparty could demand early re-payment in the case of significant changes in ownership involving a change of control of the company.

At year-end 2015, Scania had borrowings, in some cases with related ceilings, as follows (in SEK million):

	<b>Total borrowings</b>	<b>Ceiling</b>
<b>Borrowings 2015</b>	(in SEK m)	(in SEK m)
European Medium Term Note Programme	23,233	31,973
Other bonds	-	-
Credit facility (EUR)	-	37,405
Commercial paper, Sweden	535	10,000
Commercial paper, Belgium	1,635	3,654
Bank loans and other loans	29,405	-
<b>Total<sup>1</sup></b>	<b>54,808<sup>2</sup></b>	<b>83,032</b>
<b>Borrowings 2014</b>	<b>Total borrowings</b>	<b>Ceiling</b>
	(in SEK m)	(in SEK m)
European Medium Term Note Programme	20,920	33,304
Other bonds	-	-
Credit facility (EUR)	-	29,168

Commercial paper, Sweden	1,250	10,000
Commercial paper, Belgium	-	3,806
Bank loans	24,397	-
<b>Total<sup>1</sup></b>	<b>46,567<sup>2</sup></b>	<b>76,278<sup>1</sup></b>

<sup>1</sup> Of the total ceiling, SEK 37,405 million (29,168) consisted of guaranteed revolving credit facilities.

<sup>2</sup> Total borrowings excluded SEK 134 million (174) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. At year-end 2015, Scania's total borrowings had the following maturity structure (in SEK million):

<b>Maturity structure of Scania's borrowings</b>	<b>2015</b>	<b>2014</b>
	(in SEK million)	(in SEK m)
2015	-	20,065
2016	28,602	13,982
2017	14,925	6,579
2018	3,149	3,410
2019	2,602	2,375
2020	3,227	156
2021 and later	2,303	-
<b>Total</b>	<b>54,808<sup>1</sup></b>	<b>46,567<sup>1</sup></b>

<sup>1</sup> Total borrowings excluded SEK 134 million (174) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

Scania has a Standard & Poor's Long Term stand-alone credit rating of BBB+. Standard & Poor's consider Volkswagen's ownership of Scania to be "Highly Strategic" rather than "Core" and their ratings methodology therefore dictates that Scania's issuer credit rating shall be limited to the higher of (i) its stand-alone credit rating and (ii) a rating corresponding to one notch lower than Volkswagen's. Scania's issuer credit rating can never be higher than Volkswagen's.

Any downgrade by Standard & Poor's of Volkswagen's credit rating therefore may result in a downgrade by Standard & Poor's of Scania's issuer credit rating (and consequently of the rating of the Notes).

Any change in the credit rating of the Notes or Scania could affect Scania's ability to, in a cost-effective manner, refinance or fund its operations.

### Material risks and uncertainty factors

The risks that have the greatest impact on financial reporting for Scania CV AB and Scania AB are summarised as follows:

#### (a) Sales with obligations

Scania delivers about 15 per cent. of its vehicles with residual value obligations or repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

If there are major downturns in the market value of used vehicles, this increases the risk of future losses when divesting the returned vehicles. When a residual value guarantee is deemed likely to result in a future loss, a provision is recognised in those cases where the expected loss exceeds the profit on the vehicle not yet recognised as revenue.

Changes in market value may also cause an impairment loss in used vehicle inventories, since these are recognised at the lower of cost and estimated net realisable value.

At the end of 2015, obligations related to residual value or repurchase amounted to about SEK 12,752 million (compared to SEK 11,666 million in 2014).

#### (b) Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2015, these amounted to SEK 56,486 million (compared to 55,556 million in 2014). In all

essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, Scania has a risk of loss. On 31 December 2015, the reserve for doubtful receivables in Financial Services operations amounted to SEK 872 million (compared to 869 million in 2014).

(c) Refinancing risk

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents, as well as unutilised credit facilities which exceeds the funding needs of Scania, excluding Financial Services, for the next two years. For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next year. There shall also always be borrowings that safeguard the financing of the existing portfolio. Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. As of 31 December, 2015, Scania had unutilised credit facilities of SEK 37,405 million, an increase of SEK 8,237 million since 31 December, 2014.

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

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

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Impact of parent ratings*

As mentioned previously (See “*Risk Factors – Refinancing Risk*”, above), any downgrade by Standard & Poor’s of Volkswagen’s credit rating may result in a downgrade by Standard & Poor’s of the credit rating of the Notes or Scania. Any change in the credit rating of Scania could adversely affect the price at which Notes are traded in the market, which may cause loss.

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

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

*The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes*

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

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking S.A. (together the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime

and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see “*Taxation – Foreign Account Tax Compliance Act*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

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

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

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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

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

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

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies, or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

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

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

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

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

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

*Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to the structure of the Notes, the market for the Notes, the 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. The Issuer may also decide not to maintain a credit rating.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

#### **Legal investment considerations may restrict certain investments**

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated by reference in, and to form part of, this Base Prospectus:

- (a) the annual reports for the financial years ended 31 December 2014 and 31 December 2015 of each of the Issuer and the Guarantor;
- (b) the unaudited interim report for the nine months ended 30 September 2016 of the Guarantor;
- (c) English translations of the articles of association and Certificate of Registration of the Issuer and the Guarantor (incorporated by reference for information purposes); and
- (d) the Terms and Conditions of the Notes contained in the Base Prospectus dated 27 November 2015 (pages 50 to 72), the Base Prospectus dated 27 October 2014 (pages 47 to 67), the Base Prospectus dated 29 April 2013 (pages 46 to 65), the Base Prospectus dated 27 April 2012 (pages 43 to 65), the Base Prospectus dated 3 May 2011 (pages 42 to 63) and the Base Prospectus dated 30 April 2010 (pages 41 to 63), in each case prepared by the Issuer in connection with the Programme.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and the Guarantor, and from the specified office of the Paying Agent for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

<b>Cross Reference Table</b>					
	<b>Issuer</b>		<b>Guarantor</b>		
	<b>Annual Report 2015</b>	<b>Annual Report 2014</b>	<b>Annual Report 2015</b>	<b>Annual Report 2014</b>	<b>Q3 Unaudited Interim Report 2016</b>
Consolidated Statement of Financial Position	23-24	19-20	58-59	54-55	10-12
Consolidated Income Statement	21-22	17-18	56-57	52-53	8
Notes to the Consolidated Financial Statements	31-81	27-80	62-104	58-98	-
Auditors' Report in respect of the Consolidated Financial Statements	96-97	95-96	109-110	106-107	-
Non-consolidated Balance Sheet	28	24	105	102	15
Non-consolidated Income Statement	27	23	105	102	15
Notes to the Non-consolidated Financial Statements	82-94	81-93	106-107	103-104	-
Auditors' Report in respect of the Non-consolidated Financial Statements	96-97	95-96	109-110	106-107	-

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 of 29 April 2004.



## OVERVIEW OF THE PROGRAMME

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).*

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

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” below shall have the same meanings in this description.

<b>Issuer:</b>	Scania CV AB (publ)
<b>Guarantor:</b>	Scania AB (publ)
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	Deutsche Bank AG, London Branch
<b>Dealers:</b>	BNP Paribas Citigroup Global Markets Limited Danske Bank A/S Deutsche Bank AG, London Branch DNB Bank ASA, Sweden Branch HSBC Bank plc Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch ING Bank N.V. Mizuho International plc Morgan Stanley & Co. International plc Nordea acting through Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Standard Chartered Bank Svenska Handelsbanken AB (publ) Swedbank AB (publ) The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus.
<b>Notes having a maturity of less than one year:</b>	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 ( <b>FSMA</b> ) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.  Under Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act.
<b>Issuing and Principal Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>Programme Size:</b>	€5,000,000,000 (or its equivalent in other currencies calculated as described

under “*General Description of the Programme*”) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any other currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"><li>• on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li><li>• on the basis of a reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).</li></ul> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p>
<b>Zero Coupon Notes:</b>	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

<b>Redemption:</b>	<p>The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Unless previously redeemed or purchased and cancelled, each Note which is not an Exempt Note will be redeemed by the Issuer at least 100 per cent. of its nominal value on its scheduled maturity date.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions –Notes having a maturity of less than one year</i>” above.</p>
<b>Denomination of Notes:</b>	<p>Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “<i>Certain Restrictions –Notes having a maturity of less than one year</i>” above and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p>
<b>Taxation:</b>	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 7. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.</p>
<b>Negative Pledge:</b>	<p>The terms of the Notes will contain a negative pledge provision as further described in Condition 3.</p>
<b>Cross Default:</b>	<p>The terms of the Notes will contain a cross default provision as further described in Condition 9.</p>
<b>Status of the Notes:</b>	<p>The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.</p>
<b>Rating:</b>	<p>The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.</p> <p>The Programme has been rated BBB+ (long term borrowing) by Standard &amp; Poor’s. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to “<i>Ratings of the Notes</i>” in the “<i>Risk Factors</i>” section of this Prospectus.</p>

<b>Guarantee:</b>	<p>The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such Guarantee will be direct, unconditional and, subject to the provisions of Condition 3 unsecured obligations of the Guarantor and will rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.</p>
<b>Approval, listing and admission to trading:</b>	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Notes may be listed or admitted to trading on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series.</p> <p>Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges or markets.</p> <p>Notes issued under the Programme which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive may not carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity belonging to the Issuer's group.</p>
<b>Governing Law:</b>	<p>The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom, France and Sweden) and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "<i>Subscription and Sale</i>".</p>

## FORM OF THE NOTES

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

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent Global Note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (b) if the Global Notes are not intended to be issued in NGN Form be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the

Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

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

## General

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 29 April 2013 and executed by the Issuer.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

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

[Date]

**SCANIA CV AB (publ)**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**Guaranteed by Scania AB (publ)**  
**under the €5,000,000,000**  
**Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated 18 November 2016 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been and the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated [27 November 2015 / 27 October 2014 / 29 April 2013 / 27 April 2012 / 3 May 2011 / 30 April 2010] which are incorporated by reference in the Base Prospectus dated 18 November 2016 [as supplemented by the supplement[s] dated [date] [and [date]]] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 18 November 2016 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been and the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

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





8. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] month  
[LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR/MO  
SPRIME/JIBAR/WIBOR/PRIBOR/KORIBOR/RI  
GIBOR/TRLIBOR] +/- [ ] per cent. Floating  
Rate]  
[Zero coupon]  
(See paragraph [13] [14] [15] below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
10. Change of Interest Basis *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there]* [Not Applicable]
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(See paragraph [17] [18] below)]  
[Not Applicable]
12. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively]]  
  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

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

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[ ] per Calculation Amount, payable on the Interest Payment Date facility [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year] [Not Applicable]  
*[Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*

14. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest [ ]  
Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [LIBOR/EURIBOR STIBOR/NIBOR/CIBOR/MOSPRIME/JIBAR/WIBOR/PRIBOR/KORIBOR/RIGIBOR/TRLIBOR]
  - Relevant Financial Centre [London/Brussels/Stockholm/Oslo/Copenhagen/Moscow/Johannesburg/Warsaw/Prague/Seoul/Riga/Istanbul]
  - Interest Determination Date(s): [ ] Relevant Financial Centre time  
*(Second London Business Day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  - Relevant Time: [ ]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) Linear Interpolation [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum

- (k) Maximum Rate of Interest: [     ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)
15. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [     ] per cent. per annum
- (b) Reference Price: [     ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

#### **PROVISIONS RELATING TO REDEMPTION**

16. Notice Periods for Condition 6(b): Minimum period: [     ] days  
Maximum period: [     ] days
17. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [     ]
- (b) Optional Redemption Amount: [[     ] per Calculation Amount]
- (c) If redeemable in part:
- (d) Minimum Redemption Amount: [     ]
- (e) Maximum Redemption Amount: [     ]
- (f) Notice periods: Minimum period: [     ] days  
Maximum period: [     ] days  
*(N.B. when setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
18. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [     ]
- (b) Optional Redemption Amount: [     ] per Calculation Amount  
*(N.B. If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*
- (c) Notice periods: Minimum period: [     ] days  
Maximum period: [     ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. (a) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note on or after the Exchange Date, which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
- (b) New Global Note [Yes] [No]
22. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which subparagraphs 14(c) relates)*
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No]

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: .....

By: .....

Signed on behalf of Scania CV AB (*publ*)

Signed on behalf of Scania AB (*publ*)

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange] with effect from [ ].]

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

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

### 2. RATINGS

Ratings:

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

[insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]:

Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

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

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

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

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

### 4. YIELD (Fixed Rate Notes only)

Indication of yield: [ ]

### 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ] [Not Applicable]
- (vi) Deemed delivery of clearing system notices for the purposes of Condition 13: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 6. DISTRIBUTION

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

## APPLICABLE PRICING SUPPLEMENT

### EXEMPT NOTES OF ANY DENOMINATION

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

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.**

[Date]

**SCANIA CV AB (publ)**

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

**Guaranteed by Scania AB (publ)**

**under the €5,000,000,000**

**Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 18 November 2016 [as supplemented by the supplement[s] dated [date[s]]] (the **Base Prospectus**). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from Deutsche Bank Luxembourg SA at 2, Boulevard Konrad Adenauer, 1115 Luxembourg, Grand Duchy of Luxembourg.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus [dated [original date] [and the supplement dated [date]] which are incorporated by reference in the Base Prospectus].<sup>1</sup>

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

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

- |  |   |
|--|---|
| 1. (a) Issuer:   | [ ]   |
| (b) Guarantor:   | [ ]   |
| 2. Series Number:  | [ ]   |
| (a) Tranche Number:  | [ ]   |
| (b) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]] [Not Applicable] |
| 3. Specified Currency or Currencies:                                       | [ ]   |

<sup>1</sup> Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.



4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating Rate Notes - Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[specify Reference Rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]  
[Not Applicable]
13. (a) Status of the Notes: Senior
- (b) Status of the Guarantee: Senior
- (c) [Date [Board] approval for issuance of Notes [ ] [and [ ], respectively]]  
[and Guarantee] obtained:
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

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

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

	Interest Payment Date
(b) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date <i>(Amend appropriately in the case of irregular coupons)</i>
(c) Fixed Coupon Amount(s): <i>(Applicable to Notes in definitive form.)</i>	[ ] per Calculation Amount
(d) Broken Amount(s): <i>(Applicable to Notes in definitive form.)</i>	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
(e) Day Count Fraction:	[30/360/Actual/Actual (ICMA)/specify other]
(f) [Determination Date(s):	[[ ] in each year][Not Applicable] <i>(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]</i>
(g) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/Give details]
15. Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]
(c) Additional Business Centre(s):	[ ]
(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/specify other]
(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f) Screen Rate Determination:	
• Reference Rate:	[ ] month [LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR/MOSP RIME/JIBAR/WIBOR/PRIBOR/KORIBOR/RIGIBOR/TRLIBOR/specify other Reference Rate].
• Relevant Financial Centre:	[London/Brussels/Stockholm/Oslo/Copenhagen/Moscow/Johannesburg/Warsaw/Prague/Seoul/Riga/Istanbul / specify other Relevant Financial Centre]
• Interest Determination Date(s):	[ ] <i>(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)</i>

- Relevant Screen Page: [       ]  
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
  - Relevant Time: [       ] Relevant Financial Centre time
- (g) ISDA Determination:
- Floating Rate Option: [       ]
  - Designated Maturity: [       ]
  - Reset Date: [       ]  
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Linear Interpolation [Not Applicable/ Applicable – the Rate of Interest for the [long/short] [ first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (i) Margin(s): [ +/- ] [       ] per cent. per annum
- (j) Minimum Rate of Interest: [       ] per cent. per annum
- (k) Maximum Rate of Interest: [       ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)  
Other]  
(See Condition 4 for alternatives)
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [       ]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [       ] per cent. per annum
- (b) Reference Price: [       ]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [       ]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]<sup>1</sup>

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 6(b): Minimum period: [       ] days  
Maximum period: [       ] days

18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods:
- Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent )*
19. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice periods:
- Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): [[ ] per Calculation Amount/specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any

time/only upon an Exchange Event]]

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

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves.)*

(b) New Global Note:

[Yes][No]

23. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub paragraph 15(c) relates)*

24. Talons for future Coupons to be attached to Definitive Notes:

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

25. Other terms or special conditions:

[Not Applicable/give details]

## RESPONSIBILITY

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:

By:

Signed on behalf of Scania CV AB (*publ*)

Signed on behalf of Scania AB (*publ*)

## PART B – OTHER INFORMATION

### 1. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)]

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)*

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

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

### 3. OPERATIONAL INFORMATION

(i) ISIN: [ ]

(ii) Common Code: [ ]

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

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

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

(vi) Deemed delivery of clearing system notices for the purposes of Condition 13: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

(vii)[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible

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

#### **4. DISTRIBUTION**

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

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Scania CV AB (publ) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

any Global Note; and

any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 18 November 2016 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the Issuer, Scania AB (publ) (the **Guarantor**) as guarantor, Deutsche Bank AG, London Branch, as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents, together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to **applicable Final Terms** shall be deemed to include a reference to **applicable Pricing Supplement** where relevant. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a guarantee (such guarantee as modified and/or supplemented and/or restated from time to time, the **Guarantee**) dated 29 April 2013 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.



As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant dated 29 April 2013 (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the **Deed of Covenant**) and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or common safekeeper, as the case may be for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

## 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denomination (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

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

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

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

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

## **2. STATUS OF THE NOTES AND THE GUARANTEE**

### **(a) *Status of the Notes***

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### **(b) *Status of the Guarantee***

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## **3. NEGATIVE PLEDGE**

- (a) (i) Subject to Condition 3(a)(ii), so long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries shall, create or permit to subsist any mortgage, pledge, lien, charge or other security interest upon the whole or any part of their respective present or future undertakings, assets or revenues (including any uncalled capital), to secure any (i) existing or future Relevant Indebtedness of the Issuer or the Guarantor or (ii) guarantee or indemnity given by the Issuer or the Guarantor in respect of any existing or future Relevant Indebtedness of a third party, without in any such case at the same time according to the Notes either (x) the same security as is granted to or is outstanding in respect of such Relevant Indebtedness or (y) such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.
- (ii) Nothing in this Condition 3(a) shall prevent the Issuer, the Guarantor or their respective Subsidiaries from creating or permitting to subsist any Security Interest upon, or with respect to, any of its present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset backed financing or like arrangement and whereby all payment obligations in respect of the Relevant Indebtedness or any guarantee of or indemnity in respect of the Relevant Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other indemnity, are to be discharged solely from such assets or revenues, if the total of such aggregate Relevant Indebtedness and the aggregate Borrowed Monies Indebtedness referred to in Condition 3(c) below does not exceed 20 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries (determined in accordance with accounting principles generally accepted and adopted in Sweden).
- (b) Without prejudice to Condition 3(a) and subject to Condition 3(c), so long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) in respect of Borrowed Monies Indebtedness without (a) at the same or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.
- (c) Condition 3(b) does not apply to any Security Interest securing Borrowed Monies Indebtedness if the aggregate Borrowed Monies Indebtedness secured by all such Security Interests does not exceed 20 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries (determined in accordance with accounting principles generally accepted and adopted in Sweden).

In these Conditions:

**Borrowed Monies Indebtedness** of any person means:

- i. any obligations of that person for borrowed money,
- ii. any indebtedness under any acceptance credit opened on behalf of that person,

- iii. any indebtedness of that person under any bond, debenture, note or similar instrument,
- iv. any indebtedness under any bill of exchange on which that person is liable,
- v. any indebtedness of that person in respect of any interest rate or currency swap or forward currency sale or purchase or other form of interest or currency hedging transaction (including without limit caps, collars and floors),
- vi. any indebtedness of that person under any finance lease,
- vii. any indebtedness (actual or contingent) of that person under any guarantee, bond, security, indemnity or other agreement in respect of any Borrowed Monies Indebtedness of any other person,
- viii. any indebtedness (actual or contingent) under any instrument entered into for the purpose of raising finance, and
- ix. any indebtedness of that person in respect of a liability to reimburse a purchaser of any receivables sold or discounted in the event that any amount of those receivables is not paid;

**Relevant Indebtedness** means any loan or other indebtedness in the form of, or represented or evidenced by, notes, bonds, debentures or other securities which are, or are to be, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market;

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

**Subsidiary** means any entity from time to time of which a person (i) has direct or indirect control or (ii) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership; and

**control** for this purpose means the power to direct the management and the policies of the entity, whether through the ownership of voting capital, by control or otherwise.

#### 4. INTEREST

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

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. For so long as any of the Fixed Rate Notes is represented by a Global Note, interest will be calculated on the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note. In respect of each definitive Fixed Rate Note, interest will be calculated on its outstanding nominal amount.

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

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

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the

amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

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

In these Terms and Conditions:

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

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

(b) *Interest on Floating Rate Notes*

(i) **Interest Payment Dates**

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

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

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, **Interest Period** means the period from (and including) an Interest Payment Date

(or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

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

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

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

(ii) **Rate of Interest**

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

(A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap

transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

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

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

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

If the Relevant Screen Page is not available or if, in the case of subclause 4(b)(ii)(B)(1), no offered quotation appears or, in the case of subclause 4(b)(ii)(B)(2), fewer than three offered quotations appear, in each case as at the Relevant Time, the Reference Banks Agent shall request each of the Reference Banks to provide the Reference Banks Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Reference Banks Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Reference Banks Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Reference Banks Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been

used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR), the Oslo inter-bank market (if the Reference Rate is NIBOR), the Copenhagen inter-bank market (if the Reference Rate is CIBOR), the Moscow inter-bank market (if the Reference Rate is MOSPRIME), the Johannesburg inter-bank market (if the Reference Rate is JIBAR), the Warsaw inter-bank market (if the Reference Rate is WIBOR), the Prague inter-bank market (if the Reference Rate is PRIBOR), the Seoul inter-bank market (if the Reference Rate is KORIBOR), the Riga inter-bank market (if the Reference Rate is RIGIBOR), or the Ankara inter-bank market (if the Reference Rate is TRLIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR), the Oslo inter-bank market (if the Reference Rate is NIBOR), the Copenhagen inter-bank market (if the Reference Rate is CIBOR), the Moscow inter-bank market (if the Reference Rate is MOSPRIME), the Johannesburg inter-bank market (if the Reference Rate is JIBAR), the Warsaw inter-bank market (if the Reference Rate is WIBOR), the Prague inter-bank market (if the Reference Rate is PRIBOR), the Seoul inter-bank market (if the Reference Rate is KORIBOR), the Riga inter-bank market (if the Reference Rate is RIGIBOR), or the Ankara inter-bank market (if the Reference Rate is TRLIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of these Conditions:

**Reference Banks Agent** means an independent investment bank, commercial bank or stockbroker appointed by the Issuer;

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR, (iii) STIBOR, (iv) NIBOR, (v) CIBOR, (vi) MOSPRIME, (vii) JIBAR, (viii) WIBOR, (ix) PRIBOR, (x) KORIBOR, (xi) RIGIBOR, or (xii) TRLIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

**Relevant Financial Centre** shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Stockholm, in the case of a determination of STIBOR, Oslo, in the case of a determination of NIBOR, Copenhagen, in the case of a determination of CIBOR, Moscow, in the case of a determination of MOSPRIME, Johannesburg, in the case of a determination of JIBAR, Warsaw, in the case of a determination of WIBOR, Prague, in the case of a determination of PRIBOR, Seoul, in the case of a determination of KORIBOR, Riga, in the case of a determination of RIGIBOR and Istanbul, in the case of a determination of TRLIBOR, as specified in the applicable Final Terms.

**Relevant Time** shall mean the time in the Relevant Financial Centre as of which any rate is to be determined as specified in the applicable Final Terms.

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

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

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

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

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

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

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

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

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

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

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;



**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

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

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

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(v) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed by no later than the first day of each Interest Period and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Principal Paying Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of interest***

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

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

**5. PAYMENTS**

(a) ***Method of payment***

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Notes and Coupons*

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or

surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) *General provisions applicable to payments*

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

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

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

(e) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only the relevant place of presentation;
  - (B) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open,
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(f) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;

- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## **6. REDEMPTION AND PURCHASE**

### **(a) *Redemption at maturity***

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

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

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

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

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

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then

outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and the Put Notice must be accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9:

- (i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (ii) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

**RP** means the Reference Price;

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

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

(f) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

(g) *Cancellation*

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

(h) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## 7. TAXATION

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

- (a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e)); or

- (c) presented for payment by, or on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) presented for payment in Sweden.

As used herein:

- (i) **Tax Jurisdiction** means Sweden or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. EVENTS OF DEFAULT

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

- (i) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them provided that in the case of the Issuer, if the reason for the failure is a technical or administrative error, there will only be an Event of Default if the Issuer fails to make payment within three Business Days (in the case of payment of principal) and seven Business Days (in the case of payment of interest) of the due date; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other material obligations under these Conditions or the Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (iii) if any Borrowed Monies Indebtedness of the Issuer, the Guarantor or a Principal Subsidiary:
  - (a) is not paid or repaid when due or within any applicable grace period; or
  - (b) becomes capable of being declared due and payable before its stated date of payment by virtue of an event or circumstance which is material to the financial position of the Issuer, the Guarantor or a Principal Subsidiary or, in the case of the Issuer or the Guarantor, their ability to perform their payment obligations under this Agreement; or
  - (c) becomes due and payable before its stated date of payment, and is not then paid within three Business Days,

provided that the amount of Borrowed Monies Indebtedness referred to in subparagraph (i), (ii) or (iii) above individually or in the aggregate exceeds €40,000,000 (or its equivalent in any other currency or currencies); or
- (iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders; or



- (v) if the Issuer, the Guarantor or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) if (i) proceedings are initiated against the Issuer, the Guarantor or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrance takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (vii) if the Issuer, the Guarantor or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (viii) any event which under the laws of Sweden has an analogous effect to any of the events referred to in paragraphs (iv) to (vi) above; or
- (ix) if at any time any act, condition or thing required to be done, fulfilled or performed in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes and the Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable or (iii) to make the Notes and the Coupons and the Guarantee admissible in evidence in Sweden is not done, fulfilled or performed; or
- (x) if at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of their respective obligations under or in respect of the Notes or the Guarantee or any of the obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid and binding; or
- (xi) the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or
- (xii) the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

In these Conditions:

**Principal Subsidiary** means any Subsidiary of the Guarantor whose consolidated total assets are greater than 10 per cent. of the consolidated total assets of the Guarantor and its subsidiaries. This will be calculated on the basis of the then most recent annual audited consolidated accounts of the Guarantor and its subsidiaries. If there is any dispute as to whether a particular Subsidiary is or is not a Principal Subsidiary, a report by the auditors for the time being of the Guarantor shall, in the absence of manifest error, be conclusive and binding. For the purposes of this definition, references to consolidated total assets will be determined in accordance with accounting principles generally accepted and adopted in Sweden and, where a Subsidiary does not itself have any Subsidiaries, any reference to “consolidated” shall be ignored. In addition, the following will apply if certain events occur after the date of the balance sheet in the most recent audited consolidated accounts (the **Accounts**):

<b>Event</b>	<b>Consequence</b>
Acquisition or disposal of a Subsidiary	The Accounts will be adjusted to reflect this acquisition or disposal. For this purpose the most recent audited consolidated accounts of the Subsidiary which has been acquired or disposed of will be used.
Transfer by a Principal Subsidiary of all or substantially all of its assets to another Subsidiary	The transferee will become a Principal Subsidiary and the transferor will cease to be a Principal Subsidiary.
Intra-group transfer or reorganisation	The Accounts will be adjusted to reflect the transfer or reorganisation.  For this purpose the most recent audited accounts of Subsidiaries involved in the transfer or reorganisation will be used.

The consequences described above will only apply to the date of publication of the next audited consolidated accounts.

## **10. REPLACEMENT OF NOTES, COUPONS AND TALONS**

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

## **11. AGENTS**

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

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

- (a) there will at all times be a Principal Paying Agent; and
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

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

## **12. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

### **13. NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

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

### **14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons the Guarantee or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, or the Guarantor or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

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

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

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

## **15. FURTHER ISSUES**

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

## **16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## **17. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### *(a) Governing law*

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

### *(b) Submission to jurisdiction*

- (i) Subject to Condition 17(b)(iii) below, the English courts are to have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this Condition 17(b), the Issuer irrevocably waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute and hereby further irrevocably agrees that a judgment in any proceedings brought in the English courts in relation to any Dispute shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.
- (iii) This Condition 17(b) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### *(c) Appointment of Process Agent*

The Issuer irrevocably appoints Scania Finance Great Britain Limited, Regus House, Fairbourne Drive, Atterbury, Milton Keynes, Buckinghamshire, MK10 9RG as its agent for service of process, in any proceedings before the English courts in relation to any Dispute, and agrees and undertakes that, in the event of Scania Finance Great Britain Limited being unable or unwilling so to act for any reason, it will immediately appoint another person as its agent for service of process in England in respect of any

Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **USE OF PROCEEDS**

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

## DESCRIPTION OF THE GUARANTOR

### Introduction

Scania AB (publ) (**Scania AB**) is a public limited liability company (as defined by the Swedish Companies Act) and the parent company of Scania CV AB. Scania AB is 100 per cent. controlled, directly or indirectly, by Volkswagen AG. Scania AB's registered office is located at SE-151 87 Södertälje, Sweden and the telephone number is +46 8 5538 1000. The company was registered on 8 November, 1973 under Swedish corporate identity number 556184-8564. Scania AB is incorporated for an indefinite period.

The Guarantor is, indirectly, the ultimate holding company of all the companies in the Scania AB group (the **Scania AB Group**) and its assets are substantially comprised of shares in such companies. It does not conduct any other business and is accordingly dependent on the other members of the Scania AB Group and revenues received from them.

Scania AB's issued and outstanding capital stock is divided into 400,000,000 A shares and 400,000,000 B shares of which Volkswagen AG controls, directly or indirectly, 100 per cent.

### History

Vabis, which traces its origins back to 1891, manufactured Sweden's first passenger car in 1897, Sweden's first truck in 1902 and Sweden's first bus in 1911. In 1911, Vabis merged with Scania and formed Scania-Vabis, and in 1969 the company merged with the former Saab AB to form Saab-Scania. In 1991, Saab-Scania became a wholly owned subsidiary of Investor AB.

Scania AB, formerly an operating division of Saab-Scania, was organised as a separate corporation in 1995 and Scania AB was listed on the Nasdaq OMX Stockholm and introduced on the New York Stock Exchange (NYSE) on 1 April, 1996. In January 2003, Scania AB was de-listed from the New York Stock Exchange. On 21 February 2014 Volkswagen AG announced a public takeover offer to the minority shareholders of Scania AB which ended on 5 June 2014. Following such offer Volkswagen AG acquired a total of 99.57 per cent. of the shares and Scania AB was delisted from the Nasdaq OMX Stockholm Stock Exchange

### Recent developments

In June 2015, The Colombian city of Cartagena will use 147 Scania Euro 6 gas buses on its new transport system as part of Scania's largest deal to date on Euro 6 gas technology in South America.

In June 2015, Andreas Renschler was appointed as the new Chairman of the Board of Scania AB. Other new members on the Board of Directors are Per Hallberg, Annika Falkengren and Markus S. Piëch.

In July 2015, Scania delivered 36 gas-powered buses to passenger transport company Nobina in Norway. This marks a Scania break-through for gas buses in Norway.

In July 2015, Scania's market share in Europe reached a record high of 17.2 per cent. during the first half of 2015. The increase was connected to the early and very successful introduction of the Euro 6 range and sales activities in new segments, among other things.

In November 2015, the Board of Directors of Scania appointed Henrik Henriksson as the new President and CEO of Scania AB. He took up his position on 1 January 2016, succeeding Per Hallberg. Henrik Henriksson became a member of the Volkswagen Truck & Bus Management Board (Truck Board) the same date.

On 1 January 2016 Christian Levin took up his position as Scania's Head of Sales and Marketing. He has been a member of Scania's Executive Board since 2010 and has extensive experience from the company's international market organisation.

In January 2016, Scania won its largest ever order in Europe when British transport operator Eddie Stobart Limited and its associated companies, including A.W. Jenkinson Forestry Products, ordered more than 2,000 trucks.

As of 1 June 2016, Mathias Carlbaum became Executive Vice President, Commercial Operations. He is also Managing Director of the company's subsidiary Scania do Brasil.

In April 2016, Scania and Doosan have deepened their long-standing cooperation with the signing of an agreement for Scania to supply the engines for two new generators. The new Scania-powered generators, produced by Doosan Portable Power, were launched at the Bauma 2016 exhibition in Munich.

As of 1 May 2016, Claes Erixon became Executive Vice President and Head of Research and Development, reporting to Henrik Henriksson, President and CEO. Claes Erixon is also Head of Vehicle Definition & Product Quality.

In July 2016, in its largest single deal ever in the Gulf Region, Scania delivered 300 trucks to the Al Bassami International Group, a leading transport company that is specialised in passenger vehicle transportation services. The deal was concluded through Scania's distributor in Saudi Arabia, General Contracting Company (GCC) of the Olayan Group.

In August 2016, Scania introduced a new truck range, which is the result of ten years of development work and investments in the region of SEK 20 billion. With the new range, Scania is extending its offering and can now, thanks to its unique modular system, supply more performance stages, connectivity and a comprehensive palette of productivity-enhancing services as well as sustainable transportation solutions that are precisely customised for each type of customer in the highly competitive transportation industry.



## Board of Directors of Scania AB

The board of directors consists of ten members who are elected at the annual general meeting of shareholders. Apart from the elected members, there are two members who are employee representatives, and two deputy members, both of whom are employee representatives.

Name	Function	Other Directorships or Activities
Andreas Renschler	Chairman	Member of the Board of Management, Volkswagen AG. Chairman of the Board of Directors, MAN SE. Member of the Board of Directors, Deutsche Messe AG.
Henrik Henriksson	Member	None
Helmut Aurenz	Member	Member of various boards and advisory bodies, among them the advisory assemblies for Baden-Württembergische Bank, Landeskreditbank Baden-Württemberg and Landesbank Baden-Württemberg. Member of the World Economic Forum in Geneva. Independent Board member of Audi AG and Automobili Lamborghini Holding Spa.
Annika Falkengren	Member	Chairman of the Swedish Bankers' Association. Director of Skandinaviska Enskilda Banken AB and of Securitas AB. Member of the Supervisory Board of Volkswagen AG.
Markus S. Piëch	Member	Member of the Supervisory Board of MAN Truck & Bus AG.
Christian Porsche	Member	Member of the Supervisory Board of MAN Truck & Bus AG.
Peter Wallenberg Jr	Member	Chairman of Foundation Asset Management Sweden AB, the Grand Group AB, the Royal Swedish Automobile Club and Kungsträdgården Park & Evenemang AB. Vice Chairman of the Knut and Alice Wallenberg Foundation. Board member of Investor AB, SEB Kort AB, Stockholm International Fairs, Aleris Holding AB and Atlas Copco AB.
Mattias Gründler	Member	Member of the Supervisory Board, MAN Truck & Bus AG, Munich
Johan Järvklo	Member	Representative of the Swedish Metal Workers' Union at Scania.
Lisa Lorentzon	Member	Representative of the Federation of Salaried Employees in Industry and Services (PKT) at Scania.
Mari Carlquist	Deputy Member	Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.
Mikael Johansson	Deputy Member	Representative of the Swedish Metal Workers' Union at Scania.

The business address of the persons mentioned above is Scania AB, SE-151 87 Södertälje, Sweden.

There are no conflicts of interest between any duties to the Guarantor of the directors and their private interests or other duties to the best of the Guarantor's knowledge.

## OVERVIEW OF FINANCIAL INFORMATION OF SCANIA AB

Scania AB is a holding company which as at 31 December 2015 owned Scania CV AB.

The information set out in this Base Prospectus in the tables below is directly derived from, and should be read in conjunction with, Scania AB's Annual Reports for 2014 and 2015 which includes Scania AB's annual consolidated and unconsolidated statements audited by Ernst & Young for the year ended 31 December 2014 and PricewaterhouseCoopers for the year ended 31 December 2015.

### SCANIA AB GROUP CONSOLIDATED INCOME STATEMENT

	January – December	
	SEK million	
	2015	2014
<b>Vehicles and Services</b>		
Net sales	94,897	92,051
Cost of goods sold	-70,389	-69,902
Gross income	24,508	22,149
Research and development expenses <sup>1</sup>	-5,573	-5,304
Selling expenses	-9,071	-8,034
Administrative expenses	-1,309	-1,138
Share of income in associated companies and joint ventures	-46	32
<b>Operating income, Vehicles and Services</b>	<b>8,601</b>	<b>7,705</b>
<b>Financial Services</b>		
Interest and lease income	5,517	5,029
Interest and depreciation expenses	-3,543	-3,214
Interest surplus	-1,974	1,815
Other income	178	183
Other expenses	-45	-60
Gross income	2,107	1,938
Selling and administrative costs	-823	-755
Bad debts expenses, realised and anticipated	-244	-167
<b>Operating income, Financial Services</b>	<b>1,040</b>	<b>1,016</b>
Operating income	9,641	8,721
Interest income	599	578
Interest expenses	-858	-801
Other financial income	12	120
Other financial expenses	-285	-296
Total financial items	-532	-399
<b>Income before taxes</b>	<b>9,109</b>	<b>8,322</b>
Taxes	-2,356	-2,313
<b>Net income</b>	<b>6,753</b>	<b>6,009</b>

<sup>1</sup> Total research and development expenditures during the year amounted to SEK 7,043 million (SEK 6,402 million).

# **SCANIA AB GROUP CONSOLIDATED INCOME STATEMENT, CONTINUED**

	January – December SEK million	
	2015	2014
Other comprehensive income		
Translation differences	-2,465	951
Hedging of net investments in foreign operations	-	-
Cash Flow hedges		
change in value for the year	-	-23
reclassification to operating income	23	-
Taxes	-44	36
	-2,486	964
<i>Items that will not be reclassified to net income</i>	1,773	-2,966
<i>Remeasurements of defined-benefit plans</i>	-404	682
<i>Taxes</i>		
	1,369	-2,284
Total other comprehensive income	-1,117	-1,320
Total comprehensive income for the year	5,636	4,689
Net Income attributable to:		
<i>Scania AB shareholders</i>	6,764	6,019
<i>Non-controlling interest</i>	-11	-10
<i>Total comprehensive income attributable to:</i>		
<i>Scania AB shareholder</i>	5,645	4,690
<i>Non-controlling interest</i>	-9	-1
<i>Operating income includes depreciation of<sup>1</sup></i>	-3,261	-3,125

<sup>1</sup> Value decrease in operational leases is not included

# SCANIA AB GROUP CONSOLIDATED BALANCE SHEET

	31 December	
	SEK million	
	2015	2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	6,855	5,259
Tangible assets	25,309	23,322
Lease assets	20,428	17,489
Holdings in associated companies and joint ventures etc.	516	535
Long-term interest-bearing receivables	26,359	27,156
Other long-term receivables <sup>1</sup>	1,353	1,382
Deferred tax assets		1,580
Tax receivables	429	442
Total non-current assets	84,196	77,165
<b>Current assets</b>		
Inventories	16,918	16,780
Current receivables		
Tax receivables	195	275
Interest-bearing receivables	16,373	16,929
Non-interest-bearing trade receivables	6,981	7,205
Other current receivables <sup>1</sup>	4,094	3,717
Total current receivables	27,643	28,126
Current Investments	213	51
Cash and cash equivalents		
Current investments comprising cash and cash equivalents	8,225	7,161
Cash and bank balances	4,070	3,754
Total cash and cash equivalents	12,295	10,915
Total current assets	57,069	55,872
<b>Total assets</b>	<b>141,265</b>	<b>133,037</b>
<sup>1</sup> Including fair value of derivatives for hedging of borrowings:		
Other non-current receivables, derivatives with positive value	594	504
Other current receivables, derivatives with positive value	554	640
Other non-current liabilities, derivatives with negative value	508	706
Other current liabilities, derivatives with negative value	390	443
Net amount	250	-5

# SCANIA AB GROUP CONSOLIDATED BALANCE SHEET, CONTINUED

	31 December	
	SEK million	
	2015	2014
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	2000	2,000
Other contributed capital	1,120	1,120
Reserves	-3,943	-1,455
Retained earnings	38,613	40,080
Equity attributable to Scania shareholders	37,790	41,745
Non-controlling interest	47	56
Total equity	37,837	41,801
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	26,206	26,503
Provisions for pensions	7,339	9,039
Other non-current provisions	2,893	3,079
Accrued expenses and deferred income	9,085	6,522
Deferred tax liabilities	1,849	7
Other non-current liabilities <sup>1</sup>	567	836
Total non-current liabilities	47,939	45,986
<b>Current liabilities</b>		
Current interest-bearing liabilities	28,736	20,238
Current provisions	2,001	1,896
Accrued expenses and deferred income	9,278	8,912
Advance payments from customers	684	827
Trade payables	10,841	9,707
Tax liabilities	788	573
Other current liabilities <sup>1</sup>	3,161	3,097
Total current liabilities	55,489	45,250
Total equity and liabilities	141,265	133,037
Net debt, excluding provisions for pensions, SEK m <sup>1</sup>	42,183	35,780
Net debt/equity ratio	1.11	0.86
Equity/assets ratio, per cent.	26.8	31.4

<sup>1</sup> See Note 1 on previous page under SCANIA AB Group Consolidated Assets

	31 December	
	SEK million	
	2015	2014
Capital employed, SEK m	99,867	97,586
<b>Consolidated statement of changes in equity</b>		
Total Equity, 1 January	41,801	37,112
Total comprehensive income for the year	5,636	4,689
Dividend to Scania AB shareholders	-9,600	-
Change in non-controlling interest	-	-
Total Equity, 31 December	37,837	41,801
Of which, attributable to:		
<i>Scania AB shareholders</i>	37,790	41,745
<i>Minority interest</i>	47	56

# SCANIA AB GROUP CONSOLIDATED CASH FLOW STATEMENT

	January – December	
	SEK million	
	2015	2014
<b>Operating activities</b>		
Income before tax	9,109	8,322
Items not affecting cash flow	4,423	3,684
Taxes paid	-2,094	-2,027
<b>Cash flow from operating activities before change in working capital</b>	<b>11,438</b>	<b>9,979</b>
<b>Change in working capital</b>		
Inventories	-1,294	-1,401
Receivables	-768	556
Provisions from pensions	302	193
Trade payables	892	825
Other liabilities and provisions	2,524	1,215
<b>Total change in working capital</b>	<b>1,656</b>	<b>1,388</b>
<b>Cash flow from operating activities</b>	<b>13,094</b>	<b>11,367</b>
<b>Investing activities</b>		
Net investments through acquisitions/divestments of businesses	-125	-154
Net investments in non-current assets, Vehicles and Services	-7,612	-5,561
Net investments in credit portfolio etc., Finance Services	-4,797	-4,516
<b>Cash flow from investment activities</b>	<b>-12,534</b>	<b>-10,231</b>
<b>Cash flow before financing activities</b>	<b>560</b>	<b>1,136</b>
<b>Financing activities</b>		
Change in net debt from financing activities	1,962	53
<b>Cash flow from financing activities</b>	<b>1,962</b>	<b>53</b>
<b>Cash flow of the year</b>	<b>2,522</b>	<b>1,189</b>
<b>Cash and cash equivalents, 1 January</b>	<b>10,915</b>	<b>9,562</b>
<b>Exchange rate differences in cash and cash equivalents</b>	<b>-1,142</b>	<b>164</b>
<b>Cash and cash equivalents, 31 December</b>	<b>12,295</b>	<b>10,915</b>
<b>Cash flow statement, Vehicles and Services</b>		
Cash flow from operating activities before change in working capital	10,457	9,008
Change in working capital, etc.	1,656	1,388
<b>Cash flow from operating activities</b>	<b>12,113</b>	<b>10,396</b>

	January – December	
	SEK million	
	2015	2014
Cash flow from investing activities	-7,737	-5,706
Cash flow before financing activities	4,376	4,690



## DESCRIPTION OF THE ISSUER

### Introduction

Scania CV AB (publ) (**Scania CV AB**) is a public limited liability company (as defined by the Swedish Companies Act). Scania CV AB's registered office is located at SE-151 87 Södertälje, Sweden and the telephone number is +46 8 5538 1000. Its Swedish corporate identity number is 556084-0976. Scania CV AB is a company established for an unlimited duration. Scania CV AB is a wholly owned subsidiary of Scania AB and the parent company of all subsidiaries within the group (the **Scania CV AB Group**).

### Overview

The Scania CV AB Group develops and manufactures trucks and buses for heavy road transport, and industrial and marine engines.

The Scania CV AB Group also provides financing, services and service-related products to its customers.

Registered in Sweden, the Scania CV AB Group's principal production and assembly plants are located in Europe and Latin America. The Scania CV AB Group is present in more than 100 countries around the world through its sales and service network. In 2015, the Scania CV AB Group delivered 69,762 heavy vehicles. New heavy trucks represented approximately 63 per cent. of the Scania CV AB Group's consolidated sales. The Scania CV AB Group is increasing its focus on service-related products, which represented 21 per cent. of the Scania CV AB Group's sales in 2015. Buses represented 9 per cent. of the Scania CV AB Group's sales, used vehicles and other products 8 per cent. of the Scania CV AB Group's sales and engines made up the remainder of the Scania CV AB Group's sales.

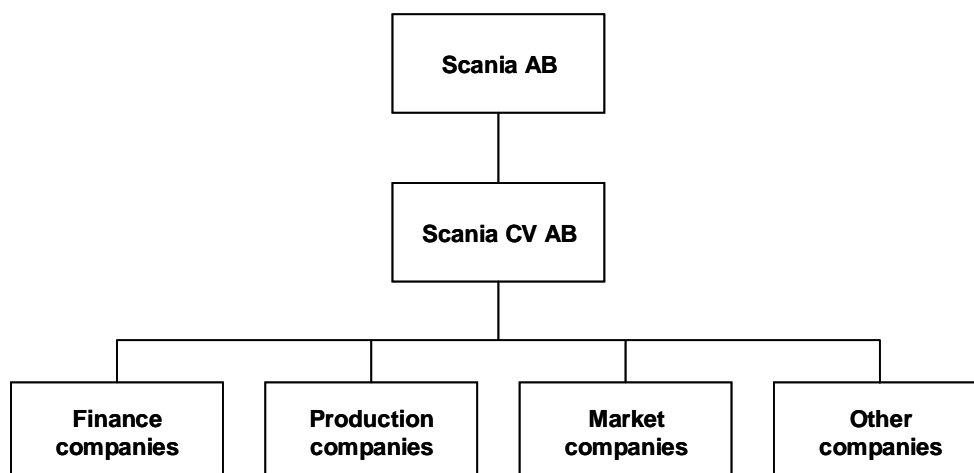
In 2015, the Scania CV AB Group had total sales revenues of SEK 97,792 million (2014: SEK 94,880 million), total operating income of SEK 9,641 million (2014: SEK 8,721 million) and total assets at 31 December 2015 of SEK 141,265 million (2014: SEK 133,037 million), of which SEK 56,486 million was related to its financial services operations (2014: SEK 55,556 million).

The Scania CV AB Group's production system is global, with plants in a number of countries.

At year-end 2015, the Scania CV AB Group had 44,409 employees compared to 42,129 at the end of 2014. In Vehicles and Services, the number of employees at the end of December 2015 was 43,585 (compared to 41,370 in 2014). In Financial Services, the number of employees at year-end 2015 was 824 (compared to 759 in 2014).

### Relationship with Scania AB

On 4 September 1962, Aktiebolaget Redur-Fyra was registered for an indefinite period as a subsidiary of Scania AB and on 23 March 1994 the name was changed to, and registered as, Scania CV AB. On 1 January, 2004 Scania CV AB acquired Scania AB's shares in Scania Latin America Ltda, Scania Argentina S.A., Scania Chile S.A. and Scania del Peru S.A. Scania CV AB is thus today the parent company of all operating subsidiaries within the Scania CV AB Group.



### Management of Scania CV AB

The members of the board of directors are the same for Scania CV AB as for Scania AB. After the board of directors, Scania's top decision-making body is the Executive Board. It decides on issues of a long-term, strategic nature. Group management consists of the Executive Board and the heads of each corporate unit. The corporate units have operating responsibility for carrying out the established strategies. Scania CV AB's Executive Board consists of the following persons:

Name	Function	Other Directorships or Activities
Hennik Henriksson	President and CEO	None
Ruthger De Vries	Executive Vice President, Head of Production and Logistics	None
Johan Haeggman	Executive Vice President and CFO	None
Christian Levin	Executive Vice President, Head of Sales and Marketing	None
Anders Williamsson	Executive Vice President, Head of Purchasing	None
Kent Conradson	Executive Vice President, Head of Human Resources	None
Mathias Carlbaum	Executive Vice President, Head of Commercial Operations	None
Claes Erixon	Executive Vice President, Head of Research and Development	None

There are no conflicts of interest between any duties to the Issuer of the Executive Board and of the directors and their private interests or other duties to the best of the Issuer's knowledge.

The business address of the persons mentioned above is Scania CV AB, SE-151 87 Södertälje, Sweden.

## **Corporate Statement**

Scania CV AB Group's objective is to deliver optimised heavy trucks and buses, engines and services, to provide a high quality total operating framework for its customers, and thereby to be one of the leading companies in its industry based on its core values, its focus on methods and the dedicated people of Scania. Scania's core values – customer first, respect for the individual and quality – form the basis of Scania's culture, leadership and business success.

### *Heavy transport vehicles*

Vehicles in the heavy segment are often driven long distances and have a high degree of utilisation. Transport operations in this segment are dependent on appropriately specified and reliable vehicles as well as comprehensive services in order to be profitable.

### *Modular product system*

From Scania CV AB Group's modular product system, customers can select optimised vehicles. Modularisation begins and ends with the customer. The starting point is its customers' diverse operations and needs – different tasks, varying climates, good or poor infrastructure, long or short driving distances. The modular product system is Scania's answer to customers' demands for different specifications. The number of parts in Scania's products is limited due to modularisation, which is cost-effective both for customers and for Scania.

Scania CV AB Group's modular approach to product development embodies knowledge that has been created over a long time and is unique in the industry. It allows the satisfaction of a large number of customer needs with a limited number of components, thus enabling optimisation for each customer while keeping product costs lower than would be possible otherwise.

### *Integrated business – vehicles, services and financing*

Forward integration shortens the distance to customers and provides better control over network planning, branding and a larger share of the revenue stream. The inherently competitive relationship between captive and non-captive entities drives Scania CV AB to deliver higher customer satisfaction. It also encourages creativity and entrepreneurial spirit in the network which is vital for Scania CV AB's future success.

### *Provider of transport solutions*

A Scania CV AB customer will obtain one of the best total operating frameworks in the industry. Scania CV AB will achieve this by working both with the customer's operating costs, such as fuel economy and repair, and maintenance, and with revenue-related factors such as load carrying capacity and uptime. A successful combination of products, services and financial services – an integrated business – is what makes this possible.

### *Long-term commitment*

Scania CV AB has a long-term commitment to customers and societies. Therefore, Scania CV AB focuses on markets and segments where sustainable profitable growth can be achieved. A growing base of profitable customers and additional business with existing customers are more important than aggressive growth.

## **Product areas**

The following table sets out certain financial data regarding the product areas of the Scania CV AB Group for each of the years ended 31 December 2015 and 2014.

## Net sales by product

	January – December	
	SEK million	
	2015	2014
Trucks	61,250	59,587
Buses	8,994	7,412
Engines	1,656	1,495
Service-related products	20,585	18,828
Used vehicles	6,236	5,173
Miscellaneous	1,836	2,790
Delivery sales value	100,557	95,285
Adjustment for lease income <sup>1</sup>	-5,660	-3,234
Total Vehicles and Service	94,897	92,051
Financial Services	5,517	5,029
Elimination	-2,622	-2,200
<b>Scania CV AB Group total</b>	<b>97,792</b>	<b>94,880</b>

### *Trucks*

The Scania CV AB Group develops, manufactures and markets trucks with a gross vehicle weight of more than 16 tonnes (Class 8) for long haulage, construction haulage and distribution of goods. Scania's long-haulage trucks are characterised by high availability, excellent fuel economy and low maintenance costs. The Scania CV AB Group's construction trucks are developed and built with off-road mobility and cargo capacity as their most important characteristics. The Scania CV AB Group's distribution trucks are developed to operate in city environments and other settings where they must meet high standards in terms of environmental performance, driver environment and manoeuvrability. During 2015, Scania delivered 69,762 trucks (73,015 in 2014).

### *Buses*

The demand for efficient, sustainable passenger transport is increasing, especially in the rapidly growing cities of emerging market regions. To a growing extent, Scania is a supplier of comprehensive solutions that include buses and coaches as well as various service packages. Scania also participates in the planning of entire transport systems. During 2015, Scania delivered 6,799 buses (6,767 in 2014).

### *Engines*

In recent years, Scania has broadened its base significantly among purchasers of industrial and marine engines. A new generation of engines with improved environmental characteristics, low fuel consumption, high performance and reliability as well as an efficient service offering makes Scania an attractive partner in all customer segments. During 2015, Scania delivered 8,485 engines (8,287 in 2014).

### *Services and service-related products*

The services supplied by Scania are of great importance in enabling customers to achieve maximum operating time and low costs. Through its extensive workshop network and customized service-related products, Scania can provide support to the customer and perform the right servicing at the right time and in the right place. Service operations contribute to the stability of Scania's profitability, and there is good potential to increase volume. During 2015, net sales amounted to SEK 20,585 million (18,828 million in 2014).

### *Financial Services*

The Scania CV AB Group offers its customers various forms of individually tailored financing solutions for new and used vehicles bought via the Scania CV AB Group dealers. Financing can also be combined with various service and maintenance contracts, as well as insurance solutions. Financial services play a key role for customers by allowing them to efficiently finance vehicles on good terms. Scania conducts its own financing operations in 50 countries. Scania also offers vehicle insurance in more and more markets.

<sup>1</sup> Refers to the difference between sales value based on delivery values and sales recognised in revenue.

## OVERVIEW OF FINANCIAL INFORMATION OF THE SCANIA CV AB GROUP

The information set out in this Base Prospectus in the tables below is directly derived from, and should be read in conjunction with, Scania CV AB's Annual Reports for 2014 and 2015 which includes Scania CV AB's annual consolidated and unconsolidated statements audited by Ernst & Young for the year ended 31 December 2014 and PricewaterhouseCoopers for the year ended 31 December 2015.

### Scania CV AB Group Consolidated income statement

	January – December SEK million	
	2015	2014
<b>Vehicles and Services</b>		
Net sales	94,897	92,051
Cost of goods sold	-70,389	-69,902
Gross income	24,508	22,149
Research and development expenses <sup>1</sup>	-5,573	-5,304
Selling expenses	-9,071	-8,034
Administrative expenses	-1,309	-1,138
Share of income in associated companies and joint ventures	46	32
<b>Operating income, Vehicles and Services</b>	<b>8,601</b>	<b>7,705</b>
<b>Financial Services</b>		
Interest and leasing income	5,517	5,029
Interest and depreciation expenses	-3,543	-3,214
Interest surplus	1,974	1,815
Other income	178	183
Other expenses	-45	-60
Gross income	2,107	1,938
Selling and administrative costs	-823	-755
Bad debts expenses	-244	-167
<b>Operating income, Financial Services</b>	<b>1,040</b>	<b>1,016</b>
<b>Operating income</b>	<b>9,641</b>	<b>8,721</b>
Interest income	599	578
Interest expenses	-858	-830
Other financial income	12	120
Other financial expenses	-285	-296
Total financial items	-532	-428
<b>Income before taxes</b>	<b>9,109</b>	<b>8,293</b>
Taxes	-2,356	-2,307
<b>Net income</b>	<b>6,753</b>	<b>5,986</b>

<sup>1</sup> Total research and development expenditures during the year amounted to SEK 7,043, million (compared with SEK 6,402 million in 2014).

**Scania CV AB Group Consolidated income statement, continued**

	January – December SEK million	
	2015	2014
Other comprehensive income		
Translation Differences	-2,465	951
Cash flow hedges	-	-
change in value for the year	-	-23
reclassification to operating income	23	-
Taxes	-44	36
	<b>-2,486</b>	<b>964</b>
<i>Items that will not be reclassified to net income</i>		
Remeasurements of defined-benefit plans	1,773	-2,966
Taxes	-404	682
	<b>1,369</b>	<b>-2,284</b>
Total other comprehensive income	<b>-1,117</b>	<b>-1,320</b>
Total comprehensive income for the year	<b>5,636</b>	<b>4,689</b>
Net Income attributable to:		
Scania Shareholders	<b>6,764</b>	<b>6,019</b>
Non-controlling (minority) interest	<b>-11</b>	<b>-10</b>
Total comprehensive income attributable to:		
<i>Scania shareholders</i>	<b>5,645</b>	<b>4,690</b>
<i>Non-controlling (minority interest)</i>	<b>-9</b>	<b>-1</b>
<i>Operating income includes depreciation of<sup>1</sup></i>	<b>-3,261</b>	<b>-3,125</b>

<sup>1</sup> Value decrease in operational leases is not included.

# Scania CV AB Group Consolidated balance sheet

	31 December SEK million	
	2015	2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible non-current assets	6,855	5,259
Tangible non-current assets	25,309	23,322
Lease assets	20,428	17,489
Holdings in associated companies and joint ventures etc.	516	535
Long-term interest-bearing receivables	26,359	27,156
Other long-term receivables <sup>1</sup>	1,353	1,382
Deferred tax assets	2,947	1,580
Tax receivables	429	441
<b>Total non-current assets</b>	<b>84,196</b>	<b>77,165</b>
<b>Current assets</b>		
Inventories	16,918	16,780
Current receivables		
Tax receivables	195	275
Interest-bearing trade receivables	16,373	16,929
Non-interest-bearing trade receivables	6,981	7,205
Other current receivables <sup>1</sup>	4,094	3,717
<b>Total current receivables</b>	<b>27,643</b>	<b>28,126</b>
Current investments	213	51
Cash and cash equivalents		
Short-term investments comprising cash and cash equivalents	8,225	7,161
Cash and bank balances	4,070	3,754
<b>Total cash and cash equivalents</b>	<b>12,295</b>	<b>10,915</b>
<b>Total current assets</b>	<b>57,069</b>	<b>55,872</b>
<b>Total assets</b>	<b>141,265</b>	<b>133,037</b>

<sup>1</sup>

Including fair value of derivatives for hedging of borrowings:

Other non-current receivables, derivatives with positive value	594	504
Other current receivables, derivatives with positive value	554	640
Other non-current liabilities, derivatives with negative value	508	706
Other current liabilities, derivatives with negative value	390	443
<b>Net amount</b>	<b>250</b>	<b>-5</b>

# Scania CV AB Group consolidated balance sheet

	31 December SEK million	
	2015	2014
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	100	100
Contributed capital	20	20
Reserves	-4,654	-2,166
Retained earnings	40,757	32,624
Equity attributable to Scania shareholders	36,223	30,578
Non-controlling (minority) interest	47	56
Total equity	36,270	30,634
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	26,206	26,503
Provisions for pensions	7,339	9,039
Other non-current provisions	2,839	3,079
Accrued expenses and deferred income	9,085	6,522
Deferred tax liabilities	1,849	7
Other non-current liabilities <sup>1</sup>	567	836
Total non-current liabilities	47,939	45,986
<b>Current liabilities</b>		
Current interest-bearing liabilities	19,136	20,238
Liabilities to group companies	11,167	11,167
Current provisions	2,001	1,896
Accrued expenses and deferred income	9,278	8,912
Advance payments from customers	684	827
Trade payables	10,841	9,707
Tax liabilities	788	573
Other current liabilities <sup>1</sup>	3,161	3,097
Total current liabilities	57,056	56,417
<b>Total equity and liabilities</b>	<b>141,265</b>	<b>133,037</b>
 Net debt, excluding provisions for pensions, SEK m <sup>1</sup>	 43,751	 46,948
Net debt/equity ratio	1,21	1,53
 <b>Changes in Equity</b>		
Total Equity, 1 January	30,634	32,945
Total comprehensive income for the year	5,636	4,666
Group contribution, net	-	23
Dividend to Scania CV AB shareholders	-	-7,000
Total Equity, 31 December	36,270	30,634
 Of which, attributable to:		
Scania CV AB shareholders	36,223	30,578
Minority interest	47	56

<sup>1</sup> See Note 1 on previous page under SCANIA CV AB Group Consolidated Assets



## Scania CV AB Group Consolidated cash flow statement

	January – December SEK m	
	2015	2014
<b>Operating activities</b>		
Income before tax	9,109	8,293
Items not affecting cash flow	4,423	3,684
Taxes paid	-2,094	-2,027
<b>Cash flow from operating activities before change in working capital</b>	<b>11,438</b>	<b>9,950</b>
<b>Change in working capital</b>		
Inventories	-1,294	-1,401
Receivables	-768	556
Provisions from pensions	302	193
Trade payables	892	825
Other liabilities and provisions	2,524	1,215
<b>Total change in working capital</b>	<b>1,656</b>	<b>1,388</b>
<b>Cash flow from operating activities</b>	<b>13,094</b>	<b>11,338</b>
<b>Investing activities</b>		
Net investments through acquisitions/divestments of businesses	-125	-154
Net investments in non-current assets, Vehicles and Services	-7,612	-5,561
Net investments in credit portfolio etc., Finance Services	-4,797	-4,516
<b>Cash flow from investment activities</b>	<b>-12,534</b>	<b>-10,231</b>
<b>Cash flow before financing activities</b>	<b>560</b>	<b>1,107</b>
<b>Financing activities</b>		
Change in net debt from financing activities	1,933	7,041
Dividend to shareholders/Group contribution	29	-6,959
<b>Cash flow from financing activities</b>	<b>1,962</b>	<b>82</b>
<b>Cash flow of the year</b>	<b>2,522</b>	<b>1,189</b>
<b>Cash and cash equivalents, 1 January</b>	<b>10,915</b>	<b>9,562</b>
<b>Exchange rate differences in cash and cash equivalents</b>	<b>-1,142</b>	<b>164</b>
<b>Cash and cash equivalents, 31 December</b>	<b>12,295</b>	<b>10,915</b>
<b>Cash flow statement, Vehicles and Services</b>		
Cash flow from operating activities before change in working capital	10,457	8,979
Change in working capital, etc.	1,656	1,388
<b>Cash flow from operating activities</b>	<b>12,113</b>	<b>10,367</b>
<b>Cash flow from investing activities</b>	<b>-7,737</b>	<b>-5,706</b>
<b>Cash flow before financing activities</b>	<b>4,376</b>	<b>4,661</b>

## **TAXATION**

### **Swedish Taxation**

The following is a general description of certain Swedish tax considerations relating to the acquisition, holding and disposal of Notes. It is intended as general information only and does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amount under the Notes and the consequences of such actions under the tax laws of those countries. Specific tax consequences may be applicable to certain categories of companies, e.g. investment companies and life insurance companies, not described below. In addition, the summary does not address Notes that are held on "investment savings accounts" (Sw. investeringssparkonton) which are subject to a specific tax regime. This summary is based upon the laws of Sweden as in effect on the date of the Base Prospectus and is subject to any change in law that may take effect after such date.

#### *Non-resident holders of Notes*

Under Swedish tax law payment of any principal or interest to the holder of any Note is normally not subject to Swedish income tax, provided that such holder is not tax resident in Sweden. A non-resident person can, however, be liable to tax in Sweden on gains or interest received on the Notes if the Notes are held in a trade or business carried out through a permanent establishment in Sweden. Holders of Notes are not deemed to be resident, domiciled or carrying on business in Sweden by reason only of holding such Notes.

Individuals who are not tax resident in Sweden may also, under certain conditions, be subject to capital gains taxation in Sweden at a disposal or redemption of Notes. This is the case where the Notes qualify as participation rights (Sw. delägar rätt) and provided that the holder, at any time during the calendar year when the disposal or redemption occurs, or during the preceding ten calendar years, has been domiciled or permanently resident in Sweden. In many cases, however, the applicability of this rule may be limited by tax treaties between Sweden and other countries.

There is no Swedish withholding tax on interest paid to a non-resident holder of Notes.

#### *Resident holders of Notes*

An individual is tax resident in Sweden if he a) is domiciled in Sweden or b) has his habitual abode in Sweden or c) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example is engaged in trade or business in Sweden). A corporation is tax resident in Sweden if organised under Swedish law.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) that are resident holders of Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable.

If amounts that are considered to be interest for Swedish tax purposes are paid to a private individual (or an estate of a deceased individual) that is a resident holder of Notes, Swedish preliminary income tax at a rate of 30 per cent. is normally withheld on such payments.

No inheritance tax, gift tax or net wealth tax is levied in Sweden.

### **Luxembourg Taxation**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

#### **Withholding Tax**

##### **(a) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

**(b) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December, 2005 as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories, as amended**)) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax of 10 per cent.

**Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer and the Guarantor may be classified as FFIs.

The new withholding regime is now in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Sweden have entered into an agreement (the **U.S.-Sweden IGA**) based largely on the Model 1 IGA.

If the Issuer and the Guarantor are treated as Reporting FIs pursuant to the U.S.-Sweden IGA they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and the Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA

Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

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

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

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

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 18 November 2016 (such programme agreement as modified and/or supplemented and/or restated from time to time being the **Programme Agreement**), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under **Form of the Notes** and **Terms and Conditions of the Notes**. In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

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

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

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

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

### Public Offer Selling Restriction under the Prospectus Directive

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

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

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

## Sweden

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

## United Kingdom

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

- (a) in relation to any Notes having a maturity date of less than one year, (1) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (2) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Japan

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

## **France**

Each of the Dealers and the Issuer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## **General**

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

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

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the Subscription Agreement or Dealer Accession Letter, as relevant, or, in the case of Exempt Notes, in the applicable Pricing Supplement.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 14 November 2001, and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 14 November 2001. The increase in the nominal amount of all Notes from time to time outstanding under the Programme from €3,500,000,000 to €5,000,000,000 was authorised by a resolution of the board of directors dated 2 February 2016, and the increase in the Guarantee nominal amount of all Notes from time to time outstanding under the Programme from €3,500,000,000 to €5,000,000,000 was authorised by a resolution of the Board of Directors dated 2 February 2016.

### Approval, Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of the Issuer and the constitutional documents (with an English translation thereof) of the Guarantor;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2014 and 31 December 2015 (with an English translation thereof) and the consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2014 and 31 December 2015 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published interim financial statements of the Guarantor (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Guarantor's interim financial statements are published quarterly. The Issuer registers interim financial statements with the Swedish Companies Registration Office;
- (d) the Agency Agreement, the Guarantee, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) any future offering circulars, prospectuses, information memoranda and supplements to this Base Prospectus, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or



Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Yield**

The yield relating to a particular issue of Notes will be stated in the Final Terms (or Pricing Supplement in the case of Exempt Notes) relating to those Notes and is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer since 31 December 2015 and no significant change in the financial or trading position of the Guarantor and the Guarantor's other subsidiaries taken as a whole since 30 September 2016 and there has been no material adverse change in the financial position or prospects of the Issuer or the Guarantor since 31 December 2015.

## **Litigation**

Neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or the Guarantor.

## **Auditors**

The registered auditor(s) of the Issuer and the Guarantor is registered public accounting firm PricewaterhouseCoopers (**PwC**), with individual auditor in charge for both the Issuer and the Guarantor Bo Karlsson (an Authorised Public Accountant and member of FAR – the Swedish professional institute for authorised accountants), who audited the Issuer's and Guarantor's respective accounts, without qualification, in accordance with generally accepted auditing standards in Sweden for the year ended 31 December 2015.

Ernst & Young AB (**E&Y**), with individual auditor in charge for both the Issuer and the Guarantor Helene Siberg Wendin (an Authorised Public Accountant and member of FAR – the Swedish professional institute for authorised accountants), who audited the Issuer's and Guarantor's respective accounts, without qualification, in accordance with generally accepted auditing standards in Sweden for the year ended 31 December 2014.

Neither PwC nor E&Y have any material interest in the Issuer or the Guarantor.

The reports of the auditors of the Issuer and the Guarantor are included or incorporated in the form and context in which they are included or incorporated, with the consent of the relevant auditors who have authorised the contents of that part of this Base Prospectus.

## **Dealers transacting with the Issuer**

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

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which

consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

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**THE GUARANTOR**

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