

# ASSA ABLOY

## ASSA ABLOY AB (publ)

(incorporated with limited liability in the Kingdom of Sweden)

## ASSA ABLOY FINANCIAL SERVICES AB (publ)

(incorporated with limited liability in the Kingdom of Sweden)

€1,500,000,000

### Global Medium Term Note Programme

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

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

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

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

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

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 relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer. The relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

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

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

The relevant Issuer and the Guarantor (in the case of Guaranteed Notes) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a Supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

AA has been rated A2 (short-term rating) and A- (long-term rating) by Standard & Poor’s Credit Market Services Europe Limited (**S & P**) and P2 (short-term rating) by Moody’s Investors Service Limited (**Moody’s**). The Programme has been rated A- by S & P. Where a certain Series of Notes is rated, such rating will be specified in the applicable Final Terms and may not necessarily be the same as the Programme rating. Whether or not any credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the applicable Final Terms. For the purposes of the credit ratings included and referred to in this Offering Circular, both S & P and Moody’s are established in the European Union and are registered under the CRA Regulation. As such, both of S & P and Moody’s are included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation.

### Arranger

**The Royal Bank of Scotland**

### Dealers

**BNP PARIBAS**  
**Deutsche Bank**

**Citigroup**  
**SEB**

**The Royal Bank of Scotland**

The date of this Offering Circular is 15 November 2011.

**This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive). Each Issuer and the Guarantor accept(s) responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the Final Terms as the relevant Dealer or the Managers, as the case may be.**

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

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

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

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

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

**Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:**

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

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

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

#### U.S. INFORMATION

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain

transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

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

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

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



## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

## **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each Issuer and the Guarantor (in the case of Guaranteed Notes) has undertaken in a deed poll dated 22 September 2008 (the Deed Poll) to furnish, upon the request of a holder of its Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the relevant Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Guarantor is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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

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

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

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

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

All references in this document to “U.S. dollars”, “U.S.\$”, “USD” and “\$” refer to United States dollars and to “Swedish krona” and “SEK” refer to the currency of Sweden. In addition, references to “Sterling”, “GBP” and “£” refer to pounds sterling and to “EUR”, “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## TABLE OF CONTENTS

	<b>Page</b>
OVERVIEW OF THE PROGRAMME.....	7
RISK FACTORS .....	11
DOCUMENTS INCORPORATED BY REFERENCE.....	19
FORM OF THE NOTES.....	20
FORM OF FINAL TERMS .....	24
TERMS AND CONDITIONS OF THE NOTES .....	39
USE OF PROCEEDS.....	66
ASSA ABLOY AB (publ) .....	67
ASSA ABLOY FINANCIAL SERVICES AB (publ).....	76
BOOK-ENTRY CLEARANCE SYSTEMS.....	77
TAXATION .....	81
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS.....	82
GENERAL INFORMATION .....	88
<b>FINANCIAL INFORMATION</b>	
APPENDIX I – ANNUAL FINANCIAL STATEMENTS OF ASSA ABLOY FINANCIAL SERVICES AB (publ) AS OF 31 DECEMBER 2009 .....	90
APPENDIX II – ANNUAL FINANCIAL STATEMENTS OF ASSA ABLOY FINANCIAL SERVICES AB (publ) AS OF 31 DECEMBER 2010 .....	105

---

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

## OVERVIEW OF THE PROGRAMME

*This Overview of the Programme must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole including documents incorporated by reference.*

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

<b>Issuers:</b>	ASSA ABLOY AB (publ) ASSA ABLOY Financial Services AB (publ)
<b>Guarantor:</b>	ASSA ABLOY AB (publ) (in respect of Guaranteed Notes)
<b>Risk Factors:</b>	There are certain factors that may affect AA’s and/or AAFS’s ability to fulfil its obligations under Notes issued under the Programme or the Guarantor’s ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see “ <i>Risk Factors</i> ”.
<b>Description:</b>	Global Medium Term Note Programme
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	BNP PARIBAS Citigroup Global Markets Limited Deutsche Bank AG, London Branch Skandinaviska Enskilda Banken AB (publ) The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”) including the following restrictions applicable at the date of this Offering Circular.  <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 the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG
<b>Programme Size:</b>	Up to €1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<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>	Notes may be denominated in euro, Sterling, U.S. dollars, yen and subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-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 or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.
<b>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</b>	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.</p>

<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.
<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 will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes having a maturity of less than one year may be 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>The Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “<i>Certain Restrictions – Notes having a maturity of less than one year</i>” above and save that the minimum denomination of each Note 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 would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p> <p>Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.</p>
<b>Taxation:</b>	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 9. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
<b>Negative Pledge:</b>	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
<b>Cross Default:</b>	The terms of the Notes will contain a cross default provision as further described in Condition 11.

<b>Status of the Notes:</b>	<p>The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.</p>
<b>Status of the Guarantee</b>	<p>Only Notes issued by AAFS will be unconditionally and irrevocably guaranteed by the Guarantor.</p> <p>The obligations of AAFS and the Guarantor under the Guaranteed Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of AAFS and the Guarantor and will rank <i>pari passu</i> amongst themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of AAFS and the Guarantor, from time to time outstanding.</p>
<b>Rating:</b>	<p>The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not any credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the applicable Final Terms.</p>
<b>Listing and admission to trading:</b>	<p>Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. In addition, application has been made to the UK Listing Authority to approve this Offering Circular as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.</p> <p>Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p>
<b>Governing Law:</b>	<p>The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Sweden) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "<i>Subscription and Sale and Transfer and Selling Restrictions</i>."</p>
<b>United States Selling Restrictions:</b>	<p>Regulation S, Category 2 – TEFRA C or D, as specified in the applicable Final Terms.</p>

## **RISK FACTORS**

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

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

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

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

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

In conducting its operations, AAFS is exposed to various types of financial risks (as further described under the heading "Financial risks" on page 13 of this Offering Circular). One of the risks that can affect AAFS's obligations under the Programme is credit risk; a counterparty's failure to fulfil its contractual obligations under loan agreements and/or derivative contracts. Other risks that can be encountered are currency risk, interest rate risk, financing risk and risk related to financial instruments.

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

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

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

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

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

##### ***Competitors***

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

##### ***Acquisition and divestment***

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

successful or that the Group will succeed in integrating acquired businesses or that they will perform as expected once acquired.

#### *Restructuring measures*

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

#### *Commodity risk*

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

#### *Intellectual property*

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

#### *Property and product liability insurance*

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

#### *Legal risks*

AA continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. From time to time the Group is involved in legal disputes, mainly concerned with such matters as product liability, protection of intangible rights, the environment, and the interpretation of supplier, distribution and employment contracts. Where it is considered necessary, local legal expertise is engaged to deal with these matters. With the aim of charting and controlling legal risks, there is a system of regular Group-wide reporting of outstanding legal matters. This is managed and coordinated by the Group's central legal function. At present there are no legal disputes that it is believed could lead to significant costs for the Group. However, there can be no assurance that the Group will not become subject to legal disputes that may have an adverse effect on the Group's business, financial condition and results of operations.

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

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

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries where the Group is doing business could limit its operations and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some



regions could limit the Group's ability to enforce its rights. In addition the Group must comply with the export control regulations of the countries and any trade embargoes in force. Although the Group seeks to comply with all such regulations, even unintentional violations could have an adverse effect on its business and operational results.

### ***Financial risks***

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

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

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

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

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

The Group manages its exposure to changes in interest rates through a mix of fixed rate debt and variable rate debt in its total debt portfolio. To manage this mix, the Group may enter into interest rate swap agreements. There can be no assurance, however, that existing or future swap agreements will manage the interest rate risk successfully, if at all.

#### ***Financing risk***

Financing risk refers to the risk that financing the Group's capital requirements and refinancing outstanding loans become more difficult or more expensive. The Group strives to have access, on every occasion, to both short-term and long-term loan facilities. The available facilities should include a reserve (facilities confirmed but not used) equivalent to 10 per cent of the Group's annual total sales, however there can be no guarantee, that the Group would be able to obtain external credit or at prices acceptable to the Group. The Group's access to funding is dependant upon its credit rating and may decrease or become more expensive as a result of the Group's operational and financial condition and market conditions.

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

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

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

The Group's policy is to limit the potential credit risk from cash surplus by having limited cash in bank accounts and by using cash available from subsidiaries to amortise AA's debt. Derivative financial instruments are allocated to banks according to risk factors set in the Group policy to limit counterparty risk.

### *Financial instruments*

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

### *Goodwill and other fixed assets*

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

### *Provision for pensions and similar obligations*

As of 31 December 2010 the Group had provision for pensions and similar obligations of SEK 1,078 million. Calculating pension and similar obligations require management to make assumptions on discount rate, expected return on plan assets and rate of compensation increase. Actual results could differ from the assumptions made. Contribution of additional amounts to the Group's pension schemes may be required which could have a negative effect on the Group's operational results and financial condition.

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

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

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

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

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

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

### *Index Linked Notes and Dual Currency Notes*

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

AA and/or AAFS may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

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*

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.

#### *Fixed/Floating Rate Notes*

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

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

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

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

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

#### *Meetings of Noteholders, modification and waivers*

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

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

- (a) certain modifications of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, 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, the Receiptholders and the Couponholders.

#### *EU Savings Directive*

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

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

#### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

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

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

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

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

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each as defined under “*Form of the Notes*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

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

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

#### ***The secondary market generally***

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

#### ***Exchange rate risks and exchange controls***

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

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

#### ***Interest rate risks***

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

#### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

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

rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

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

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

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (i) the audited consolidated and non-consolidated annual financial statements (including the notes thereto) and the auditors report of AA in respect of the financial years ended 31 December 2009 and 2010;
- (ii) the Interim Report of AA in respect of the nine months ended 30 September 2011 (save for the section headed “Outlook” on page 7 and the section headed “Acquisition of Cardo” on page 16); and
- (iii) the Terms and Conditions of the Notes set out on pages 33 to 59 of the Offering Circular dated 22 September 2008.

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

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

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

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

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

## FORM OF THE NOTES

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

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and together with a Temporary Bearer Global Note, each a **Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and (ii) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

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

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

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences as a result of legislative changes in the domicile of the relevant Issuer which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary or the



common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

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

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

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

### **Registered Notes**

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

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

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

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

Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

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

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as the case may be, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

#### **Transfer of Interests**

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

#### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined under Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a

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

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 22 September 2008 and executed by each of the Issuers. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

## FORM OF FINAL TERMS

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

[Date]

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

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

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 15 November 2011 which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at, and copies may be obtained from, the registered office of the Issuer and the specified office of the Paying Agents in London. In addition, copies of the Offering Circular will be available at the website of the Regulatory News Service operated by the London Stock Exchange.

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

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated 15 November 2011 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purpose of Article 5.4 of Directive 2003/71/EC (the **Prospective Directive**) and must be read in conjunction with the Offering Circular dated 15 November 2011, which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated 15 November 2011. Copies of such Offering Circular are available for viewing at, and copies may be obtained from, the registered office of the Issuer and the specified offices of the Paying Agents in London. In addition, copies of the Offering Circular will be available at the website of the Regulatory News Service operated by the London Stock Exchange.]

*[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 sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]*

*[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.]*

1. (i) Issuer: [ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)]  
 (ii) [Guarantor: [ASSA ABLOY AB (publ)]]
2. (i) Series Number: [       ]  
 (ii) Tranche Number: [       ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [       ]
4. Aggregate Nominal Amount:  
 (i) Series: [       ]  
 (ii) Tranche: [       ]
5. Issue Price of Tranche: [       ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] *(in the case of fungible issues only, if applicable)*
6. (i) Specified Denominations: [       ]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
*(N.B. Where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]”)<sup>1</sup>*  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)*  
 (ii) Calculation Amount: [       ]  
*(Applicable to Notes in definitive form)*  
*(N.B. If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*

---

<sup>1</sup> Delete if Notes are being issued in registered form.

7. (i) Issue Date: [       ]  
(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]  
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [     ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [     ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
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]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Method of distribution: [Syndicated/Non-syndicated]

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

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [     ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]  
(If payable other than annually, consider amending Condition 6)
- (ii) Interest Payment Date(s): [[     ] in each year up to and including the Maturity Date]/[specify other]  
(NB: This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s): [     ] per Calculation Amount  
(Applicable to Notes in definitive form)

- (iv) Broken Amount(s):  
(Applicable to Notes in definitive form) [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]  
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration. NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination:
- Reference Rate: [ ]  
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
- Interest Determination Date(s): [ ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: [ ]  
(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)

- (vii) ISDA Determination:
- Floating Rate Option: [       ]
  - Designated Maturity: [       ]
  - Reset Date: [       ]
- (viii) Margin(s): [+/-] [       ] per cent. per annum
- (ix) Minimum Rate of Interest: [       ] per cent. per annum
- (x) Maximum Rate of Interest: [       ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360 (ISDA)  
Other]  
(See Condition 6 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [       ]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [       ] per cent. per annum
  - (ii) Reference Price: [       ]
  - (iii) Any other formula/basis of determining amount payable: [       ]
  - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8(e)(iii) and 8(j) apply/  
specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated)
17. Index Linked Interest Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent: [give name (and if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
  - (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [       ]
  - (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]



- (v) Specified Period(s)/Specified Interest Payment Dates: [       ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (vii) Additional Business Centre(s): [       ]
- (viii) Minimum Rate of Interest: [       ] per cent. per annum
- (ix) Maximum Rate of Interest: [       ] per cent. per annum
- (x) Day Count Fraction: [       ]
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [       ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [       ]

## PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[       ] per Calculation Amount/*specify other/see Appendix*]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [       ]
- (b) Maximum Redemption Amount: [       ]
- (iv) Notice period (if other than as set out in the Conditions): [       ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

20. Investor Put:

[Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s):

[ ]

(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):

[[ ] per Calculation Amount/specify other/see Appendix]

(iii) Notice period (if other than as set out in the Conditions):

[ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

21. Final Redemption Amount of each Note:

[[ ] per Calculation Amount [specify other/see Appendix]

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

22. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)):

[ ] per Calculation Amount [specify other/see Appendix]

# **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

23. Form of Notes:

[Bearer Notes:

(i) Form:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

*[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]*

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

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

*[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 by a Temporary Global Note exchangeable for Definitive Notes.]*

*[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.<sup>2</sup>]*

---

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

- [Registered Notes:  
[Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Definitive IAI Registered Notes] *(In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Registered Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Registered Notes if such information is available))*
- (ii) New Global Note: [Yes][No]
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 15(iii) and 17(vii) relate)*
25. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: new forms of Global Note may be required for Partly Paid issues.]
27. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
28. Redenomination applicable: Redenomination [not] applicable  
*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
29. Other final terms or special conditions: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

30. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include the names of entities agreeing to underwrite the issue on a firm commitment basis and names of entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (ii) Date of [Subscription] Agreement: [ ]  
(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
31. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
32. U.S. Selling Restrictions: [Reg. S Compliance Category 2:  
TEFRA D/TEFRA C/TEFRA  
not applicable]
33. Additional selling restrictions: [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange’s Regulated Market and, if relevant, listing on the Official List of the UK Listing Authority of the Notes described herein pursuant to the €1,500,000,000 Global Medium Term Note Programme of [ASSA ABLOY AB (publ)/ASSA ABLOY Financial Services AB (publ)].

## RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] [responsibility] for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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

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

*Duly authorised*

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

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

*Duly authorised]*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and, if relevant, listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]  
*(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 *[insert details]* by *[insert credit rating agency name(s)]*.  
*(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.)*
- [[Insert the relevant EU credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such *[insert the relevant EU credit rating agency]* is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]
- [[Insert the relevant non-EU credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [[Insert the relevant non-EU credit rating agency] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the relevant non-EU credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

However, the application for registration under the CRA Regulation of [*insert the relevant EU credit rating agency*], which is established in the European Union and is registered under the CRA Regulation [(and, as such, is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the relevant non-EU credit rating agency*]. While notification of the corresponding endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).]

[[*Insert the relevant non-EU credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been]/[are expected to be]] endorsed by [*insert the relevant EU credit rating agency*] in accordance with the CRA Regulation. [*Insert the relevant EU credit rating agency*] is established in the European Union and registered under the CRA Regulation]. As such [*insert the relevant EU credit rating agency*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[Insert the relevant non-EU credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the relevant non-EU credit rating agency] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[Insert the relevant EU credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[ and [insert the relevant EU credit rating agency] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[Insert the relevant non-EU credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [insert the relevant EU credit rating agency], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert the relevant non-EU credit rating agency], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [insert the relevant EU credit rating agency] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

### 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. – 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 Offering Circular under Article 16 of the Prospectus Directive.)]



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

[(i) Reasons for the offer [ ]

[(ii)] Estimated net proceeds: [ ]

[(iii)] Estimated total expenses: [ ]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)]*

**5. YIELD (Fixed Rate Notes only)**

Indication of yield: [ ]

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

**6. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)**

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

The Issuer does not intend to provide post-issuance information.

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

*(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**8. OPERATIONAL INFORMATION**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

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

- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] *[include this text for Registered Notes which are to be held under the NSS]* 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 satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case Bearer Notes must be issued in NGN form and Registered Notes held under the NSS]*

## TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 15 November 2011 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) each made between ASSA ABLOY Financial Services AB (publ) (**AAFS**) as an issuer, ASSA ABLOY AB (publ) (**AA**) as an issuer and as a guarantor of Notes issued by AAFS (in its capacity as such, the **Guarantor**), Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citibank, N.A., London Branch as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, 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. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

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

Notes issued by AAFS (**Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to a guarantee (the **Guarantee**) dated 22 September 2008 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receipholders and the Couponholders at its specified office.

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

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

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 22 September 2008 and made by, *inter alia*, the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the **Deed Poll**) dated 22 September 2008 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the registered office of each of the Principal Paying Agents, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing and copies may be obtained from the registered office of the Issuer and the specified offices of the Paying Agents save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. In addition, copies of each Final Terms relating to the Notes which are either admitted to trading on the London Stock Exchange's Regulated Market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be available at the website of the Regulatory News Service operated by the London Stock Exchange. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

## **1. Form, Denomination and Title**

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

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

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

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

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

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

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

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

## **2. Transfers of Registered Notes**

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

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

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

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys

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

(c) *Registration of transfer upon partial redemption*

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

(d) *Costs of registration*

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

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

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

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
  - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
  - (B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

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

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

(f) *Transfers of interests in Legended Notes*

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

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

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

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

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

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

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

(h) *Definitions*

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

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

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

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

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

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

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

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

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

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

### 3. Status

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

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

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

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

### 4. Negative Pledge

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

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

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

In these Conditions:

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

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

a **Permitted Encumbrance** means either:

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

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



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

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

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

## 5. Redenomination

### (a) *Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the

Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by:

(a) in the case of Notes represented by a Global Note, applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes; and

(b) in the case of definitive Notes, by applying the Rate of Interest to 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 comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding; and

(vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) *Definitions*

In these Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**Redenomination Date** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**Treaty** means the Treaty on the Functioning of the European Union, as amended.

6. **Interest**

(a) *Interest on Fixed Rate Notes*

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

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

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

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

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

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

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

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

In these Terms and Conditions:

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

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

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

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

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

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

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

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

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

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

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

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest

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

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

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

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided 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, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, 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. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

- (i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Index Linked Interest 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 or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for each Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, (in the case of Guaranteed Notes) the Guarantor and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but

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

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

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

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

## **7. Payments**

(a) *Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.



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

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

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, 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 the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will 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 the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or 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 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

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

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

Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) *Payments in respect of Registered Notes*

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

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

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

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

None of the Issuer, (in the case of Guaranteed Notes) the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of,

beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

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

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

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

(f) *Payment Day*

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

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

(g) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 9;

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

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

## **8. Redemption and Purchase**

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

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption 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 neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

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

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

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

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (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 in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

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

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, 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. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms. Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

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

represented by a Global Note the terms of which require presentation for recording changes to its nominal amount, at the same time present or procure the presentation of the relevant Global Note to the Agent or the Registrar (as the case may be) for notation accordingly.

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

(e) *Early Redemption Amounts*

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

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

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

where:

**RP** means the Reference Price; and

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

**y** is a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

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

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmaturing Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above

(together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) *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 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

**9. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or by the Guarantor (in the case of Guaranteed Notes) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts 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, Receipts 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, Receipt or Coupon:

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

As used herein:

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

**10. Prescription**

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

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

## **11. Events of Default**

### **(a) Events of Default**

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

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



- (ix) *Validity and Admissibility*: at any time any act, condition or thing required to be done, fulfilled or performed in order (A) to enable the Issuer or (in the case of Guaranteed Notes) the Guarantor lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes or the Guarantee, as the case may be, (B) to ensure that those obligations are legal, valid, binding and enforceable or (C) to make the Notes and the Coupons or, as the case may be, the Guarantee admissible in evidence in the Kingdom of Sweden is not done, fulfilled or performed; or
- (x) *Illegality*: at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or any of the obligations of the Issuer thereunder are not or cease to be legal, valid and binding or (in the case of Guaranteed Notes) the Guarantee is terminated or ceases to be in full force and effect,

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

(b) *Definitions*

For the purposes of this Condition:

**Permitted Merger** means:

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

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

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

in the case of a Subsidiary of the Issuer or the Guarantor, as calculated from the then latest financial statements (consolidated or, as the case may be, unconsolidated), audited if prepared, of that Subsidiary and, if that Subsidiary has been acquired after the period with respect to which the then latest published audited consolidated financial statements of the Group were drawn up, such statements shall be adjusted as if such Subsidiary had been a member of the Group during such period.

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

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

- (i) any amount credited to share premium account;

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

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

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

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

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

## **13. Agents**

The names of the initial Agents and their initial specified offices are set out below.

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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

## **14. Exchange of Talons**

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

## **15. Notices**

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

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

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

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

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

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor (in the case of Guaranteed Notes) or Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

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

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, 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, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

#### **17. Further Issues**

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

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

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

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

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

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

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

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

The Issuer and (in the case of Guaranteed Notes) the Guarantor hereby irrevocably waive any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

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

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

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

(d) *Other documents*

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

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes which include making a profit. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

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

### **History**

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

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

### **Business**

#### **Overview**

The Group is an international manufacturer and supplier of door opening solutions dedicated to satisfying end-user needs for security, safety and convenience. In the fiscal year 2010, the Group's sales amounted to SEK 36,823 million.

The Group has grown rapidly through both acquisition and organic growth. Since the merger of ASSA and ABLOY in 1994 the Group's sales have grown from around SEK 3,600 million in the year ended 31 December 1994 to SEK 36,823 million in the year ended 31 December 2010. The growth in Group profit has been in line with the growth in sales. In each year since 1994 the Group's operating cash flow has been above income before tax.

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

The security market consists primarily of security services and electronic and mechanical security products. The Group has focused its operations on electronic and mechanical security products as well as security doors. The Group is dedicated to the development of door opening solutions. The products manufactured by the Group range from conventional mechanical locks such as door locks and cylinder locks and security doors to high security electromechanical locks, electronic locks, door closers, door automatics, access control systems and identification, smart cards and RFID (Radio Frequency Identification) readers which contribute to new standards of security throughout the world. Keyless entries are part of the Group's door security solutions with, for example, ASSA ABLOY Mobile Keys. The ASSA ABLOY Mobile Key solution is just one example of how technologies such as NFC (Near Field Communication) and RFID are integrated into locks and keyless or even remote keyless entries. As the business of door opening solutions is the Group's only business, all companies within the Group can benefit from a transfer of know-how and from extensive benchmarking activities designed to spread best practices and promote excellence.

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

In today's market, the Group's products mainly reach the end-customer through a variety of distribution channels, particularly locksmiths, building and lock wholesalers, door and window manufacturers and security system integrators.

AA believes that there is a global trend towards higher security, although levels of security differ throughout the world depending on factors such as local culture and economic development. The Group sees its role as educating its customers and offering products that both meet the world's greater security needs and are more convenient to use.

## ***Strategy***

The overall focus of the Group is to spearhead the trend towards increasing security with a product-driven offering centred on the customer. The primary product ranges are mechanical locks and security doors, electromechanical and electronic locks, access control, identification technology and automatic doors.

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

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

### ***Market presence***

The Group's strategy to increase its market presence has three main areas:

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

#### **Exploiting the strength of the brand portfolio**

The Group owns many of the industry's strongest brands. To better meet the increasing demand for more complete security solutions, sales teams in local markets will gradually be united under the master brand of ASSA ABLOY. The Group's local brands will gradually be linked more strongly to the ASSA ABLOY master brand. The master brand is complemented by a number of global brands, which are among the leaders in their respective market segments. One example of a global brand is Yale, which is used in the residential market. Another is ABLOY, which is used for customers demanding very high security.

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

Growth in the core business is promoted through close collaboration with architects, security consultants, major end-users and distributors. Continued clear market segmentation is also vital for offering relevant solutions to the customer.

#### **Expanding into new markets and segments**

The Group intends to expand into new markets and segments by establishing the Group on new geographical markets, developing the OEM (original equipment manufacturer) market, exploiting opportunities on the residential market, and introducing new technology. Geographical expansion is achieved principally through acquisitions. By establishing the Group in markets with rising population and developing economies, the Group can build a strong platform for future growth. The Group's position in the OEM market in door and window manufacturing varies between markets, and there is considerable potential for market penetration. Efforts to develop products and distribution channels for the residential market are continuing, with digital locks as a high-priority area. By exploiting the Group's strength in specific technologies, for example, RFID adapted to sectors of special application, such as contactless hotel locks opened by a card, interesting new growth areas are created.

### ***Product leadership***

The overall goal is to continuously develop products with enhanced customer value and lower product costs. A vital activity for achieving this is the use of common product platforms with fewer components. To enhance customer value, the Group also develops new products in close collaboration with end-users and distributors. The product development process will be further streamlined by more clearly distinguishing the maintenance and improvement process in respect of existing products from new developments.

The technical level of lock and door products is continuously on the rise in response to the ever-increasing demands placed on them. To meet the technical requirements and take advantage of the Group's size, AA has a Group function for product development, "Shared Technologies", responsible for developing Group-wide electronics and software platforms.



### *Cost-efficiency*

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

The process of change in the production structure began with restructuring programmes launched in 2006, 2008 and 2009. These have been very successful resulting in large savings and increased efficiency in the Group's production units. One consequence is that an increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence in end-customer markets ensures fast delivery and efficient assembly of customised products. During the third quarter of 2011, plans were announced in respect of a new restructuring programme which will begin during the fourth quarter of 2011, involving the closure of 17 production units and a number of other rationalisations and changes.

In parallel with the reorganisation of production in high-cost countries, the Group has maintained rapid expansion of the production base in low-cost countries. More than 40 percent of the Group's total employees are now employed in low-cost countries.

Cost-cutting lean methods are being implemented in the Group's divisions. Many of the Group companies have followed these principles for some years, resulting in greater efficiency.

In purchasing, a comprehensive supply management project covering both raw materials and components has been initiated. This will become increasingly important as outsourcing of component supply to external suppliers increases.

With regard to the Group's administrative flow, efforts are focused on automated and standardised solutions, also known as "seamless flow". Manual work is to be reduced or completely eliminated in all processes, creating a seamless flow from the customer through the Group's various processes to the suppliers.

### **Organic Growth**

The Group aims to achieve organic growth through intensive development of mature as well as new markets. In addition, organic growth can be made through cross-selling among Group companies to expand and enhance product portfolios. In markets where the Group is well established, organic growth is achieved through increased sales to existing customers whereas in new markets, where there are no strong local providers, new Group companies are established in order to achieve growth. In both mature and new markets, the key to organic growth within the Group lies in its wide product range, ownership of strong internationally respected brands and new, more efficient forms of distribution.

### **Growth through Acquisitions**

A large part of the Group's historical growth and present size is explained by acquisitions. Acquisitions will continue to be an important growth factor for expansion into new markets (and markets where the Group's market share is currently low) as well as expansion into new technologies. Additional acquisitions in existing markets may also become appropriate.

### **Acquisitions during 2010**

In October 2009, the Asia Pacific division signed an agreement to acquire Pan Pan, China's largest manufacturer of high-security steel doors. The company had annual sales of around SEK 1,200 million in the financial year ended 31 December 2009. The acquisition was finalised in March 2010.

In May 2010, the Asia Pacific division acquired King Door Closers, Korea's leading door closer company. The company had annual sales of around South Korean Won 43 billion in the financial year ended 2009.

In May 2010, the EMEA division signed an agreement to acquire Paddock, a leading UK manufacturer focusing on multipoint locks and complementary accessories. The company had annual sales of around GBP 43 million in the financial year ended 2009. The acquisition was finalised in August 2010.

In October 2010, the Entrance Systems division signed an agreement to acquire 32.95 per cent. of the Swiss entrance automation company Agta Record from Somfy. The company had annual sales of around EUR 222 million in the financial year ended 2009. The acquisition was finalised in February 2011. As a result of this transaction AA now owns 37.9 per cent. of the shares in Agta Record.

In November 2010, the EMEA division signed an agreement to acquire Swesafe, the largest locksmith in Sweden. The company had annual sales of SEK 443 million in the financial year ended 2010. The acquisition was finalised in March 2011.

In October 2010, the business unit HID Global signed an agreement to acquire ActivIdentity Corporation, a U.S. company within strong authentication and credential management. The company had annual sales of around USD 62 million in the financial year ended September 2009. The acquisition was finalised in December 2010.

In December 2010, the business unit HID Global signed an agreement to acquire LaserCard Corporation, a U.S. company within secure ID solutions to governments and commercial clients. The company had annual sales of around USD 59 million for the fiscal year ended 2009. The acquisition was completed in January 2011.

On 13 December 2010 AA announced a public offer for the Cardo Group for a total price of SEK 11,340 million. The shares in Cardo AB, the parent company of the Cardo Group, were listed on NASDAQ OMX Stockholm, Mid Cap. The Cardo Group is a leading provider of industrial doors and logistic systems, systems for wastewater treatment and process equipment for the pulp and paper industry. The company had annual sales of SEK 7,973 million in the financial year ended 2010. At the announcement of the public offer AA communicated its intention to consolidate Cardo Entrance Solutions (a division of the Cardo Group) in the Entrance Systems division and to sell the other businesses within the Cardo Group, i.e. Cardo Flow Solutions and Lorentzen & Wettre, that do not, in the long-term, fit the Group's operations. The acquisition of the Cardo Group closed in March 2011 and Cardo Entrance Solutions was consolidated from 18 March 2011.

A total of thirteen acquisitions were consolidated during 2010.

#### ***Acquisitions and divestments during 2011***

In April 2011, AA signed an agreement with Sulzer Ltd to sell Cardo Flow Solutions for SEK 5,900 million on a cash and debt free basis. The company had annual sales of SEK 3,181 million in the financial year ended 2010. The divestment was completed in July 2011.

In April 2011, the Entrance Systems division acquired FlexiForce, a Dutch company specialised in components for industrial sectional doors and residential garage doors. The company had annual sales of around EUR 62 million in the financial year ended 2010.

In July 2011, AA signed an agreement with ABB to sell Lorentzen & Wettre for SEK 750 million on a cash and debt free basis. The company had annual sales of SEK 307 million in the financial year ended 2010. The divestment was completed in September 2011.

In October 2011, it was announced that the Entrance Systems division had signed an agreement to acquire the US entrance-automation company Albany Door Systems, a leader in high-speed doors. Albany Door Systems had annual sales of USD 149 million in the financial year ended 2010. Albany Door Systems will be consolidated in the first quarter of 2012.

A total of 14 acquisitions were consolidated during the first nine months of 2011.

#### **Competition**

Although some consolidation has taken place over the past ten years, the security industry is still fragmented in a global perspective. Some countries have one strong manufacturer with a large share of the local market. These companies often focus on their domestic market and have limited international operations.

The Group's main competitors are four other major players, which operate in part in the Group's segment: Ingersoll-Rand, Stanley Black & Decker, Dorma and Kaba. Two of these are based in the U.S. and two in Europe. All these competitors are strongest on their home markets as well as having a presence on some other markets. The Asian market is still very fragmented; even the largest manufacturers have modest market shares.

#### **Intellectual Property**

The Group owns approximately 450 active patents registered throughout the world. Patents provide an important way for the Group to protect key blanks and many of the patented innovations cover manufacturing methods for keys and security designs for lock cylinders. The Group's latest products and

concepts benefit from longer patent protection for key blanks, double mechanical systems and better system design capabilities.

### **Long-Term Incentive Programme 2011**

AA's Annual General Meeting 2011 resolved to implement a Long-Term Incentive Programme for senior executives and other key personnel in the Group (**LTI 2011**). LTI 2011 entails that the participants will invest in Series B shares in AA at market price. Such personal investment will thereafter be matched free of charge by the AA through granting of so called matching awards and performance awards.

Under the terms of LTI 2011, employees have bought 87,068 AA Series B shares during the second quarter 2011.

### **Conversion under Incentive 2006**

In 2006, a five-year incentive programme for senior executives and other key staff in the Group, Incentive 2006, was implemented. Under Incentive 2006, AA issued four series of convertible bonds of EUR 9.6 million each to a company especially established for this purpose. Conversions under Incentive 2006 occurred continuously from December 2010 to mid-April 2011 and were managed by an external party. Full conversion under Incentive 2006 has taken place and due to the conversion 2,332,344 new AA Series B shares were issued.

### **Share Capital and Shareholders**

AA's share capital at 30 September 2011 amounted to SEK 368,250,278 divided into two classes of which 19,175,323 shares were Series A and 349,075,055 were Series B. All of AA's shares have a par value of SEK 1.00 and provide each holder with an equal right to share in AA's assets and earnings. Each Series A share carries 10 votes and each Series B share carries one vote. As at 30 September 2011, AA's authorised share capital was SEK 800,000,000.

The market capitalisation at year-end (2010) was SEK 69,391 million.

During the second quarter of 2011 a repurchase of AA shares took place. AA acquired 100,000 Series B shares at a total purchase price of SEK 17 million. The purpose was to ensure AA's undertakings, including social security costs, in connection with LTI 2011.

As at 31 December 2010, AA had 20,199 shareholders. AA's principal shareholders as of 30 September 2011 are Investment AB Latour (9.5 per cent. of the capital and 29.6 per cent. of the votes) and Melker Schörling AB (3.9 per cent. of the capital and 11.5 per cent. of the votes). The ten largest shareholders as of 30 September 2011 account for 38.9 per cent. of the share capital and 58.5 per cent. of the votes.

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

### **Organisational Structure**

The Group consists of over 400 legal entities, out of which more than 250 are active and operating, located in over 40 countries. AA is the holding company of all the companies in the Group, directly or indirectly, and its assets are substantially comprised of shares in those companies. AA does not conduct business itself and is accordingly dependent on the Group companies and the revenues received by them.

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

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

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

- Americas
- EMEA

- Asia Pacific
- Global Technologies (access control, identification technology and hotel security)
- Entrance Systems (automatic doors)

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

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

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

The Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America. The majority of the division's sales are in North America where the Group has an extensive sales organisation and sells its products through distributors. Sales in South America and Mexico take place through distributors, wholesalers and DIY stores. The Americas division operates in both the non-residential and the residential segments. The non-residential segment accounts for the clear majority of the division's sales. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte.

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

The EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and accessories in Europe, the Middle East and Africa. The EMEA division consists of a number of Group companies which have good knowledge of their local, often diversified, markets and which sell products under some of the most respected brands in the industry, such as ABLOY, ASSA, IKON, TESA, Yale, Mul-T-Lock, UNION and Vachette.

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

The Asia Pacific division manufactures and sells mechanical and electromechanical locks, high-security doors and fittings. China and the rest of Asia account for around 70 per cent. of sales, while Australia and New Zealand account for around 30 per cent. In Asia, the division's major brands are Baodean, Gateman, Guli, King, Pan Pan, Shenfei, Tianming, Wangli and Yale. The markets in Australia and New Zealand are more mature, with established lock standards and strong brands such as Lockwood and Interlock. The production units in China also supply the Group's other regions.

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

The Global Technologies division has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, with sales mainly to the commercial segment. HID Global is a leader in secure identity solutions, primarily in identity and access management and in contactless identification technology solutions. ASSA ABLOY Hospitality is a leader in electronic lock systems and safes for hotels and cruise ships.

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

The Entrance Systems division is a leader of automatic entrance solutions. The product range, sold under the Besam brand, includes automatic swing, sliding and revolving doors, air curtains and a comprehensive service range. A significant part of sales are directly to major end-customers in the healthcare, commercial and transport sectors. Door, gate, garage door and industrial door automation products are sold under the Ditec brand. The products are sold through distributors and installation companies and installed in industrial commercial, institutional and residential applications. The division's third brand, EM, markets automatic pedestrian door products and targets major distributors particularly in Europe.

## **Board of Directors and Management**

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

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

#### ***Gustaf Douglas (Chairman)***

Mr Douglas was appointed to the Board of Directors in 1994. He has been self-employed since 1980. He is the principal owner of Investment AB Latour. Other appointments: Board member of Stiftelsen Svenska Dagbladet and the Swedish Moderate Party. Mr Douglas holds an MBA from Harvard Business School.

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

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

#### ***Carl Douglas***

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

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

Mr Nilsson was appointed to the Board of Directors in 2001. He was President and CEO of Telefonaktiebolaget LM Ericsson 1998–1999 and held various posts, mainly in marketing and management, in the Ericsson Group 1982–1997. Other appointments: Chairman of the National Swedish Public Service Broadcasting Foundation (Sveriges Radio AB, Sveriges Television AB and Sveriges Utbildningsradio AB) and the Swedish National Defence Material Administration (FVM). Board member of Sprint Nextel Corporation and CEVA, Inc. Mr Nilsson holds a Bachelor of Science.

#### ***Lars Renström***

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

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

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

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

Mrs Lindqvist was appointed to the Board of Directors in 2008. She was Senior Vice President of Mobile Business at TeliaSonera AB 2006-2007. Prior to that, she held a number of senior posts at TeliaSonera AB, such as President and Head of Business Operation International Carrier, and various positions in the Ericsson Group 1981-1999. Other appointments: Chairman of Xelerated AB. Board member of Tieto Oy, Niscayah Group AB, Transmode AB and Nordia Innovation AB. She is a member of the Royal Swedish Academy of Engineering Sciences (IVA). Mrs Lindqvist holds a Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.

#### ***Birgitta Klasén***

Mrs Klasén was appointed to the Board of Directors in 2008. She is an Independent IT consultant (Senior IT Advisor). She was Chief Information Officer (CIO) and Head of Information Management at EADS

(European Aeronautics Defence and Space company) 2004-2005. She was CIO and Senior Vice President of Pharmacia 1996-2001 and prior to that, CIO at Telia. She held various posts at IBM 1976-1994. Other appointments: Board member of Acando AB, BISNODE AB and IFS AB. Mrs Klasén holds a Master of Science in Engineering.

#### Employee representatives

##### *Seppo Liimatainen*

Mr Liimatainen was appointed to the Board of Directors in 2003. He is also a union trustee at Assa AB, employee representative and a member of the Federation of Salaried Employees in Industry and Service.

##### *Mats Persson*

Mr Persson was appointed to the Board of Directors in 1994. He is also the union trustee at Assa AB, employee representative, and a member of the Swedish Metal Workers' Union.

#### Deputy members – employee representatives

##### *Rune Hjälrm*

Mr Hjälrm was appointed to the Board of Directors in 2005. He is a union trustee at Assa Industri AB, employee representative, a member of the Swedish Metal Workers' Union and Chairman of ASSA ABLOY European Works Council (EWC).

##### *Per-Edvin Nyström*

Mr Nyström was appointed to the Board of Directors in 1994. He is a union trustee at Assa Industri AB, employee representative, and a member of the Swedish Metal Workers' Union.

#### **Management**

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

##### *Johan Molin*

President and CEO and member of the Board of Directors. Employed and member of the Executive Team since 1 December 2005. Mr Molin holds a Bachelor of Science in Business Administration and Economics. Born 1959.

##### *Tomas Eliasson*

Executive Vice President and Chief Financial Officer. Employed and member of the Executive Team since 1 September 2006. Mr Eliasson holds a Bachelor of Science in Business Administration and Economics. Born 1962. On 28 September 2011, it was announced that Tomas Eliasson had decided to leave the Group. He will be leaving at the end of March 2012.

##### *Jonas Persson*

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

##### *Denis Hébert*

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

##### *Thanasis Molokotos*

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

##### *Tim Shea*

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

*Ulf Södergren*

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

*Juan Vargues*

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

*Tzachi Wiesenfeld*

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

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

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

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

### **General**

AAFS is, indirectly, a wholly owned subsidiary of AA and was incorporated on 8 September 1986. AAFS is registered as a public limited liability, company under the Swedish Companies Act (2005:551) for an indefinite period of time and its Corporate Organisation number is 556283-0264. AAFS's registered office is located at P.O. Box 70340 (Klarabergsviadukten 90), SE-107 23 Stockholm, Sweden. Its telephone number is +46 (0)850648500. As at 30 September 2011, the issued share capital of AAFS amounted to SEK 1,000,000 divided into ten shares, and the authorised share capital amounted to SEK 4,000,000.

### **Business**

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

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

### **Organisation**

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

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

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

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

#### ***Tomas Eliasson (Chairman)***

Mr Eliasson was appointed to the Board of Directors in 2006. He is the Executive Vice President and Chief Financial Officer of the Group as well as member of the Executive Team. On 28 September 2011, it was announced that Tomas Eliasson had decided to leave the Group. He will be leaving at the end of March 2012.

#### ***Jonas Gårdmark***

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

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

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

### **Management**

#### ***Gunnar Sjöberg***

CEO of AAFS and Group Tax Manager. Employed since 2010.

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

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



## BOOK-ENTRY CLEARANCE SYSTEMS

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

### Book-entry Systems

#### DTC

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

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

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

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

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

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of

such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

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

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

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

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

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

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no

obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### General

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

### Swedish Taxation

*The statements below are of a general nature in respect of Noteholders, Receiptholders and Couponholders who are not resident for tax purposes in Sweden or for any other reason subject to Swedish income tax or any other Swedish taxes and are based on certain aspects of current tax laws, regulations, rulings and decisions now in effect, all of which are subject to change. Neither such statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any person purchasing, selling or otherwise dealing in Notes. Prospective holders of Notes and Noteholders who are in doubt about their tax position should consult their own professional advisers.*

Each of the Issuers and the Guarantor have been advised that under Swedish tax laws in effect on the date of this Offering Circular there is no withholding tax in respect of payments of interest or principal or payment received on redemption of any Notes to non-residents of Sweden for tax purposes made by the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor in Sweden in respect of any Notes, Receipts or Coupons or, as the case may be, the Guarantee nor are any Swedish taxes payable by Noteholders, Receiptholders or Couponholders not resident for tax purposes in Sweden on interest or principal received in respect of any Notes, Receipts or Coupons or payment received on redemption of any Notes. Thus Noteholders, Receiptholders and Couponholders who are not resident for tax purposes in Sweden or for any other reason subject to Swedish income tax or any other Swedish taxes are not liable to Swedish tax on receipt of interest or principal on, or redemption of, or on capital gains on the sale of, any Notes, Receipts or Coupons.

### EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States, including Belgium from 1 January 2010, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 15 November 2011, agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers (failing which, the Guarantor (in the case of Guaranteed Notes)) have agreed to reimburse the Dealers for certain of their expenses in connection with the update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Transfer Restrictions

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

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

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

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1)

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

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

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

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE

COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

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

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

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

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

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

### **Selling Restrictions**

#### ***United States***

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



The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

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

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

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

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

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

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

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### ***United Kingdom***

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

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

### ***Sweden***

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

### ***Japan***

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

### ***General***

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

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The current update of the Programme, the issue of Notes thereunder and the giving of the Guarantee in respect of Guaranteed Notes have been duly authorised by resolutions of the Board of Directors of AA dated 23 April 2008 and 28 September 2011 and the Board of Directors of AAFS dated 28 September 2011.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or around 18 November 2011.

### Documents Available

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

- (i) the Certificate of Registration and the Articles of Association (with an English translation thereof) of each of the Issuers and the Guarantor;
- (ii) the audit reports and the audited financial statements of AA in respect of the financial years ended 31 December 2009 and 2010, in each case with an English translation thereof. AA currently prepares audited consolidated and non-consolidated accounts on an annual basis and unaudited consolidated and non-consolidated interim accounts on a quarterly basis;
- (iii) the annual financial statements of AAFS for the two financial years ended 31 December 2009 and 2010, in each case with an English translation thereof;
- (iv) the most recently published audited annual financial statements of AA and AAFS and the most recently published unaudited interim financial statements (if any) of AA and AAFS (in each case with an English translation thereof) in each case together with any audit or review reports prepared in connection therewith;
- (v) the Programme Agreement, the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (vi) a copy of this Offering Circular; and
- (vii) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to 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 will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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

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

**Clearing Systems**

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

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

**Conditions for determining price**

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

**Significant or Material Change**

There has been no significant change in the financial or trading position of AA or the Group since 30 September 2011 and there has been no material adverse change in the prospects of AA since 31 December 2010.

There has been no significant change in the financial or trading position of AAFS since 31 December 2010 and there has been no material adverse change in the prospects of AAFS since 31 December 2010.

**Litigation**

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

**Auditors**

The consolidated financial statements of AA for the two financial years ended on 31 December 2009 and 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and audited in accordance with generally accepted auditing standards in Sweden with unqualified opinions reported thereon by PricewaterhouseCoopers AB. The Interim Report of AA dated 30 September 2011 has not been audited by PricewaterhouseCoopers AB. PricewaterhouseCoopers AB is associated with FAR in Sweden, the institute for the accounting profession in Sweden.

The annual financial statements of AAFS for the two financial years ended on 31 December 2009 and 2010 have been prepared in accordance with generally accepted accounting principles in Sweden and audited in accordance with generally accepted auditing standards in Sweden with unqualified opinions reported thereon by PricewaterhouseCoopers AB. PricewaterhouseCoopers AB is associated with FAR in Sweden, the institute for the accounting profession in Sweden.

**Post-issuance information**

Neither AA nor AAFS intend to provide any post-issuance information in relation to any assets underlying issues of Notes or Guaranteed Notes, as the case may be, constituting derivative securities.

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

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

**ASSA ABLOY Financial Services AB**

556283-0264

**Financial Statement**

**for**

**ASSA ABLOY Financial Services AB**

**2009-01-01 -- 2009-12-31**

This document has been accurately translated from Swedish to English.  
Stockholm

PricewaterhouseCoopers AB/ Peter Nyllinge

## Administration report

The Board of Directors and the Managing Director for ASSA ABLOY Financial Services AB submit the following administration report for the fiscal year 2009

## Operation

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

## Ownership

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

## Important events

At an Extraordinary General Meeting the company decided on a dividend amounting to 756 000 000 SEK.

## The company's future development and upcoming events

In accordance with the Group's currency policy, where the main principle is that foreign exchange rate should have direct impact on the business, the company has a limited number of currency contracts.

## Currency exposure

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

## Profit proposal

Balanced earnings	12,671,382,062
Year-end result	443 795 198
Total	<u>SEK 13,115,177,260</u>

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

Carried forward to new financial year	13,115,177,260
Total	<u>SEK 13,115,177,260</u>

*N*

It is the opinion of the Board that the dividend paid will neither prevent the company from meeting its commitments in the short and long term, nor from making the required investments. The transfer of value is therefore justifiable in view of the provisions of chapter 17 section 3 paras 2-3 of the Swedish Companies Act. Of total equity, 67 835 272 SEK is derived from fair value of financial derivatives in accordance with chapter 4 section 14 of the Annual Accounts Act.

**Result and position**

	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Operating profit (MSEK)	616	78	59	- 439	80
Total assets (MSEK)	33 164	43 378	13 425	15 097	8 637
Return on shareholders' equity (%)	3	0	26	43	- 576
Equity (MSEK)	13 116	13 286	159	123	75
Net debt (MSEK)	- 3 795	- 17 969	- 36	- 122	- 442
External gross debt (MSEK)	5 245	8 097	8 164	9 592	5 577

R



# ASSA ABLOY Financial Services AB

556283-0264

## Income Statement

kSEK	Note	2009	2008
	1		
<b>Operating income</b>			
Interest from group companies		1 090 764	1 130 166
External interest		13 195	12 007
Exchange rate differences from group companies		-	272 116
External exchange rate differences		210 688	98 678
Other operating income	2	363	1 668
<b>Total operating income</b>		<b>1 315 010</b>	<b>1 514 635</b>
<b>Operating expenses</b>			
Interest to group companies		- 145 943	- 472 408
External interest		- 291 457	- 432 923
Exchange rate differences to group companies		- 72 938	- 45 666
External exchange differences		- 164 836	- 466 837
Administrative expenses	3	- 15 922	- 3 644
Amortization and write-downs		- 637	- 391
Other operating expenses		- 6 816	- 15 235
<b>Total operating expenses</b>		<b>- 698 550</b>	<b>-1 437 103</b>
<b>Operating profit</b>		<b>616 460</b>	<b>77 531</b>
Appropriations		-	-
Tax	4	- 172 665	- 11 200
<b>Net result for the year</b>		<b>443 795</b>	<b>66 331</b>

N

# ASSA ABLOY Financial Services AB

556283-0264

## Balance Sheet

### ASSETS

kSEK	Note	<u>2009-12-31</u>	<u>2008-12-31</u>
	1		
<b>Fixed assets</b>			
Equipment		-	637
<b>Total fixed assets</b>		-	<b>637</b>
<b>Current assets</b>			
Receivables from group companies		32 007 135	42 821 605
Other receivables	5	317 561	15 188
Deferred expenses and accrued income	6	186 890	318 568
Cash and bank		652 247	221 725
<b>Total assets</b>		<b>33 163 833</b>	<b>43 377 085</b>
<b>Total assets</b>		<b>33 163 833</b>	<b>43 377 723</b>

RJ

# ASSA ABLOY Financial Services AB

556283-0264

## EQUITY AND LIABILITIES

KSEK	Not	<u>2009-12-31</u>	<u>2008-12-31</u>
	1		
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		1 000	1 000
Statutory reserve		200	200
<b>Total restricted equity</b>		<b>1 200</b>	<b>1 200</b>
<b>Unrestricted equity</b>			
Balanced earnings		12 671 382	13 218 112
Net profit for the year		443 795	66 331
<b>Total unrestricted equity</b>		<b>13 115 177</b>	<b>13 284 444</b>
<b>Total equity</b>		<b>13 116 377</b>	<b>13 285 644</b>
<b>Long-term liabilities</b>			
Liabilities to external institutions	7	4 615 679	4 891 404
<b>Current liabilities</b>			
Liabilities to external institutions		629 208	3 214 636
Liabilities to group companies		14 715 160	21 695 940
Accrued expenses and deferred income	8	87 409	290 099
<b>Total current liabilities</b>		<b>15 431 777</b>	<b>25 200 675</b>
<b>Total equity and liabilities</b>		<b>33 163 833</b>	<b>43 377 723</b>
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>

*R*

# ASSA ABLOY Financial Services AB

556283-0264

## ASSA ABLOY Financial Services cash flow statement

kSEK

**2009**

**2008**

### Operating activities

Operating profit	616 460	77 531
Amortization and write-downs	637	391
Paid tax	- 29 727	

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

**587 370                      77 922**

Increase (-) decrease (+) current receivables	10 643 775	-30 031 980
Increase (+) decrease (-) current operating liabilities	-7 183 470	16 882 982

### Cash flow from operating activities

**4 047 675                      -13 071 076**

### Investing activities

Sales intangible fixed assets	-	-
-------------------------------	---	---

### Cash flow from investing activities

**-                                      -**

### Financing activities

Borrowings	-2,861,153	-57,651
Shareholder's contribution	-	13 089 020
Group contribution	- 543 492	- 40 000
Dividend	- 212 508	-

### Cash flow from financing activities

**-3 617 153                      12 991 369**

### Cash flow for the year

**430 522                      - 79 707**

### Liquid funds at beginning of year

**221 725                      301 432**

### Exchange rate difference on liquid funds

**-                                      -**

### Liquid funds at end of year

**652 247                      221 725**

*R*

# ASSA ABLOY Financial Services AB

556283-0264

## Changes in shareholders' equity

kSEK	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Unrestricted equity</u>	<u>Total equity</u>
<b>Equity 2007-12-31</b>	<b>1 000</b>	<b>200</b>	<b>157 892</b>	<b>159 092</b>
Group contribution			- 40 000	- 40 000
Tax effect of group contribution			11 200	11 200
Year-end result			66 331	66 331
Shareholder contribution			13 089 020	13 089 020
<b>Equity 2008-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 284 444</b>	<b>13 285 644</b>
Group contribution			- 543 492	- 543 492
Tax effect of group contribution			142 938	142 938
Dividend			- 212 508	- 212 508
Year-end result			443 795	443 795
<b>Equity 2009-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 115 177</b>	<b>13 116 377</b>

The share capital consists of 10 shares with a par value of 100 000 SEK.

*R*



**NOTES****Note 1 Disclosure and valuation principles**

ASSA ABLOY Financial Services AB follows the recommendations and statements of the Annual Accounts Act and the Swedish Accounting Standards Council. The company's accounting principles are unchanged from previous years.

*Foreign currencies*

Receivables and liabilities in foreign currencies are valued at closing rate. The forward rate has been used for hedging of accounts receivable and accounts payable while hedging of borrowing and lending to subsidiaries is made at spot rate. Transactions in foreign currencies are translated at the rate current on the transaction date.

*Income*

Interest income is accounted for in accordance with effective yield.

*Tax*

Reported tax includes tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax.

Tax amounts have been calculated as nominal amounts in accordance with the tax regulations and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effect of items reported directly against shareholders' equity are themselves reported against shareholders' equity.

Deferred tax is accounted for under the balance sheet method. This means that deferred tax is accounted for on all temporary differences between the book values of assets and liabilities and their taxable values.

Deferred tax receivables relating to tax losses carryforward or other future tax allowances are reported to the extent that it is probable that the allowance can be set against taxable income in future taxation.

*Receivables*

Receivables are valued at the amounts that after individual assessment are expected to be received.

*Depreciation fixed assets*

Depreciation according to plan is based on the historical cost of assets, with due consideration of the estimated economic life of the asset. A depreciation period of five years is applied for intangible rights.

*Intangible and tangible fixed assets*

Intangible and tangible fixed assets are reported at acquisition value after deduction for accumulated depreciation. Expenditure on improvements that raise an asset's performance above its original level increases the book value of the asset. Expenditure on repairs and maintenance is carried as an expense.

*Cash flow statement*

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

*Segment*

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

*Financial instruments*

Financial instruments recorded in the balance sheet include financial assets, other financial assets, accounts receivable, accounts payable and loan debts. The fair value of the financial instruments are calculated using market quotations on the balance sheet day. Market interest rates form the basis for the calculation of market values of long term loans. For other financial instruments, primarily short term loans and deposits where market quotations are not available, the fair value is set at book value.

All transactions with financial assets are recorded on the business day.

Loans are initially recorded at the amount received after deduction of transactional costs. If the booked amount is different from the amount that has to be repaid at maturity the difference is amortized as interest cost over the duration of the loan. By doing so the booked amount is equal to the amount that has to be repaid at maturity. The booking of financial liabilities is discontinued only after the debts have been repaid in full or forgiven by the lender.

The company uses derivative instruments to cover risks related to foreign exchange movements and to hedge its interest rate exposure.

*Hedge accounting*

The company applies hedge accounting (fair value hedge) for parts of the long term debt. Changes in fair value of both the hedged item as the hedging instrument are reported in the income statement. When the transaction is entered into, the company documents the relationship between the hedge instrument and the hedged item, as well as the companies risk management objectives and risk management strategy as regards the hedging.

*Pension liabilities*

The company's pension obligations are accounted for in accordance with FAR SRS RedR4. The pension obligations are covered by external insurance companies.

*Definition of key data terms*

Return on shareholders' equity as shown in the multi-year summary is calculated as: net profit after tax, divided by shareholders' equity at year-end.



**Note 2 Other operating income**

kSEK	<u>2009</u>	<u>2008</u>
Miscellaneous	363	1 668
<b>Total</b>	<b>363</b>	<b>1 668</b>

**Note 3 Administrative expenses****Audit fees**

The fees for audit and audit related services performed by PricewaterhouseCoopers AB amount to 269 kSEK (39 kSEK).

**Employees, salaries, wages and other remuneration**

There has been no remuneration to the board of directors.

kSEK	<u>2009</u>		<u>2008</u>	
	Salaries and other benefits	Social costs (of which pension costs)	Salaries and other benefits	Social costs (of which pension costs)
Managing Director	567	266 (90)	0	0
Employees	2,367	1 099 (340)	494	569 (139)
<b>Total</b>	<b>2,934</b>	<b>1 365 (430)</b>	<b>494</b>	<b>569 (139)</b>

Average number of employees per country and gender

	<u>2009</u>		<u>2008</u>	
Country	Women	Men	Women	Men
Sweden	4.04	2.79	0.51	0.34

**Note 4 Tax**

kSEK	<u>2009</u>	<u>2008</u>
Current tax	- 19 202	-
Tax attributable to prior year	- 10 525	-
Effect of group contribution	- 142 938	- 11 200
<b>Total</b>	<b>- 172 665</b>	<b>- 11 200</b>
Nominal tax rate (%)	26.3	28
Effective tax rate (%)	5	0
Operating profit	616 460	77 531
Tax at nominal tax rate	- 162 129	- 21 709
Tax attributable to prior year	- 10 525	
Effect of appropriations and group contribution	-11	10,509
<b>Tax on operating profit as in income statement</b>	<b>- 172 665</b>	<b>- 11 200</b>



**Not 5 Other receivables**

kSEK	<u>2009-12-31</u>	<u>2008-12-31</u>
Short term deposit	316 879	-
Other receivables	682	15 188
<b>Total</b>	<b>317 561</b>	<b>15 188</b>

**Note 6 Deferred expenses and accrued income**

kSEK	<u>2009-12-31</u>	<u>2008-12-31</u>
Accrued interest income from group companies	76 530	172 690
Market value interest rate swaps	105 459	26 995
Market value currency forwards	4 617	117 393
Miscellaneous	284	1 490
<b>Total</b>	<b>186 890</b>	<b>318 568</b>

**Note 7 Long-term liabilities**

kSEK	<u>2009-12-31</u>	<u>2008-12-31</u>
Liabilities to credit institutions	4 615 679	4 891 404
<b>Total</b>	<b>4 615 679</b>	<b>4 891 404</b>

**Maturity profile long term liabilities**

kSEK	Year	2009	2 008
US Private Placement	2011	358 939	388 207
US Private Placement	2012	620 828	621 131
US Private Placement	2013	376 885	407 617
US Private Placement	2015	620 829	621 131
US Private Placement	2016	541 997	586 192
US Private Placement	2017	717 877	776 413
US Private Placement	2018	875 810	947 224
US Private Placement	2020	502 514	543 489
<b>Total</b>		<b>4 615 679</b>	<b>4 891 404</b>

**Note 8 Accrued expenses and deferred income**

kSEK	<u>2009-12-31</u>	<u>2008-12-31</u>
Accrued interest expenses to group companies	25 968	107 371
Accrued interest expenses to credit institutions	29 005	57 544
Market value currency forwards	14 349	62 618
Market value interest rate swaps and FRA	17 513	20 397
Miscellaneous	574	42 169
<b>Total</b>	<b>87 409</b>	<b>290 099</b>

**Note 9 Parent company**

Parent company in the group of which ASSA ABLOY Financial Services AB is a subsidiary, and where the Group's Annual Report is established, is ASSA ABLOY AB, 556059-3575, from where the Group's Annual Report can be obtained.

**Note 10 Financial risk management and financial instruments***Currency risks*

Currency risks affect ASSA ABLOY Financial Services AB mainly through translation of capital employed and net debt. To neutralize the translation and transaction exposure arising between net debt and internal needs currency forward contracts are used.

*Interest rate risks*

Average interest fixing period on financial assets was 18.9 month and 13.6 month for financial liabilities at closing day.

*Liquidity risks*

Financing and liquidity risks are defined as the risks of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining credit from external sources. ASSA ABLOY Financial Services AB strives to have access, on every occasion, to both short-term and long-term loan facilities.

*Credit risks*

Financial risk management exposes ASSA ABLOY Financial Services AB to certain counterparty risk. This exposure arises, for instance, from the placement of surplus cash and through the use of derivative instruments. ASSA ABLOY's policy is to minimize the potential credit risk by using cash available from subsidiaries to amortize external debt. This objective is mainly controlled through the cash pool network for which ASSA ABLOY Financial Services AB is responsible. Nevertheless the Group may deposit surplus funds on a short-term basis with banks to match maturities. Derivative instruments are allocated to banks according to risk factors set in the Treasury Policy to limit counterparty risk.

*Outstanding derivative instruments at 2009-12-31 (kSEK)*

Instrument	2009-12-31		2008-12-31	
	Positive market value	Positive market value	Positive market value	Positive market value
Currency forwards - funding	4,617	-14,126	118,326	-63,649
Interest rate swaps	95,080	-15,652	153,358	-20,397
Forward Rate Agreement		- 2 084		
<b>Total</b>	<b>99 697</b>	<b>- 31 862</b>	<b>271 684</b>	<b>- 84 046</b>

TV

The Income statement and Balance sheet shall be presented at the Shareholders' meeting.

Stockholm 2010-04-13



Tomas Eliasson



Jonas Gårdmark



Jacob Wahlberg



Gustav Kasteskog  
Managing Director

Our audit report has been submitted 2010-04-14

PricewaterhouseCoopers AB



Peter Nyllinge  
Authorized Public Accountant



**Audit report**

(translation)

**To the annual meeting of the shareholders of**

**Assa Abloy Financial Services AB**

Corporate identity number 556283-0264

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Assa Abloy Financial Services for the year 2009. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 2010-04-14

PricewaterhouseCoopers AB

Peter Nyllinge  
Authorized Public Accountant



# **ASSA ABLOY Financial Services AB**

556283-0264

## **Financial Statement**

**for**

**ASSA ABLOY Financial Services AB**

**2010-01-01 -- 2010-12-31**

This document has been accurately translated from Swedish to English.

Stockholm

*26 April 2011*

PricewaterhouseCoopers AB/ Peter Nyllinge



## Administration report

The Board of Directors and the Managing Director for ASSA ABLOY Financial Services AB submit the following administration report for the fiscal year 2010

## Operation

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

## Ownership

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

## Important events

At an Extraordinary General Meeting the company decided on a dividend amounting to 665 000 000 SEK.

## The company's future development and upcoming events

In accordance with the Group's currency policy, where the main principle is that foreign exchange rate should have direct impact on the business, the company has a limited number of currency contracts.

## Currency exposure

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

## Profit proposal

Balanced earnings	12 590 283 438
Year-end result	518 672 559
Total	<u>SEK 13 108 955 997</u>

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

Carried forward to new financial year	13 108 955 997
Total	<u>SEK 13 108 955 997</u>

# ASSA ABLOY Financial Services AB

556283-0264

It is the opinion of the Board that the dividend paid will neither prevent the company from meeting its commitments in the short and long term, nor from making the required investments. The transfer of value is therefore justifiable in view of the provisions of chapter 17 section 3 paras 2-3 of the Swedish Companies Act. Of total equity, 67 835 272 SEK is derived from fair value of financial derivatives in accordance with chapter 4 section 14 of the Annual Accounts Act.

## Result and position

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating profit (MSEK)	706	616	78	59	- 439
Total assets (MSEK)	33 455	33 164	43 378	13 425	15 097
Return on shareholders' equity (%)	4	3	0	26	43
Equity (MSEK)	13 110	13 116	13 286	159	123
Net debt (MSEK)	- 13 442	- 3 795	- 17 969	- 36	- 122
External gross debt (MSEK)	5 877	5 245	8 097	8 164	9 592

# ASSA ABLOY Financial Services AB

556283-0264

## Income Statement

kSEK	Note	<u>2010-12-31</u>	<u>2009-12-31</u>
	1		
<b>Operating income</b>			
Interest from group companies		1 034 859	1 090 764
External interest		7 540	13 195
Exchange rate differences from group companies		1 801	0
External exchange rate differences		412 320	210 688
Other operating income	2	17 681	363
<b>Total operating income</b>		<b>1 474 201</b>	<b>1 315 010</b>
<b>Operating expenses</b>			
Interest to group companies		- 121 982	- 145 943
External interest		- 198 531	- 291 457
Exchange rate differences to group companies		- 155 083	- 72 938
External exchange differences		- 267 752	- 164 836
Administrative expenses	3	- 15 065	- 15 922
Amortization and write-downs		- 6 211	- 637
Other operating expenses		- 3 600	- 6 816
<b>Total operating expenses</b>		<b>- 768 224</b>	<b>- 698 550</b>
<b>Operating profit</b>		<b>705 977</b>	<b>616 460</b>
Appropriations		-	-
Tax	4	- 187 304	- 172 665
<b>Net result for the year</b>		<b>518 673</b>	<b>443 795</b>



# ASSA ABLOY Financial Services AB

556283-0264

## Balance Sheet

### ASSETS

kSEK	Note	<u>2010-12-31</u>	<u>2009-12-31</u>
	1		
<b>Fixed assets</b>			
Equipment		-	-
<b>Total fixed assets</b>		-	-
<b>Current assets</b>			
Receivables from group companies		33 204 436	32 007 135
Other receivables	5	1 747	317 561
Deferred expenses and accrued income	6	248 462	186 890
Cash and bank		0	652 247
<b>Total assets</b>		<b>33 454 645</b>	<b>33 163 833</b>
<b>Total assets</b>		<b>33 454 645</b>	<b>33 163 833</b>

# ASSA ABLOY Financial Services AB

556283-0264

## EQUITY AND LIABILITIES

kSEK	Not	<u>2009-12-31</u>	<u>2009-12-31</u>
	1		
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		1 000	1 000
Statutory reserve		200	200
<b>Total restricted equity</b>		<b>1 200</b>	<b>1 200</b>
<b>Unrestricted equity</b>			
Balanced earnings		12 590 283	12 671 382
Net profit for the year		518 673	443 795
<b>Total unrestricted equity</b>		<b>13 108 956</b>	<b>13 115 177</b>
<b>Total equity</b>		<b>13 110 156</b>	<b>13 116 377</b>
<b>Long-term liabilities</b>			
Liabilities to external institutions	7	4 063 770	4 615 679
<b>Current liabilities</b>			
Liabilities to external institutions		1 813 451	629 208
Liabilities to group companies		14 337 435	14 715 160
Accrued expenses and deferred income	8	129 833	87 409
<b>Total current liabilities</b>		<b>16 280 719</b>	<b>15 431 777</b>
<b>Total equity and liabilities</b>		<b>33 454 645</b>	<b>33 163 833</b>
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>

# ASSA ABLOY Financial Services AB

556283-0264

## ASSA ABLOY Financial Services cash flow statement

kSEK

2009

2009

### Operating activities

Operating profit	705 977	616 460
Amortization and write-downs	0	637
Paid tax	0	- 29 727

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

**705 977      587 370**

Increase (-) decrease (+) current receivables	- 943 059	10 643 775
Increase (+) decrease (-) current operating liabilities	- 335 302	-7 183 470

### Cash flow from operating activities

**- 572 384      4 047 675**

### Investing activities

Sales intangible fixed assets	-	-
-------------------------------	---	---

### Cash flow from investing activities

**-      -**

### Financing activities

Borrowings	632 335	-2 861 153
Shareholder's contribution	-	-
Group contribution	- 47 198	- 543 492
Dividend	- 665 000	- 212 508

### Cash flow from financing activities

**- 79 863      -3 617 153**

### Cash flow for the year

**- 652 247      430 522**

### Liquid funds at beginning of year

**652 247      221 725**

### Exchange rate difference on liquid funds

**-      -**

### Liquid funds at end of year

**0      652 247**

## Changes in shareholders' equity

kSEK	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Unrestricted equity</u>	<u>Total equity</u>
<b>Equity 2007-12-31</b>	<b>1 000</b>	<b>200</b>	<b>157 892</b>	<b>159 092</b>
Group contribution			- 40 000	- 40 000
Tax effect of group contribution			11 200	11 200
Year-end result			66 331	66 331
Shareholder contribution			13 089 020	13 089 020
<b>Equity 2008-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 284 444</b>	<b>13 285 644</b>
Group contribution			- 543 492	- 543 492
Tax effect of group contribution			142 938	142 938
Dividend			- 212 508	- 212 508
Year-end result			443 795	443 795
<b>Equity 2009-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 115 177</b>	<b>13 116 377</b>
Group contribution			- 47 198	- 47 198
Distribution of profit			- 665 000	- 665 000
Tax effect of profit distribution and group contribution			187 305	187 305
Year-end result			518 673	518 673
<b>Equity 2010-12-31</b>	<b>1 000</b>	<b>200</b>	<b>13 108 956</b>	<b>13 101 106</b>

The share capital consists of 10 shares with a par value of 100 000 SEK.

**NOTES****Note 1 Disclosure and valuation principles**

ASSA ABLOY Financial Services AB follows the recommendations and statements of the Annual Accounts Act and the Swedish Accounting Standards Council. The company's accounting principles are unchanged from previous years.

*Foreign currencies*

Receivables and liabilities in foreign currencies are valued at closing rate. The forward rate has been used for hedging of accounts receivable and accounts payable while hedging of borrowing and lending to subsidiaries is made at spot rate. Transactions in foreign currencies are translated at the rate current on the transaction date.

*Income*

Interest income is accounted for in accordance with effective yield.

*Tax*

Reported tax includes tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax.

Tax amounts have been calculated as nominal amounts in accordance with the tax regulations and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effect of items reported directly against shareholders' equity are themselves reported against shareholders' equity.

Deferred tax is accounted for under the balance sheet method. This means that deferred tax is accounted for on all temporary differences between the book values of assets and liabilities and their taxable values.

Deferred tax receivables relating to tax losses carryforward or other future tax allowances are reported to the extent that it is probable that the allowance can be set against taxable income in future taxation.

*Receivables*

Receivables are valued at the amounts that after individual assessment are expected to be received.

*Depreciation fixed assets*

Depreciation according to plan is based on the historical cost of assets, with due consideration of the estimated economic life of the asset. A depreciation period of five years is applied for intangible rights.

*Intangible and tangible fixed assets*

Intangible and tangible fixed assets are reported at acquisition value after deduction for accumulated depreciation. Expenditure on improvements that raise an asset's performance above its original level increases the book value of the asset. Expenditure on repairs and maintenance is carried as an expense.

*Cash flow statement*

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

*Segment*

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

*Financial instruments*

Financial instruments recorded in the balance sheet include financial assets, other financial assets, accounts receivable, accounts payable and loan debts. The fair value of the financial instruments are calculated using market quotations on the balance sheet day. Market interest rates form the basis for the calculation of market values of long term loans. For other financial instruments, primarily short term loans and deposits where market quotations are not available, the fair value is set at book value.

All transactions with financial assets are recorded on the business day.

Loans are initially recorded at the amount received after deduction of transactional costs. If the booked amount is different from the amount that has to be repaid at maturity the difference is amortized as interest cost over the duration of the loan. By doing so the booked amount is equal to the amount that has to be repaid at maturity. The booking of financial liabilities is discontinued only after the debts have been repaid in full or forgiven by the lender.

The company uses derivative instruments to cover risks related to foreign exchange movements and to hedge its interest rate exposure.

*Hedge accounting*

The company applies hedge accounting (fair value hedge) for parts of the long term debt. Changes in fair value of both the hedged item as the hedging instrument are reported in the income statement. When the transaction is entered into, the company documents the relationship between the hedge instrument and the hedged item, as well as the companies risk management objectives and risk management strategy as regards the hedging.

*Pension liabilities*

The company's pension obligations are accounted for in accordance with FAR SRS RedR4. The pension obligations are covered by external insurance companies.

*Definition of key data terms*

Return on shareholders' equity as shown in the multi-year summary is calculated as: net profit after tax, divided by shareholders' equity at year-end.

**Note 2 Other operating income**

kSEK	2010	2009
Miscellaneous	17 681	363
<b>Total</b>	<b>17 681</b>	<b>363</b>

**Note 3 Administrative expenses**

**Audit fees**

The fees for audit and audit related services performed by PwC AB amount to 194 kSEK (269 kSEK). The company has not had any other costs related to services performed by PwC AB. No services has been purchased from other auditing firms.

**Employees, salaries, wages and other remuneration**

There has been no remuneration to the board of directors.

kSEK	2010		2009	
	Salaries and other benefits	Social costs (of which pension costs)	Salaries and other benefits	Social costs (of which pension costs)
Managing Director	738	380 (144)	567	266 (90)
Employees	2 558	1 439 (366)	2 367	1 099 (340)
<b>Total</b>	<b>3 296</b>	<b>1 819 (510)</b>	<b>2 934</b>	<b>1 365 (430)</b>

Average number of employees per country and gender

	2010		2009	
Country	Women	Men	Women	Men
Sweden	3	2,83	4,04	2,79

**Note 4 Tax**

kSEK	2010	2009
Current tax	- 187 304	- 19 202
Tax attributable to prior year	0	- 10 525
Effect of group contribution	0	- 142 938
<b>Total</b>	<b>- 187 304</b>	<b>- 172 665</b>
Nominal tax rate (%)	26,3	26,3
Effective tax rate (%)	26,5	5
Operating profit	705 977	0
Tax at nominal tax rate	- 185 672	- 162 129
Tax attributable to prior year		- 10 525
Effect of non-deductible expense	- 1 633	
Effect of appropriations and group contribution		-11
<b>Tax on operating profit as in income statement</b>	<b>- 187 304</b>	<b>- 172 665</b>



**Note 5 Other receivables**

kSEK	<u>2010-12-31</u>	<u>2009-12-31</u>
Short term deposit	1 167	316 879
Other receivables	580	682
<b>Total</b>	<b>1 747</b>	<b>317 561</b>

**Note 6 Deferred expenses and accrued income**

kSEK	<u>2010-12-31</u>	<u>2009-12-31</u>
Accrued interest income from group companies	77 071	76 530
Market value interest rate swaps	166 903	105 459
Market value currency forwards	4 289	4 617
Miscellaneous	199	284
<b>Total</b>	<b>248 462</b>	<b>186 890</b>

**Note 7 Long-term liabilities**

kSEK	<u>2010-12-31</u>	<u>2008-12-31</u>
Liabilities to credit institutions	4 063 770	4 615 679
<b>Total</b>	<b>4 063 770</b>	<b>4 615 679</b>

**Maturity profile long term liabilities**

kSEK	Year	2010	2009
US Private Placement	2011		358 939
US Private Placement	2012	597 294	620 828
US Private Placement	2013	358 648	376 885
US Private Placement	2015	597 294	620 829
US Private Placement	2016	515 770	541 997
US Private Placement	2017	683 139	717 877
US Private Placement	2018	833 429	875 810
US Private Placement	2020	478 197	502 514
<b>Total</b>		<b>4 063 771</b>	<b>4 615 679</b>

**Note 8 Accrued expenses and deferred income**

kSEK	<u>2010-12-31</u>	<u>2009-12-31</u>
Accrued interest expenses to group companies	20 121	25 968
Accrued interest expenses to credit institutions	34 608	29 005
Market value currency forwards	62 136	14 349
Market value interest rate swaps and FRA	9 707	17 513
Miscellaneous	3 261	574
<b>Total</b>	<b>129 833</b>	<b>87 409</b>

**Note 9 Parent company**

Parent company in the group of which ASSA ABLOY Financial Services AB is a subsidiary, and where the Group's Annual Report is established, is ASSA ABLOY AB, 556059-3575, from where the Group's Annual Report can be obtained.



**Note 10 Financial risk management and financial instruments***Currency risks*

Currency risks affect ASSA ABLOY Financial Services AB mainly through translation of capital employed and net debt. To neutralize the translation and transaction exposure arising between net debt and internal needs currency forward contracts are used.

*Interest rate risks*

Average interest fixing period on financial assets was 18,0 month and 10,5 month for financial liabilities at closing day.

*Liquidity risks*

Financing and liquidity risks are defined as the risks of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining credit from external sources. ASSA ABLOY Financial Services AB strives to have access, on every occasion, to both short-term and long-term loan facilities.

*Credit risks*

Financial risk management exposes ASSA ABLOY Financial Services AB to certain counterparty risk. This exposure arises, for instance, from the placement of surplus cash and through the use of derivative instruments. ASSA ABLOY's policy is to minimize the potential credit risk by using cash available from subsidiaries to amortize external debt. This objective is mainly controlled through the cash pool network for which ASSA ABLOY Financial Services AB is responsible. Nevertheless the Group may deposit surplus funds on a short-term basis with banks to match maturities. Derivative instruments are allocated to banks according to risk factors set in the Treasury Policy to limit counterparty risk.

*Outstanding derivative instruments at 2010-12-31 (kSEK)*

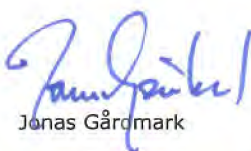
Instrument	2010-12-31		2009-12-31	
	Positive market value	Positive market value	Positive market value	Positive market value
Currency forwards - funding	41 603	-62 136	4 617	-14 126
Interest rate swaps	104 125	-9 707	95 080	-15 652
Forward Rate Agreement				- 2 084
<b>Total</b>	<b>145 728</b>	<b>- 71 843</b>	<b>99 697</b>	<b>- 31 862</b>

The Income statement and Balance sheet shall be presented at the Shareholders' meeting.

Stockholm 2011-04-26



Tomas Eliasson



Jonas Gårdmark



Jacob Wahlberg



Gunnar Sjöberg  
Managing Director

Our audit report has been submitted 2011-04-26

PricewaterhouseCoopers AB



Peter Nyllinge  
Authorized Public Accountant



## **Audit report**

**To the annual meeting of the shareholders of**

### **ASSA ABLOY Financial Services**

Corporate identity number 556283-0264

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of ASSA ABLOY Financial Services AB for the year 2010. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm the 26 of April 2011

PricewaterhouseCoopers AB

A handwritten signature in blue ink, appearing to read "Peter Nyllinge".

Peter Nyllinge  
Authorized Public Accountant

## **THE ISSUERS AND THE GUARANTOR**

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

P.O. Box 70340  
Klarabergsviadukten 90  
107 23 Stockholm  
Sweden

### **ASSA ABLOY Financial Services AB (publ)**

P.O. Box 70340  
Klarabergsviadukten 90  
107 23 Stockholm  
Sweden

## **PRINCIPAL PAYING AGENT**

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

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **REGISTRAR**

### **Citigroup Global Markets Deutschland AG**

Reuterweg 16  
60323 Frankfurt am Main  
Germany

## **PAYING AGENT**

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

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **LEGAL ADVISERS**

*To the Issuers and the Guarantor as to Swedish law*

### **Mannheimer Swartling**

P.O. Box 4291  
Södergatan 22  
SE-203 14 Malmö  
Sweden

*To the Dealers as to English law*

### **Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom

## **AUDITORS**

*To the Issuers*

### **PricewaterhouseCoopers AB**

Torsgatan 21  
113 97 Stockholm  
Sweden

## **DEALERS**

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**Skandinaviska Enskilda Banken AB (publ)**  
Kungsträdgårdsgatan 8  
106 40 Stockholm  
Sweden

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom



**ASSA ABLOY**