



## **SCA HYGIENE AB (PUBL)**

*(incorporated with limited liability in Sweden with the registered number 556325-5511)*

and Guaranteed by

## **SVENSKA CELLULOSA AKTIEBOLAGET SCA (PUBL)**

*(incorporated with limited liability in Sweden with registered number 556012-6293)*

**Euro 6,000,000,000**

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

This document constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU and any relevant implementing measures in the Relevant Member State (the "**Prospectus Directive**") for the purposes of giving information with regard to the issue of notes (the "**Notes**") by SCA Hygiene AB (publ) ("**SCA Hygiene**" or the "**Issuer**") under the Euro Medium Term Note Programme (the "**Programme**") and guaranteed by Svenska Cellulosa Aktieförbundet SCA (publ) ("**SCA**" or the "**Guarantor**") described in this Base Prospectus (the "**Base Prospectus**"). Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue. Pursuant to the Programme, the Issuer may from time to time issue Notes denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe 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 Luxembourg Stock Exchange for Notes issued under the Programme as described in this Base Prospectus to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange. Application has also been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") for approval of this Base Prospectus under the Luxembourg Act dated 10 July 2005, as amended, (the "**Prospectus Act**") on prospectuses for securities (*loi relative aux prospectuses pour valeur mobilières*). By approving the Base Prospectus, the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). 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 and admitted to trading on the Luxembourg Stock Exchange, will be filed with the CSSF on or before the date of issue of the Notes of such Tranche.

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

The Issuer may agree with the relevant Dealer(s) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. Application has been made to the CSSF, which is the Luxembourg competent authority for the purpose of the Prospectus Directive for its approval of this Base Prospectus.

The Issuer has been assigned a Baa1 long-term senior unsecured rating with a negative outlook and a P-2 short-term senior unsecured rating with a negative outlook by Moody's Deutschland GmbH ("**Moody's**") and a preliminary BBB+ long-term senior unsecured rating with a stable outlook and a preliminary A-2 short-term senior unsecured rating with a stable outlook by S&P Global Ratings, acting through Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). The Guarantor has been assigned a Baa1 long-term senior unsecured rating and a P-2 short-term senior unsecured rating with a stable outlook by Moody's and a BBB+ long-term senior unsecured rating and A-2 short-term senior unsecured rating on CreditWatch with negative implications by Standard & Poor's.

Moody's and Standard & Poor's are established in the European Economic Area and are registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Moody's and Standard & Poor's are included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) (list last updated as of 1 December 2015). Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.** Please also refer to "*Credit ratings may not reflect all risks*" in the Risk Factors section of this Base Prospectus.

The Notes have not been, and will not be, registered under the United States 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 Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

**Arranger  
Citigroup**

**Dealers**

**BNP PARIBAS  
Deutsche Bank**

**NatWest Markets**

**Citigroup  
Crédit Agricole CIB**

The date of this Base Prospectus is 10 March 2017

Each of the Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes. To the best of the knowledge and belief of each of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that this Base Prospectus contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Base Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Base Prospectus are honestly held and that there are no other facts the omission of which would make this Base Prospectus or any of such information or the expression of any such opinions or intentions misleading.

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

This Base Prospectus 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 Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The Dealers make no representation, warranty or undertaking, express or implied, and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

The Issuer is responsible for the information contained in this Base Prospectus and neither the Issuer nor the Guarantor has authorised anyone to provide any other information, and neither the Issuer, the Guarantor nor the Dealers take responsibility for any other information that others may supply.

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer 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 the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been, and will not be, registered under the United States 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 Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except in certain transactions exempt from the registration requirements of the Securities Act (see "*Subscription and Sale*").

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

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer and each of the Issuer and the Guarantor has consented in writing to its use for the purpose of such offer. Neither the Issuer, the Guarantor nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to "SEK" refer to Swedish Kronor. In addition, all references to "U.S.\$", "U.S. dollars" and "\$" refer to United States dollars, "Sterling" and "£" refer to pounds sterling, references to "Yen" and "¥" refer to Japanese Yen, references to "CHF" refer to Swiss Franc, references to "EUR", "euro", "Euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, pursuant to the Treaty on the Functioning of the European Union, as amended, and references to "CNY" and "Renminbi" are to the lawful currency of the PRC.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer and the Guarantor are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Base Prospectus:

- our ability to realise the benefits we expect from existing and future investments in our existing operations and pending expansion and development projects;
- our ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;
- our ability to obtain external financing or maintain sufficient capital to fund our existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which we and our customers operate;
- changes in the competitive environment in which we and our customers operate;
- failure to comply with regulations applicable to our business; and
- fluctuations in the currency exchange rates in the markets in which we operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Any forward-looking statements made by or on behalf of the Issuer or the Guarantor speak only as at the date they are made. Neither the Issuer nor the Guarantor undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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## **RISK FACTORS**

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.*

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

*The Issuer and the Guarantor believe that the risks described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer and Guarantor (to the extent applicable under the Guarantee) to pay interest, principal or other amounts on or in connection with any Notes may occur for other unknown reasons. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's and/or the Guarantor's ability to fulfil its obligations in respect of Notes issued under the Programme**

#### ***The Group faces intense competition in all its markets***

SCA and its consolidated subsidiaries (the "**Group**") experiences intense competition for sales of its products and services in each of its business areas. Although the nature of the markets and the number and size of major competitors vary across its business areas, the Group has several major competitors in each business area in which it operates, some of which are larger than the Group entity operating in that business area. The principal methods and elements of competition in various areas of the Group's business include brand recognition and loyalty, product innovation, quality and performance, price, service, proximity to customers and distribution capabilities. In addition, the Group relies on the development and introduction of new or improved products as a means of achieving and/or maintaining category leadership. Inherent risks in the Group's competitive strategy include uncertainties concerning trade and customer acceptance, the effects of consolidation of retailers and other customers and competitive reaction. Competitive pressures could reduce revenue and have an adverse impact on the Group's financial results.

#### ***The Issuer's and the Guarantor's position in the Group***

Each of the Issuer, as the holding company of the Hygiene Products Business, and the Guarantor, as the holding company of the Group, is dependent on the income it receives from its operating subsidiaries in the form of notes, dividends or other payments to it as a shareholder. The Notes and the Guarantee of the Notes will therefore be effectively subordinated to creditors (including trade creditors) and shareholders of subsidiaries of the Issuer and subsidiaries of the Guarantor (other than the Issuer).

#### ***Impact of substitutes***

There is a risk that other product solutions (i.e. substitutes) may replace products that are included in the Group's offering and thereby reduce sales. Such product solutions may involve different products with a similar function, such as cloth diapers, cloth rags for household or industrial cleaning, or completely different solutions to the needs of customers and consumers, such as electric hand dryers and the dissemination of news by electronic media instead of on paper. The issue of substitutes is also linked to changes in the patterns and attitudes of customers and consumers that affect demand for certain products and thus profitability.

#### ***Dependence on major customers and distributors***

The retail trade is the Group's single largest customer group and thus the performance of the Group in this market has considerable impact on the Group's overall performance. Approximately 55 per cent. of the Group's sales are made to the retail trade, through both the Group's brands and retailers' brands. Members of the Group such as the Issuer also uses other distributors or retailers. The success of such distributors or retailers could impact the Group's overall performance. A general consolidation process is taking place in several of the Group's sales channels, thus increasing dependence on individual customers. In the retail trade, the prevailing trend is towards increased concentration, which has mainly resulted in fewer retail

companies at a national and regional level. The Group also uses distributors, mainly for AFH tissue. A very large number of distributors are active in this segment and the international concentration is relatively low. In 2016, the Group's ten largest customers accounted for 23 per cent. of the Group's overall sales. The single largest customer accounted for 3 per cent. of the sales. Most of these customers were retail companies. The ten largest customers also include some large distributors of AFH tissue. The general consolidation and increase in dependence could result in negative consequences if the Group does not fulfil the demands imposed.

#### ***Dependence on suppliers***

The Group is dependent on a large number of suppliers for the supply of key input goods, such as wood, waste paper and pulp and energy, such as electricity, natural gas and petroleum-based fuels. The Group has a number of suppliers for essentially all important input goods and continuously enters into supply agreements with several suppliers on various durations. The Group also has intensive cooperation with selected suppliers that covers the development of materials and processes. The loss of key suppliers could result in costs for the Group and problems in manufacturing. Suppliers could also cause problems for the Group through non-compliance with applicable legislation and regulations or by otherwise acting in an unethical manner.

#### ***Changes in the price of the Group's products***

Movements in the market price of the Group's products could create major fluctuations in the profitability of the product(s) in question. In such a circumstance, profitability may be further affected by changes in costs for the Group. Changes in the price of the Group's products may have a negative impact on the overall Group's profits.

#### ***Capacity additions may cause price pressure on the Group's products***

Demand for many of the products offered by the Group remains relatively stable. However if the Group's competitors were to increase their production capacity and also sell such products, the increased level supply in the market may lead to the Group experiencing pricing pressures to remain competitive.

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

The Group is exposed to credit risk, i.e. the risk of losses due to failure to meet payment obligations by the Group's counterparties in financial agreements or by customers. Customer accounts receivable is subject to credit checks of customers using credit rating companies and regular monitoring of credit limits and are recognized at the amount that is expected to be paid based on an individual assessment of each customer. Credit risk exposure under the Group's financial agreements includes exposure against counterparties in derivative instruments, leasing transactions and other financial investments and arrangements. The failure by customers and counterparties under financial agreements to fulfil payment obligations towards a member of the Group may have a negative effect on the overall Group's cash flow and profit.

#### ***Expansion into new markets***

The sale of the Group's products in new markets can be managed by agents or by the Group's own sales company. When it has been decided to conduct manufacturing in the local market, this may be carried out through a joint venture in cooperation with other owners or by the Group acquiring or forming a wholly owned company. Prior to initiating operations, the Group conducts a feasibility study and a risk analysis of issues related to legal requirements, due diligence of existing companies, and assessments of the business climate and common business practices and ethics. However, if the conditions differ from those in already established markets, this expansion could involve new and increased risks for the Group.

#### ***Costs of input goods***

Raw materials and other input goods account for a significant part of the Group's total costs. The market price of many of the input goods used in the manufacture of the Group's products fluctuates over time and this could influence the Group's earnings.



### ***Rising cost of energy or unavailability of energy may impact the Group's results***

The Group's manufacturing operations utilise electricity, natural gas and petroleum-based fuels. The Group's contracts with energy suppliers vary as to price, payment terms, quantities and duration. Its energy costs are also affected by various market factors, including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. There can be no assurance that the Group will be fully protected against substantial changes in the price or availability of energy sources.

### ***Risks at plants***

The Group has approximately 100 production facilities in some 30 countries and many of these conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems.

### ***GDP trend and economic conditions***

The Group's volume of output of products is linked to GDP and related factors, including industrial production, in countries representing the Group's main markets. Movements in the GDP trend influence demand for some of the Group's products.

### ***Exchange rate fluctuations could negatively affect our financial condition and results of operations***

The Group is exposed to exchange rate risk in several ways. Exchange rate movements in export revenues and import expenses could negatively impact the Group's operating profit and the cost of non-current assets.

The currencies of the Group's revenues do not fully match the currencies of its operating costs. Furthermore, members of the Group, such as SCA have their financial statements reported in Swedish kronor but only a portion of its operations and assets are located in Sweden. In addition, changes in exchange rates can affect the relative competitive position of the Group's various plants and mills.

### ***Environmental impact and climate change***

The Group's operations have an impact on air, water, land and biological processes and the Group is subject to a wide variety of environmental regulations in multiple jurisdictions around the world. Compliance with these rules and regulations at the federal, state, provincial and local levels is an important aspect of the Group's ability to continue its operations. The Group cannot guarantee that it will not incur significant additional environmental costs and liabilities in the future (which also may include paying for environmental restoration). In addition, the Group cannot assure that the businesses it has acquired, prior to its acquisition, always complied with all applicable environmental regulations. Also, countries could adopt tighter, more stringent environmental laws, regulations and enforcement policies than apply at present.

### ***Legal risks and political decisions***

The Group is affected by political decisions and administrative regulations in the many countries in which the Group conducts operations. These relate to general regulations, such as taxation and financial reporting and more specific regulations, such as licensing requirements under applicable environmental legislation and the reimbursement of expenses in the healthcare system. New legislation and other regulation in various countries could negatively impact the Group. Legal processes can be protracted and costly.

### ***Occurrence of unethical business practices and human rights violations***

The Group conducts operations in approximately 100 countries and in sectors and environments where unethical business practices and violations of human rights may occur. If the Group is associated with such practices, this may damage the Group's reputation. The Group may also incur fines and other legal sanctions. The Group works together with various business partners, such as customers, distributors, partners in joint ventures and suppliers. The working practices of such partners can increase the risk of being associated with such practices.

### ***Employee-related risks***

The Group must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives. It is therefore important that the Group is successful in attracting and retaining employees with appropriate skills in the future. If this is not possible, this could have an adverse effect on its business and brand.

### ***IT-related risks***

The Group relies on IT systems in its day-to-day operations. Disruptions or faults in critical IT systems will have a direct impact on the business of the Group. This is a significant risk due to the nature of the Group's business. Errors in the operation of financial systems can affect the Group's reporting of its results.

### ***Risks relating to poor global economic conditions***

Adverse and volatile economic conditions can limit the Group's financial performance in terms of anticipated revenues and costs and can affect the ability of the Group to implement planned projects. Ratings agencies and industry analysts are likely to take such conditions into account when assessing the business and creditworthiness of the Group, and any adverse determinations, including ratings downgrades, may make it more difficult for the Group to raise capital in the future and may adversely affect the market price of the Notes issued by the relevant Issuer.

In particular, concerns about credit risk (including that of sovereigns) have intensified during the last few years. The large sovereign debts and/or fiscal deficits of a number of European countries as well as of the United States of America have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. A default by, or a significant decline in the credit rating of, one or more sovereigns or financial institutions could cause severe stress generally in the global financial system and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict. The impact of these conditions could be detrimental to the Issuer, the Guarantor and the Group and could adversely affect the Group's business, operations and profitability, its solvency and the solvency of its customers, the value and liquidity of its assets and liabilities, the value and liquidity of the Notes, and/or the ability of the Issuer or the Guarantor to refinance its current financial obligations and/or meet its obligations under the Notes and/or its debt obligations more generally.

### ***The business of the Group may be adversely affected by liquidity and refinancing risk***

Liquidity and refinancing risk is the risk that the Group is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.

If the Group is unable to obtain sufficient credit, either due to banking or capital markets conditions generally, or due to factors specific to its business, the Group may not have sufficient cash to develop new projects, fund acquisitions or meet ongoing financing needs, which in turn could materially and adversely affect the revenues, operating results, cash flows and financial condition of the Group.

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

Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on the Group. The Group is affected by interest rate movements through its net financial income and expense.

### ***Risks relating to the acquisition of new businesses***

Success in the Group's acquisition strategy depends on several factors, such as the ability to identify suitable businesses for acquisition, reach agreements on acceptable acquisition terms and to finance such acquisitions. It is possible that the Group's future acquisitions cannot be carried out on favourable terms. It is also possible that, in the future, there will not be a sufficient number of attractive targets available for acquisition or that the Group will not be able to secure necessary financing.

There are also business risks, tax risks and economic risks associated with acquiring and integrating companies into the Group's existing business operations, for example, but not limited to, exposure to unknown obligations as well as acquisition and integration costs that are higher than expected.

It is possible that the Group's assessments and assumptions regarding possible or implemented acquisitions (including assumptions regarding synergies) will prove to be incorrect or that obligations, contingent liabilities or other risks previously unknown to the Group might arise. Likewise, the Group's assessments and assumptions concerning the possibilities and prospects for organic growth may prove to be incorrect and obligations, unforeseen events or other risks that were unknown to the Group may arise.

The Group might also divest operations that no longer fit in with the Group's strategy. Several factors affect success in any divestment, for example the Group's ability to identify a buyer and the Group's ability to negotiate acceptable terms. In addition, it is possible that the Group might be required to provide certain warranties and undertakings in connection with such divestment. In the future the Group may find it difficult to divest operations or assets or might fail to successfully complete such divestments on terms favourable for the Group.

### ***Risks relating to the proposed Demerger***

The intended purpose of the proposed Demerger is to enhance the ability of each business to successfully implement its strategies and increase the value for the Group's shareholders (see "*The Issuer and the Group – Demerger*" for more information). There is a risk that the anticipated benefits of the proposed Demerger may not be achieved if the assumptions underlying the decision to undertake the Demerger turn out to be incorrect. Further, to the extent each independent business incurs additional costs, achieves lower profits or has lower cost savings, the results of their operations and their financial position could be adversely affected and the anticipated benefits of the Demerger may not be achieved.

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

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

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

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

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

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

An optional redemption feature of Notes is likely to limit their market value.

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

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

### ***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 the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, 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 Issuer converts from a floating rate to a fixed rate, 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 principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks relating to Notes denominated in Renminbi**

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

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

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

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

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

***Investment in the Renminbi Notes is subject to interest rate risks***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

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

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream Banking *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

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

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

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

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

### ***Remittance of proceeds in Renminbi into or out of the PRC***

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

### **Risks related to Notes and the Guarantee generally**

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

#### ***Guarantee***

The Deed of Guarantee contains a termination provision that provides that the Guarantee of the Notes shall terminate on the Demerger Date (as defined in the Terms and Conditions of the Notes) and that the Guarantor shall be deemed to be released on such date from all obligations under the Guarantee of the Notes (other than any obligations which have become due, or which have been notified to the Guarantor, prior to the Demerger Date) without any action required on the part of the Guarantor, any Noteholder or any beneficiary. For the avoidance of doubt, if the Demerger Date does not occur, the Guarantee of the Notes will remain in full force and effect until the obligations of the Issuer under or in respect of the Notes or the Deed of Covenant have been discharged in full.

### ***Modification***

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

### ***U.S. Withholding Tax under FATCA***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Sweden) have entered into intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019.

Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### ***Change of law***

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

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

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

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

### ***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.

Although applications have been made for the Notes issued under the Programme to be admitted to listing on Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

The Issuer or the Guarantor (as applicable) 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.

#### ***Notes in global form held by or on behalf of Euroclear and Clearstream, Luxembourg***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a Common Depositary or Common Safekeeper. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

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

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

#### ***Notes in NGN form***

The new global note ("**NGN**") has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.



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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (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). 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 European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms in respect of each Series of Notes which will be rated.

### ***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.

## GENERAL DESCRIPTION OF THE PROGRAMME

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

*Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this general description.*

Issuer:	SCA Hygiene AB (publ)
Guarantor:	Svenska Cellulosa Aktiebolaget SCA (publ)
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee of the Notes. These are set out under " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	Citigroup Global Markets Limited
Dealers:	BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch The Royal Bank of Scotland plc (trading as NatWest Markets) and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ").
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Programme Size:	Euro 6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Euro, Sterling, SEK, Yen, CHF, U.S. dollars, Renminbi and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or

equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. No Notes may be issued with a maturity of less than one year.

Issue Price: Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: The Notes will be issued in bearer form as described in "*Form of the Notes*".

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (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
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes: Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: 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 Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer or on the occurrence of a Special Redemption Event.

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.

Denomination of the Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, 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 euro 100,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes or pursuant to the Guarantee, as the case may be, will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 7, unless required by law. In the event that any such deduction is made, the Issuer, or the Guarantor, as the case may be, will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status of the Guarantee:	Notes will be unconditionally and irrevocably guaranteed by the Guarantor on an unsubordinated basis. The obligations of the Guarantor under the guarantee will constitute direct, unsubordinated, unconditional, and subject to the provisions of Condition 3 ( <i>Negative Pledge</i> ), unsecured obligations of the Guarantor and will at all times rank at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Guarantor from time to time outstanding, save for such obligations as may be preferred by provisions of law that are both mandatory and of general applications.  On the Demerger Date (as defined below in the Terms and Conditions of the Notes), the Guarantor will be released from all of its obligations under the Guarantee in accordance with the terms of the Deed of Guarantee.
Rating:	The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each 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 Final Terms.  Rating agencies established in the European Union and registered under Regulation (EC) No. 1060/2009 will be included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation

at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). For the avoidance of doubt the content of this website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) does not form part of the Base Prospectus.

Approval, listing and admission to trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to each Series.

Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

The Notes will be governed by, and construed in accordance with, English law.

Selling Restrictions:

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), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and filed with the Luxembourg Stock Exchange shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

- (a) the auditors' reports and the consolidated financial statements for the financial years ended 31 December 2016 and 31 December 2015 of the Issuer; and
- (b) the auditors' reports and consolidated and non-consolidated financial statements for the financial years ended 31 December 2016 and 31 December 2015 of the Guarantor,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with article 16 of the Prospects Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Issuer's office as set out at the end of this Base Prospectus. In addition, such documents will be available free of charge from the principal office in Luxembourg of Banque Internationale à Luxembourg, *société anonyme* for Notes listed on the Luxembourg Stock Exchange. The Base Prospectus and the documents incorporated by reference are available for viewing at [www.bourse.lu](http://www.bourse.lu).

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

## Cross Reference List

### *SCA Hygiene AB*

#### *Financial Statements for the financial years ended 31 December 2016 and 31 December 2015*

##### **Annual report 2016**

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Consolidated Income Statement	page 34
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The auditors' report for the financial year ended 31 December 2015 has been prepared by PricewaterhouseCoopers AB and is not included in the Issuer's Annual Report 2016, but has been separately published and filed with the Luxembourg Stock Exchange.

##### **PricewaterhouseCoopers AB Independent Auditors Report for the financial year ending 31 December 2015**

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### *Svenska Cellulosa Aktiebolaget SCA (publ)*

#### *Financial Statements*

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Any information included in the Annual Reports mentioned above but not incorporated by reference is either not relevant to an investor or covered elsewhere in this Base Prospectus.

## CERTAIN NON-IFRS FINANCIAL INFORMATION

### Alternative Performance Measures – BSN Medical Group

On page 68 of this Base Prospectus, Adjusted EBITDA is presented in respect of the BSN Medical Group ("**BSN Medical**"). An explanation of this measure is set out below.

The Issuer believes that the presentation of Adjusted EBITDA in respect of BSN Medical is helpful to investors because these and other similar measures are used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of BSN Medical's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in BSN Medical's industry as well as the Issuer and Guarantor, may calculate EBITDA and, if applicable, Adjusted EBITDA differently from BSN Medical. As all companies do not calculate EBITDA and, where relevant Adjusted EBITDA in the same manner, the presentation of these measures pertaining to BSN Medical may not be comparable to other similarly titled measures of other companies, including the Issuer and Guarantor.

### EBITDA

"**EBITDA**" means income before income taxes and financial income (costs) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets including goodwill. For the purposes of indicating EBITDA under normal circumstances, BSN Medical makes a distinction between EBITDA and "**Adjusted EBITDA**", where "Adjusted EBITDA" is the EBITDA plus one-off costs such as costs related to the sale of the BSN Medical Group, certain acquisition projects and integration, the one-off costs for a material cost reduction programme to fund growth investments and one-off costs for an ongoing change process ("**Items affecting comparability**"). The Items affecting comparability are not recognised as restructuring expenses under IFRS.

EBITDA is not a measure of financial performance under IFRS. In determining EBITDA for any financial period, BSN Medical adds back to profit for such period the following items:

- Amortisation and depreciation;
- Impairment; and
- Restructuring expenses

In addition, and in order to indicate the EBITDA under normalised circumstances, BSN Medical further adds back items affecting comparability, if any.

Some of the limitations of using EBITDA or Adjusted EBITDA as financial measures are:

- they do not reflect BSN Medical's cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, BSN Medical's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measures do not reflect any cash requirements for such replacement.

The table below shows a reconciliation of BSN Medical's reported profit to EBITDA and Adjusted EBITDA for the 2016 financial year with comparable figures for the 2015 financial year.



<b>EUR (MILLION)</b>	<b>2015</b>	<b>2016</b>
Result from operating activities .....	76	75
Amortisation and depreciation .....	57	61
Impairment.....	19	5
Restructuring expenses .....	27	23
<b>EBITDA</b> .....	181	164
Items affecting comparability.....	21	46 <sup>(1)</sup>
<b>Adjusted EBITDA</b> <sup>(2)</sup> .....	201	210

(1) including EUR 24,4 million related to sale of BSN Medical

(2) the calculation is based on historic information pertaining to BSN Medical as presented in BSN Medical's financial statements

## FORM OF THE NOTES

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

- (i) if the Global Notes (as defined under "Terms and Conditions of the 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 for Euroclear and Clearstream Luxembourg; and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg.

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

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

If the Specified Denomination of the Notes stated in the final terms includes language substantially to the following effect: "*€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000*", the Notes cannot be represented on issue by a Temporary Global Note exchangeable for Definitive Notes, or by a Permanent Global Note exchangeable for Definitive Notes other than in the following limited circumstances:

- (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be)) of the Permanent Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, 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 Global Note) to the 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 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in

fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the 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 Agent.

The following legend will appear on all 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 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 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.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the 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 which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 10 March 2017 and executed by the Issuer.

## 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 with a denomination of at least EUR 100,000 (or its equivalent in another currency).

[Date]

**SCA Hygiene AB (publ)**

**Guaranteed by**

**Svenska Cellulosa Aktiebolaget SCA (publ)**

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

**under the euro 6,000,000,000  
Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [•] 2017 [and the supplement[s] thereto dated [•]] (the "**Base Prospectus**"), which constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at, and copies may be obtained from, the specified office of each of the Paying Agents. The Base Prospectus and (in the case of Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

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

1.
  - (i) Series Number: [•]
  - (ii) Tranche Number: [•]
  - [(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below [which is expected to occur on or about [•]].]
2. Specified Currency or Currencies: [•]
3. Aggregate Nominal Amount:
  - (i) [Series: [•]]
  - (ii) [Tranche: [•]]
4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
5.
  - (i) Specified Denominations: [•]
  - (ii) Calculation Amount: [•]
6.
  - (i) Issue Date: [•]
  - (ii) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*

7. Maturity Date: *[Specify date or (for Floating Rate Notes and Fixed Rate Notes denominated in Renminbi) the Interest Payment Date falling in or nearest to the relevant month and year]*
8. Interest Basis: *[[•] per cent. Fixed Rate]*  
*[[LIBOR/EURIBOR/STIBOR] +/- [•] per cent. Floating Rate]*  
*[Zero Coupon]*  
*[Not Applicable]*  
*(further particulars specified below)*
9. Redemption/Payment Basis: *[Redemption at par]*  
*[Instalment]*
10. Change of Interest Basis: *[Not Applicable] / [From [insert date / Interest Payment Date] onwards the interest rate basis for payments shall be [•]]*
11. Put/Call Options: *[Investor Put]*  
*[Change of Control Put Option]*  
*[Issuer Call]*  
*[Make-Whole Redemption]*  
*[Special Redemption Event]*  
*[Not Applicable]*  
*(further particulars specified below)*
12. Date [Board] approval for issuance of Notes obtained: *[•]*
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 subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: *[•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]*
- (ii) Interest Payment Date(s): *[•] in each year up to and including the Maturity Date*  
*[Insert the following option for Renminbi Notes if Interest Payment Dates are to be modified: Interest Payment Dates will be adjusted for calculation of interest and for payment purposes in accordance with the [specify applicable Business Day Convention]]*
- (iii) Fixed Coupon Amount(s): *[•] per Calculation Amount*  
*[Insert the following option for Renminbi Notes: Each Fixed Coupon Amount shall be calculated by the Calculation Agent by multiplying the product of the relevant Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards.]*

(iv)	[Party responsible for calculating the Fixed Coupon Amount(s):	<i>[Include this item for Renminbi Notes only: The Issuing and Principal Paying Agent/[•] shall be the Calculation Agent]</i>
(v)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]] [Not Applicable]
(vi)	Day Count Fraction:	[30/360/ Actual/Actual (ICMA)/ Actual/365 (Fixed)]
(vii)	Determination Date(s):	[[•] in each year] [Not Applicable]
15.	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(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]
(iii)	Additional Business Centre(s):	[Not Applicable/[•]]
(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[Not Applicable/[•]]
(vi)	Screen Rate Determination:	[Applicable/Not Applicable]
	– Reference Rate:	[LIBOR/EURIBOR/STIBOR]
	– Interest Determination Date(s):	[•]
	– Relevant Screen Page:	[•]
(vii)	ISDA Determination:	[Applicable/Not Applicable]
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	– ISDA Definitions:	[2006]
(viii)	Linear interpolation	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(ix)	Margin(s):	[+/-] [•] per cent. per annum
(x)	Minimum Rate of Interest:	[[•] per cent. per annum] [Not Applicable]
(xi)	Maximum Rate of Interest:	[[•] per cent. per annum] [Not Applicable]
(xii)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/Actual]

		Actual/365 (Fixed)
		Actual/365 (Sterling)
		Actual/360
		30/360
		360/360
		Bond Basis
		30E/360
		Eurobond Basis
		30E/360 (ISDA)]
16.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Accrual Yield:	[•] per cent. per annum
	(ii) Reference Price:	[•]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
17.	<b>Issuer Call:</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount:	[[•] per Calculation Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[•] per Calculation Amount/Not Applicable]
	(b) Maximum Redemption Amount:	[[•] per Calculation Amount/Not Applicable]
	(iv) Notice period (if other than as set out in the Conditions):	[Not Applicable/[•]]
18.	<b>Special Redemption Event:</b>	[Applicable/Not Applicable]
19.	<b>Make-Whole Redemption:</b>	[Applicable/Applicable from, and including, [•] to, but excluding, [•]/Not Applicable]
	(i) Make-Whole Redemption Margin:	[•]
	(ii) Reference Bond:	[[•]/DA Selected Bond/Not Applicable]
	(iii) Quotation Time:	[•]
20.	<b>Investor Put:</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount:	[[•] per Calculation Amount]
	(iii) Notice period (if other than as set out in the Conditions):	[Not Applicable/[•]]
21.	<b>Change of Control Put Option</b>	[Applicable/Not Applicable]

22. **Final Redemption Amount:** [[•] per Calculation Amount]
23. **Early Redemption Amount:** [[•] per Calculation Amount]

Early Redemption Amount payable on redemption for taxation reasons or on event of default:

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **Form of Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]  
 [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
 [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
25. New Global Note Form: [Applicable/Not Applicable]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/[•]]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]
28. Details relating to Instalment Notes:  
 (i) [Instalment Amount(s): [Not Applicable/[•]]  
 (ii) [Instalment Date(s): [Not Applicable/[•]]
29. Redenomination applicable: Redenomination [not] applicable
30. Calculation Agent (including, in the case of Renminbi Instruments, the party responsible for calculating the Fixed Coupon Amount(s)): Not Applicable/The Issue and Paying Agent/Name [For fixed rate Instruments, select "Not Applicable" unless the Instruments are Renminbi Instruments, in which case a Calculation Agent would be required.]

#### DISTRIBUTION

31. If syndicated, names and addresses of Managers and underwriting comments: [Not Applicable/*give names, addresses and underwriting comments*]
32. If non-syndicated, name and address of relevant Dealer: [Not Applicable/*give name and address*]

#### THIRD PARTY INFORMATION

[[Relevant third party information has been extracted from [specify source]. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading]/[Not Applicable].



Signed on behalf of SCA Hygiene AB (publ)

By: .....

*Duly authorised*

Signed on behalf of Svenska Cellulosa Aktiebolaget SCA (publ)

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING & ADMISSION TO TRADING

- (i) Listing and Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange] with effect from [•].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [Not Applicable/[•]]

### 2. RATINGS

- Ratings: [The Notes to be issued have not been rated.]
- [The Notes to be issued [[have been]/[are expected to be]] rated:]
- [Standard & Poor's Credit Market Services Europe Limited : [•]]
- [Moody's Deutschland GmbH : [•]]
- [[Other]: [•]]
- [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [•].]
- [Option 1 - CRA established in the EEA and registered under the CRA Regulation*
- [•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). [•] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.
- [Option 2 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation*
- [•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). [Insert legal name of particular credit rating agency entity providing rating] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.
- [Option 3 - CRA is not established in the EEA and*

*relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation*

[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*Option 4 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation*

[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under 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. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and/or the Guarantor and their affiliates in the ordinary course of business]/[Not Applicable]/[ ].

4. **REASONS FOR OFFER**

[The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes]/[•]

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

Indication of yield: [Not Applicable/[•]]

6. **OPERATIONAL INFORMATION**

- (i) ISIN Code: [•]
- (ii) Common Code: [•]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/[•]]
- (vi) 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 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.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be inserted 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 or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable 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 Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

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

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

- (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; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 10 March 2017 and made between the Issuer, Svenska Cellulosa Aktiebolaget SCA (publ) (the "**Guarantor**"), Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest bearing definitive 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 Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. 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 complete these Terms and Conditions (the "**Conditions**"). 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.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**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 Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Notes are the subject of a deed of guarantee dated 10 March 2017 (the "**Deed of Guarantee**") entered into by the Guarantor. The terms of the guarantee (the "**Guarantee of the Notes**") are set out in the Deed of Guarantee.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the "**Deed of Covenant**") dated 10 March 2017 made by the Issuer.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available during normal business hours for viewing at the specified office of each 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 Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. 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 Deed of Covenant, the Deed of Guarantee and the applicable Final Terms which are applicable to them. The statements in the 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 the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. **FORM, DENOMINATION AND TITLE**

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

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

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

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

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

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

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

## 2. STATUS AND GUARANTEE

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

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

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

The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes, until the termination of the Deed of Guarantee, which will occur on the Demerger Date (as defined below).

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

On the Demerger Date, the Guarantor will be released from all of its obligations under the Guarantee of the Notes in accordance with the terms of the Deed of Guarantee. From the Demerger Date, references to the Guarantor, Guarantee of Notes and the Deed of Guarantee in the Conditions shall be ignored without any further action required on the part of the Issuer, the Guarantor, the Agent, any Noteholder or any Couponholder. For avoidance of doubt, if the Demerger Date does not occur, the Deed of Guarantee will remain in full force and effect, without any further action required on the part of the Issuer, the Guarantor, the Agent, any Noteholder or any Couponholder, for so long as any Note is outstanding. The Issuer will announce the occurrence of the Demerger Date through a recognised regulatory news service and/or the Issuer's website ([www.sca.com](http://www.sca.com)).

For the purposes of the Conditions:

**"Demerger Date"** means the date on which the demerger of the Issuer and the Guarantor (the **"Demerger"**) is completed, which is the date of the distribution, as a dividend in kind, of all of the shares in the Issuer to the then existing shareholders of the Guarantor.

## 3. NEGATIVE PLEDGE

- (a) So long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that none of its Principal Subsidiaries shall, create or permit to subsist any mortgage, pledge, lien, charge or other security interest upon the whole or any part of their respective present or future undertakings, assets or revenues (including any uncalled capital), to secure any (i) existing or future Relevant Indebtedness or (ii) guarantee or indemnity in respect of any existing or future Relevant Indebtedness of a third party, without in any such case at the same time according to the Notes either (x) the same security as is granted to or is outstanding in respect of such Relevant Indebtedness or (y) such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders,

*provided*, however that the foregoing restrictions shall not apply to:

- (i) any Security Interest existing on any property or asset prior to the acquisition thereof by the Issuer or the Guarantor or any Principal Subsidiary or existing on any property or asset of any Person that becomes a Principal Subsidiary after the date hereof prior to the time such Person becomes a Principal Subsidiary, provided that (i) such Security Interest is not created in

contemplation of or in connection with such acquisition or such Person becoming a Principal Subsidiary, as the case may be, (ii) such Security Interest shall not apply to any other property or assets of the Issuer or Guarantor or any Principal Subsidiary and (iii) such Security Interest shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Principal Subsidiary, as the case may be and extensions, modifications, renewals and replacements thereof do not increase the principal amount thereof; and

- (ii) Security Interests arising from any Project Finance Debt.

For the purposes of the Conditions:

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, government authority or other entity;

**"Principal Subsidiary"** means any Subsidiary of the Issuer or the Guarantor:

- (a) of which the turnover or total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries and which, in the normal course, prepares consolidated accounts) represents not less than ten per cent. (10%) of the consolidated turnover or the consolidated total assets of the Issuer or the Guarantor, as applicable, and its Subsidiaries determined by reference to the latest audited accounts; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer or the Guarantor, as applicable, which immediately before the transfer is a Principal Subsidiary,

excluding any Subsidiary at least ten per cent. (10%) of whose equity share capital is listed on a recognised stock exchange and which has no debt outstanding which is guaranteed by the Issuer or the Guarantor, as applicable, all as more particularly defined in the Agency Agreement.

A report of independent auditors appointed by the Issuer that in their opinion a Subsidiary of the Issuer or the Guarantor, as applicable, 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 all parties.

**"Project Finance Debt"** means any indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereto) or any other similar non-recourse indebtedness which is properly regarded as project finance debt;

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

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

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



#### 4. INTEREST

(a) *Interest on Fixed Rate Notes:*

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

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 the 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
- (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 4(a):

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

days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365; and
- (iii) 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 the Conditions:

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

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

(b) *Interest—Supplemental Provision for Renminbi Notes:*

This Condition 4(b) shall apply to Fixed Rate Notes denominated in Renminbi (the "**Renminbi Notes**") only where the Final Terms for the relevant Renminbi Notes specify that the Interest Payment Dates are subject to adjustment.

For such Notes, the relevant Fixed Coupon Amount shall be calculated by the Calculation Agent by multiplying the product of the relevant Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards. The Calculation Agent shall cause any Fixed Coupon Amount so calculated and the relevant Interest Payment Date to be notified to the Issuing and Principal Paying Agent, the Issuer, the Guarantor and the Noteholders in accordance with Condition 13 (Notices) and, if the Notes admitted to listing and/or trading on any stock exchange and the rules of such exchange so require, the relevant stock exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. For the purposes of these Conditions, "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

(c) *Interest on Floating Rate Notes:*

(i) Interest Payment Dates:

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

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls 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 the 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 in 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:

- (C) in any case where Specified Periods are specified in accordance with Condition 4(c)(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) above 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
- (1) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
  - (2) 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
  - (3) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the 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 London and 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 and 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 or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

(ii) *Rate of Interest:*

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

- (A) *ISDA Determination for Floating Rate Notes:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the 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 LIBOR, EURIBOR, or STIBOR, 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.

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

- (B) *Screen Rate Determination for Floating Rate Notes:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
- (1) the offered quotation; or
  - (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a 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, Brussels time, in the case of EURIBOR, or Stockholm time, in the case of STIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if no offered quotation appears or fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic

mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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, EURIBOR or STIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

For the purposes of this sub-paragraph (B), "**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent or as specified in the applicable Final Terms.

(iii) *Linear Interpolation:*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight-line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), where:

- (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period;

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

(iv) *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.

(v) *Determination of Rate of Interest and calculation of Interest Amounts:*

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

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

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

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

- (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:

$$\text{Day count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

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

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

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

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

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

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

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

$$\text{Day count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

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

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

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

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

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

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

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

$$\text{Day count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

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

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

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

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

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

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

- (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 4(c), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent in connection with the exercise or nonexercise by it of its powers, duties and discretions pursuant to such provisions.

- (d) *Fixed/Floating Rate Notes:*

This Condition 4(d) (*Fixed/Floating Rate Notes*) is applicable to the Notes only if the Fixed Rate Note Provisions and the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable. The Issuer may issue Notes (i) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant 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, upon due presentation



thereof, 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 Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

For the purposes of the Conditions:

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

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

**"STIBOR"** means, in respect of Swedish Kronor and for any specified period, the interest rate benchmark known as the Stockholm interbank offered rate which is calculated and published by a designated distributor (currently Nasdaq Stockholm) based on estimated interbank borrowing rates for Swedish Kronor for a number of designated maturities which are provided by a panel of contributor banks (details of historic STIBOR rates can be obtained from the designated distributor).

## 5. PAYMENTS

(a) *Method of payment subject as provided below:*

- (i) Payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, 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 and Auckland, respectively).
- (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.
- (iii) Payments in Renminbi will be made by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in Hong Kong).

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

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest

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

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(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 Condition 5(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive 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 form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

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

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

such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) *General provisions applicable to payments:*

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

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

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

(e) *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 8) is:

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

(f) *Interpretation of principal and interest:*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(f)); 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 the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

For the purposes of the Conditions, "**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount (being 100 per cent. of the principal amount or higher) as may be specified in the relevant Final Terms.

## 6. REDEMPTION AND PURCHASE

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

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

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

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if this Note is not a Floating Rate Note); or
- (ii) on any Interest Payment Date (if this Note is a Floating Rate Note),

on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (A) (1) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer; or
- (B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes), would become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Guarantor,

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

- (1) 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall make available to the Noteholders (1) copies of a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) 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 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(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.

If Make-Whole Redemption 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 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or, if so provided, some only of the Notes at any time or from time to time (a) where no particular period during which Make-Whole Redemption is applicable is specified, prior to their Maturity Date, or (b) where Make-Whole Redemption is specified as only being applicable for a certain period, during such period, in each case on the date for redemption specified in such notice (the "**Make-Whole Redemption Date**") at the Make-Whole Redemption Amount. The Make-Whole Redemption Amount will be calculated by the Determination Agent and will be the greater of (x) 100 per cent. of the principal amount of the Notes so redeemed and (y) the sum of

the then present values of each remaining scheduled payments of principal and interest on such Notes (not including any interest accrued on the Notes to, but excluding, the relevant Make-Whole Redemption Date) discounted to the relevant Make-Whole Redemption Date on an annual basis at the Make-Whole Redemption Rate plus the Make-Whole Redemption Margin, if any, specified in the applicable Final Terms, plus, in each case, any interest accrued on the Notes to, but excluding, the Make-Whole Redemption Date.

All Notes in respect of which any such notice of redemption is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

For the purposes of this Condition 6(c):

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

"**Determination Agent**" means a financial adviser selected by the Issuer.

"**Make-Whole Redemption Rate**" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption.

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

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

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

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

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

(d) *Redemption upon the occurrence of a Special Redemption Event (Issuer Call):*

If a Special Redemption Event is specified in the applicable Final Terms, upon the occurrence of a Special Redemption Event, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes then outstanding at the Special Redemption Event Price.

All Notes in respect of which any such notice of redemption is given shall be redeemed on the date specified in such notice in accordance with this Condition.

For the purposes of the Conditions:

**"Acquisition Announcement"** means the announcement made on 19 December 2016 by the Guarantor in relation to the Acquisition (as defined below).

**"Acquisition Long Stop Date"** means the date falling 12 months after the date of the Acquisition Announcement (being 19 December 2017), or if the Issuer has notified the Noteholders in accordance with Condition 13 (*Notices*) and given notice to the Paying Agent prior to such date that the Acquisition Long Stop Date has been extended, the date falling 18 months after the date of the Acquisition Announcement (being 19 June 2017);

**"Special Redemption Event"** means:

- (a) an announcement by the Issuer of the withdrawal or lapse of the proposed acquisition by SCA Group Holding B.V. of BSN Medical Group (the **"Acquisition"**) and that it is no longer pursuing the Acquisition; or
- (b) the completion of the Acquisition in accordance with its terms not occurring on or prior to the Acquisition Long Stop Date (in which case the Special Redemption Event will be deemed to have occurred on the Acquisition Long Stop Date); and

**"Special Redemption Event Price"** means 101 per cent. of the principal amount of the Notes together, if appropriate, with interest accrued to (but excluding) the date specified for redemption.

- (e) *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 13 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.

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, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **"Put Notice"**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 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, 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 of such exercise in accordance with the

standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

(f) *Early Redemption Amounts:*

For the purpose of Condition 6(b) above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note but including an Instalment 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
- (ii) 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;

"**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.

(g) *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 Condition 6(f) above.

(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 Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) *Cancellation:*

All Notes which are redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries will forthwith be cancelled (together with all unmatured 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 Condition 6(i) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the 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 Condition 6(a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and



repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(f)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

(k) *Redemption at the option of Noteholders on change of control (Change of Control Put Option):*

If a Change of Control Put Option is specified in the relevant Final Terms as being applicable, and, if at any time while any Note remains outstanding (i) a Change of Control occurs and (ii) within the Change of Control Period (A) (if at the time that the Change of Control occurs the Notes are rated by a Rating Agency) a Rating Downgrade in respect of that Change of Control occurs, or (B) (if at such time the Notes are not rated) a Negative Rating Event in respect of that Change of Control occurs (in either case, a "**Put Event**"), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under Condition 6(b)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (Put) (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (Put).

A "**Change of Control**" shall be deemed to have occurred at each time (whether or not approved by the board of directors or senior management of the Issuer) that any person ("**Relevant Person**") or persons acting in concert or any person or persons acting on behalf of any such person(s), at any time (A) directly or indirectly acquires more than 50 per cent. of the issued ordinary share capital of the Issuer or (B) directly or indirectly acquires such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights exercisable at general meetings of the Issuer, or (C) are able to give directions with respect to the operating and financial policies of the Issuer with which the directors are obliged to comply or (D) are able to appoint or remove all, or the majority of the directors or other equivalent officers of the Issuer, provided that a Change of Control shall not be deemed to have occurred: (i) if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of the Issuer; or (ii) as a result of the Demerger.

"**Change of Control Period**" means the period ending 180 days after the Relevant Announcement Date (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 180 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

"**Investment Grade Rating**" means a rating of BBB- by S&P or Baa3 by Moody's or their equivalent for the time being, or better.

A "**Negative Rating Event**" shall be deemed to have occurred if (i) the Issuer does not on or before the 45th Business Day after the relevant Change of Control seek, and use all reasonable endeavours to obtain from a Rating Agency, a rating in respect of the Notes or (ii) if it does so seek and use such endeavours, it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained an Investment Grade Rating, provided that the Rating Agency publicly announces or publicly confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the applicable Change of Control.

"**Rating Agency**" means each of Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and Moody's Investors Service Limited ("**Moody's**") and their successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (x) withdrawn or (y) changed from an Investment Grade Rating to a non-Investment Grade Rating (BB+ by S&P/Ba1 by Moody's, or their equivalent for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall, immediately prior to the Change of Control Period, be below an Investment Grade Rating) lowered one full rating category (for example, from BB+ to BB by S&P or Ba1 to Ba2 by Moody's or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

"**Relevant Announcement Date**" means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any).

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 90 days following the date of such announcement or statement, a Change of Control occurs.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 6(k).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6(k) the holder of that Note must, if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note, on any Payment Day (as defined in Condition 5) in the city of the specified office of the relevant Paying Agent falling within the period (the "**Put Period**") of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Option 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 6(k). The Note should be delivered together with all Coupons appertaining thereto maturing after the date (the "**Optional Redemption Date (Put)**") which is the seventh day after the last day of the Put Period, failing which an amount will be deducted from the payment to be made by the Issuer on redemption or, as the case may be, purchase of the Notes corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 6(k) the holder of the Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Paying Agent to which such Note and Put Option Notice are delivered or the Agent, as the case may be, will issue to the holder concerned a non-transferable receipt (a "**Put Option Receipt**") in respect of the Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear or Clearstream, Luxembourg, notice so received. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed and purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Option Notice to which

payment is to be made, on the Optional Redemption Date (Put) by transfer to that bank account and in every other case on or after the Optional Redemption Date (Put), in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 6(k).

## 7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Sweden, or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or (as the case may be) the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, 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) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Sweden 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 5(e));
- (c) where such withholding or deduction is imposed pursuant to the Luxembourg law of 23 December 2005 on the taxation of income received by individuals resident in Luxembourg; or
- (d) by a Holder which is liable any such withholding or deduction imposed or required pursuant to an agreement described in Section 1471(b) of the Code or otherwise pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

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 Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Notwithstanding anything to the contrary in these Terms and Conditions of the Notes, none of the Issuer, the Guarantor, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

## 8. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

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

## 9. EVENTS OF DEFAULT

### (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 fails to pay any amount of principal or interest due in respect of the Notes or any of them and such default continues for the period of five business days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (ii) *Other Obligations:* the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Conditions or the Guarantee of the Notes and (except in any case where such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 business days next following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (iii) *Cross Default:* (a) any Indebtedness for Borrowed Money of the Issuer, or any of its Material Subsidiaries, or the Guarantor becomes capable of being declared, or is declared, due and payable prior to its scheduled maturity as a result of a default thereunder; (b) any Indebtedness for Borrowed Money of the Issuer, any of its Material Subsidiaries, or the Guarantor is not paid when due or within any originally applicable grace period therefor; (c) any security given by the Issuer, or any of its Material Subsidiaries, or the Guarantor for any Indebtedness for Borrowed Money becomes enforceable; (d) the Issuer or any of its Material Subsidiaries, or the Guarantor in respect of any Indebtedness for Borrowed Money is not honoured when due and called upon or within any originally applicable grace period therefor provided that no such event shall constitute an Event of Default unless (A) the aggregate amount of such Indebtedness for Borrowed Money or other relative liability in respect of which any of the events mentioned in this paragraph (iii) have occurred and have not been satisfied exceeds half of one per cent. (0.5%) of Consolidated Shareholders Equity (or its equivalent in other currencies) and (B) such indebtedness is not contested in good faith by appropriate means and further provided that none of the events referred to in (a), (c) or (d) above shall constitute an Event of Default where they arise in respect of a recently acquired Material Subsidiary as a direct result of such acquisition; or
- (iv) *Winding-up:* if any order is made by any competent court or resolution passed for the winding-up, liquidation or dissolution of the Issuer, or any of its Material Subsidiaries, or the Guarantor (save, in the case of the Issuer, for the purposes of a reorganisation on terms previously approved by an Extraordinary Resolution, or, in the case of a Material Subsidiary or the Guarantor, for the purposes of a reorganisation whilst solvent); or
- (v) *Cessation of Business and Insolvency:* if the Issuer, or any of its Material Subsidiaries, or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, (save, in the case of the Issuer, for the purposes of a reorganisation on terms previously approved by an Extraordinary Resolution or, in the case of a Material Subsidiary or the Guarantor, for the purposes of a reorganisation whilst solvent), or the Issuer, or any of its Material Subsidiaries, or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) *Execution or Distress:* if (a) proceedings are initiated against the Issuer, or any of its Material Subsidiaries, or the Guarantor under any applicable liquidation, insolvency,

composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, or any of its Material Subsidiaries, or the Guarantor or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (b) in any case (other than the appointment of an administrator) is not discharged within 30 days; or

- (vii) *Rescheduling*: if the Issuer, or any of its Material Subsidiaries, or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with any one or more of its creditors with a view to the general readjustment or rescheduling of the indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (viii) *Repudiation*: the Issuer repudiates its obligations in respect of the Notes or the Guarantor repudiates its obligations under the Deed of Guarantee, or the Issuer, or the Guarantor, as the case may be, does or causes to be done any act or thing which evidences 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 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, (b) to ensure that those obligations are legal, valid binding and enforceable or (c) to make the Notes and the Coupons admissible in evidence in Sweden is not done, fulfilled or performed; or
- (x) *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 Condition 9(iv), (v), (vi) and (vii) above; or
- (xi) *Guarantee not in force*: if prior to the Demerger Date, the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then any Noteholder may, by written notice addressed by the Noteholder to the Issuer at the specified office of the Agent, effective upon the date of receipt by the Agent, declare any Note held by it to be immediately due and payable, whereupon it shall become immediately due and payable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment without further action or formality of any kind.

(b) *Definitions:*

For the purposes of the Conditions:

**"Consolidated Shareholders Equity"** means the sum of (i) share capital, (ii) statutory reserves, (iii) unrestricted reserves (including, for the avoidance of doubt, retained earnings), (iv) minority interest and (v) net income after tax for the period reported, of the Issuer and its consolidated subsidiaries;

**"Indebtedness for Borrowed Money"** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

**"Material Subsidiary"** means any Subsidiary of the Issuer:

- (A) of which the turnover or total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries and which, in the normal course, prepares consolidated accounts) represents not less than ten per cent. (10%) of the consolidated turnover or the consolidated total assets of the Issuer and its Subsidiaries determined by reference to the latest audited accounts; or
- (B) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary,

all as more particularly defined in the Agency Agreement.

A report by two directors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Such report may, if requested, be accompanied by a report from the Auditors addressed to the Directors of the Issuer as to proper extraction of figures used by the Directors of the Issuer in determining a Material Subsidiary as to mathematical accuracy of the calculations.

#### 10. **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 Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### 11. **PAYING AGENTS**

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

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

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

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). 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 13.

In acting under the Agency Agreement, the Paying 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 Paying 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 paying agent.

#### 12. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the

specified office of the 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 8.

### 13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu), and in a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the 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.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or 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 day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

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

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by the Issuer and the Guarantor (acting together) if required in writing by Noteholders holding not less than five 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 Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is in the reasonable opinion of the Issuer 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 in the reasonable opinion of the Issuer of a formal, minor or technical nature or is made to correct a manifest or proven 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 13 as soon as practicable thereafter.

15. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, 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.

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

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

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

- (a) *Governing law:*

The Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

- (b) *Submission to jurisdiction:*

Each of the Issuer and the Guarantor agrees 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 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 may be brought in such courts.

Each of the Issuer and the Guarantor hereby irrevocably waives 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 to the extent that the bringing of such proceedings is not contrary to relevant law.



(c) *Appointment of Process Agent:*

Each of the Issuer and the Guarantor appoints SCA UK Holdings Limited at its registered office at Southfields Road, Dunstable, Bedfordshire LU6 3EJ (Attention: The Secretary) as its agent for service of process, and undertake that, in the event of SCA UK Holdings Limited ceasing so to act or ceasing to be registered in England, they will appoint another person as their 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 and the Guarantor (as applicable) have in the Agency Agreement, the Deed of Guarantee and the Deed of Covenant 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 Issuer for its general corporate purposes unless, in respect of an issue of Notes, there is a particular identified use of proceeds, in which case the use of proceeds will be stated in the applicable Final Terms.

## THE ISSUER AND THE GROUP

### Overview of the Group

Svenska Cellulosa Aktiebolaget SCA (publ) ("**SCA**") and its consolidated subsidiaries (the "**Group**") is a global hygiene and forest products group that sustainably develops, produces, markets and sells personal care, tissue and forest products. At the end of 2016, the Group had 46,429 employees. The Group has sales in approximately 100 countries and owns production in approximately 30 countries. The shares of SCA are admitted to trading on Nasdaq Stockholm. As of 31 December 2016, the Group had a market capitalisation of SEK 180 billion.

The Group comprises of three business areas – Personal Care, Tissue and Forest Products.

These business areas are organised in five business units: SCA AfH Professional Hygiene, which offers AfH tissue in Europe and North America; SCA Consumer Goods, which offers personal care products and tissue in Europe, Middle East and Africa; SCA Incontinence Care, which offers incontinence products in Europe and North America; SCA Latin America, which offers personal care products and tissue in Latin America and SCA Forest Products, which offers solid-wood products, pulp, kraftliner, publication paper, pellets and other types of biofuel, as well as district heating and green electricity. In addition to its business units, SCA has established three global units: Global Hygiene Category, with global responsibility for customer and consumer brands and innovation in the hygiene area; Global Hygiene Supply Tissue with global responsibility for sourcing, production, logistics and technology in tissue products and Global Hygiene Supply Personal Care products with global responsibility for sourcing, production, logistics and technology in personal care products.

In August 2016, SCA announced its decision to initiate work to prepare for a separation of the Group into two separate companies: a Hygiene Products company and a Forest Products company, each to be listed on Nasdaq Stockholm.

### Group History

SCA was incorporated in Sweden on 14 June 1915 and from 1929 was a holding company for ten forest industry companies that produced sawn timber products and pulp used for paper production in northern Sweden. These companies continued to operate as independent units until 1954 when they were merged into one company, SCA. SCA was listed on the Stockholm Stock Exchange (Nasdaq Stockholm) in 1950.

SCA has since expanded into other business areas and expanded its geographic presence. SCA has developed its business and is today a leading global hygiene and forest company. The hygiene business accounts for 86 per cent. of the Group's 2016 net sales and the forest products business accounted for 14 per cent. for the same period.

SCA is currently the parent company of the Group. Following completion of the Demerger of the Group (as defined and described below under "*Demerger*"), SCA will be the holding company of the forest products business of the Group (the "**Forest Products Business**").

The Forest Products Business develops, produces, markets and sells solid-wood products, pulp, kraftliner, publication paper, pellets and other types of biofuel, as well as district heating and green electricity. At the end of 2016, SCA owned 2.6 million hectares of forest land in Sweden.

SCA Hygiene AB (publ) ("**SCA Hygiene**") was incorporated on 25 April 1988 in Sweden and is currently a wholly owned subsidiary of SCA and is the holding company of the hygiene business of the Group (the "**Hygiene Products Business**") of the Group. SCA Hygiene is described in more detail below under "*SCA Hygiene*".

Following completion of the Demerger of the Group, SCA Hygiene will be the parent company of an independent Hygiene Products Business group and will no longer be a subsidiary of SCA.

### The Group's strategy

The Group's vision states that it is dedicated to improving well-being through the production and distribution of leading hygiene and health solutions. The Group's mission is to sustainably develop, produce, market and sell value-added hygiene and forest products and services.

The Group's objectives are to:

- generate increased shareholder value through profitable growth;
- enable more people every day to enjoy a fuller life;
- contribute to a sustainable and circular society; and
- enable its employees to realise their full potential, as part of one winning team.

The Group's strategy is to:

- win in chosen geographies and categories;
- focus on customers and consumers;
- build greater brands through innovation; and
- increase efficiency.

## Demerger

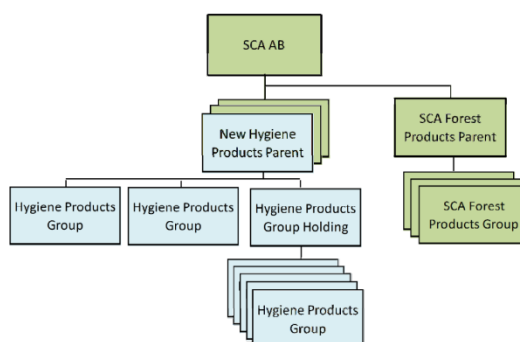
To further intensify the focus on the Group's two operations, SCA announced in August 2015, that it intended to re-organise the Group into two divisions – a hygiene products division and a forest products division.

Following further analysis, it was decided in August 2016 to initiate work to prepare for a proposal to SCA shareholders of a potential separation of the two divisions into two separate companies, each to be listed at Nasdaq Stockholm (the "**Demerger**")

Following the Demerger there will be two listed companies:

- SCA Hygiene - a hygiene business focused company made up of the Group's current Hygiene Products Business of personal care and tissue. SCA Hygiene is registered in Stockholm; and
- SCA - a forest products business focused company made up of the Group's Forest Products Business operations and all the forest land owned by the Group. It is intended to be registered in Sundsvall.

The first stage of the Demerger process was the transfer of all of the assets and liabilities of the Group pertaining to the Hygiene Products Business to SCA Hygiene under the following indicative new corporate structure (the "**Transfer**"):



All obligations of SCA as issuer of notes outstanding under SCA's EMTN Programme were also transferred to SCA Hygiene following a liability management exercise. The transfer of all material assets and liabilities pertaining to the Hygiene Products Business has been completed. The actual net debt of SCA Hygiene as at year end 2016 was SEK 35,173 million, however, this includes SEK 4,812 million which relates to the Forest Products Business, which will be reallocated to SCA later in the year.

The second stage of the Demerger process will be the distribution of the shares in SCA Hygiene by way of dividend to SCA's current shareholders. The intention is for the shares of SCA Hygiene to be admitted to trading on Nasdaq Stockholm.

The distribution of the shares in SCA Hygiene, which will result in the separation of the Group's operations, must be approved by the shareholders of SCA. The SCA board of directors has decided to

propose the distribution of shares and the subsequent listing of SCA Hygiene to shareholders at the annual general meeting on 5 April 2017. The distribution of shares in SCA Hygiene to the shareholders of SCA will be made in proportion to their holdings of SCA's class A and class B shares (the "**Proposal**"). If the shareholders approve the proposal, the distribution of the shares and listing of SCA Hygiene on Nasdaq Stockholm is intended to be carried out during the second half of 2017. After the Demerger is completed, the Hygiene Product Business and Forest Products Business will be vested in separate corporate groups.

## SCA Hygiene

SCA Hygiene is a limited liability company operating under the laws of Sweden. SCA Hygiene is registered in the Swedish Company Register (*Sw. Bolagsregistret*) – operated by the Swedish Companies Registration Office - with company number 556325-5511. The address of its registered office is P.O. Box 200, SE-101 23 Stockholm, Sweden and the phone number of the registered office is + 46 8 788 51 00. SCA Hygiene is currently a wholly owned subsidiary of SCA and is the holding company of the Hygiene Products Business of the Group.

SCA Hygiene is a global hygiene company that sustainably develops, produces, markets and sells personal care and tissue products. SCA Hygiene develops, produces, markets and sells consumer tissue, AfH tissue, incontinence care products, baby diapers and feminine care products. SCA Hygiene holds the number 1 or number 2 position within at least one hygiene product segment in some 90 countries.

## SCA Hygiene's market positions

	Global	Europe	North America	Latin America	Asia
Incontinence products	#1	#1	#4	#1	#3
Baby diapers	#4	#2	–	#6	#6
Feminine care products	#6	#3	–	#1	#12
Consumer tissue	#2	#1	–	#3	#1
AfH tissue	#1	#1	#2	#3	#3

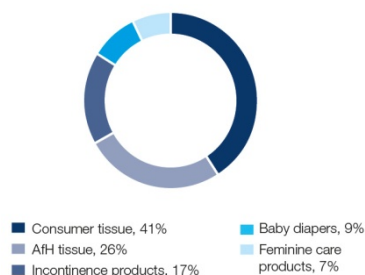
*Source:* The information has been compiled by SCA for presentation purposes based on statistics taken from external market sources including IRI, RISI, Nielsen and Price Hanna.

Sales are conducted in approximately 100 countries under globally leading brands, including TENA for incontinence products and Tork for AfH tissue, and under other well-known regional brands, such as Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa.

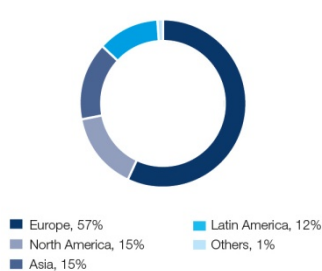
Distribution channels vary depending on the product segment and include the retail trade, online sales, pharmacies, care institutions and distributors. At the end of 2016, SCA Hygiene had 42,520 employees and conducted manufacturing activities at 81 production facilities in 30 countries.

SCA Hygiene's net sales by product segment, region and distribution channel for 2016 are presented in the graphs below.

Net sales by product segment, 2016



Net sale by region, 2016



Net sales by distribution channel, 2016



## Senior Management

Name	Born	Title	Education
Magnus Groth	1963	President, Chief Executive Officer	MSc Econ, MBA
Fredrik Rystedt	1963	Executive Vice President and CFO	MSc Econ
Joséphine Edwall-Björklund	1964	Senior Vice President, Group Function Communications	BSc in Communications
Pablo Fuentes	1973	President, SCA Latin America	MSc Econ, MBA
Donato Giorgio	1974	President, Global Hygiene Supply Tissue	MSc Mechanical Engineering
Ulrika Kolsrud	1971	President, Global Hygiene Supply Personal Care	MSc Chemical Engineering
Margareta Lehman	1958	President, SCA Incontinence Care	MSc Econ
Don Lewis	1961	President, SCA AfH Professional Hygiene	MSc Econ
Mikael Schmidt	1960	Senior Vice President, Group Function Legal Affairs, General Counsel	Master of Laws
Georg Schmundt-Thomas	1962	Senior Vice President, Global Hygiene Category	PhD, MA
Robert Sjöström	1964	Senior Vice President, Group Function Strategy and Business Development, Global Business Services and IT	MSc Econ, MBA
Kersti Strandqvist	1963	Senior Vice President, Group Function Sustainability	MSc Chem., Tech Lic.
Volker Zöller	1967	President, SCA Consumer Goods	Bsc BA
Anna Sävinger Åslund	1969	Senior Vice President, Group Function Human Resources	HR Management Degree

## Board of Directors

Name	Born	Title	Other board Membership
Pär Boman	1961	Chairman of the Board of SCA Hygiene since 2016, SCA Hygiene board member since 2016	Chairman of the Board of SCA and Handelsbanken. Deputy Chairman of the Board of Aktiebolaget Industrivärden and Member of the Board of Skanska AB.
Ewa Björling	1961	SCA Hygiene board member since 2016	Member of the Board of SCA, Biogaia AB and Mobilis AB.
Maija-Liisa Friman	1952	SCA Hygiene board member since 2016	Chairman of the Board of Helsinki Deaconess Institute. Vice Chairman of the Board of Neste Corporation and Member of the Board of SCA, Finnair, LKAB, the Securities Market Association and Boardman OY.
Annemarie Gardshol	1967	SCA Hygiene board member since 2016	President of PostNord Strålfors Group and Member of the Board of SCA.
Magnus Groth	1963	President and CEO of SCA Hygiene. SCA Hygiene board member since 2016.	President and CEO of SCA and Member of the Board of Acando AB.
Johan Malmquist	1961	SCA Hygiene board member since 2016	Member of the Board of SCA, Elekta AB, Getinge, Trelleborg, Mölnlycke

<b>Name</b>	<b>Born</b>	<b>Title</b>	<b>Other board Membership</b>
Barbara Milian Thoralfsson	1959	SCA Hygiene board member since 2016	Healthcare AB, the Chalmers University of Technology Foundation and the Dunker Foundations. Chairman of the Board of Tingstad Pappers AB. Chairman of the Board of ColArt Holdings Ltd. Member of the Board of SCA, Hilti AG, G4S Plc, and Norfolier GreenTec AS and industry advisor to EQT.
Bert Nordberg	1956	SCA Hygiene board member since 2016	Chairman of the Board of Vestas Wind Systems AS. Member of the Boards of SCA, AB Electrolux, SAAB, Skistar AB, and Axis AB.
Louise Svanberg	1958	SCA Hygiene board member since 2016	Member of the Board of SCA. Member of the Board and advisor of Careers Australia Group, member of the Advisory Board for Cue Bali Capital, Boston and member of MPM Bio-tech, investment committee.
Lars Rebien Sørensen	1954	SCA Hygiene board member since 2017	Board member and vice chairman in Carlsberg, board member in Novo Nordis Trust and Thermo Fisher Scientific

As far as is known to SCA Hygiene, no potential conflicts of interest exist between any duties to SCA Hygiene of the Board of Directors and Senior Management listed above and their private interests or other duties in respect of their management roles.

There are no principal activities performed by the Senior Management outside SCA Hygiene or SCA, where such activities are significant with respect to SCA Hygiene. The business address for each of the persons listed under Senior Management and Board of Directors is the registered office of SCA Hygiene, which is P.O. Box 200, SE-101 23 Stockholm, Sweden.

## SCA

SCA is a limited liability company operating under the laws of Sweden. SCA is registered in the Swedish Company Register (*Sw. Bolagsregistret*) with company number 556012-6293, the address of its registered office is P.O. Box 200, SE-101 23 Stockholm, Sweden and the phone number of the registered office is +46 8 788 5100.

According to the official share register for directly registered and trustee registered shareholders in Euroclear as of the date of the approval of this Base Prospectus, SCA is not directly or indirectly controlled by any one party (or parties acting in concert).

SCA is currently the parent company of the Group. A material part of SCA's operations take place through subsidiary entities, and SCA is therefore dependent on income received from its operating subsidiaries.

Following completion of the Demerger (as described in "*Demerger*" above), SCA will be the holding company of the Forest Products Business only. The Hygiene Products Business will be vested in SCA Hygiene and part of a separate corporate group.

## Senior Management

<b>Name</b>	<b>Born</b>	<b>Title</b>	<b>Education</b>
Magnus Groth	1963	President, Chief Executive Officer	MSc Econ, MBA
Fredrik Rystedt	1963	Executive Vice President and CFO	MSc Econ
Joséphine Edwall-Björklund	1964	Senior Vice President, Group Function Communications	BSc in Communications
Pablo Fuentes	1973	President, SCA Latin America	MSc Econ. MBA
Donato Giorgio	1974	President, Global Hygiene Supply Tissue	MSc Mechanical Engineering
Ulrika Kolsrud	1971	President, Global Hygiene Supply Personal Care	MSc Chemical Engineering

<b>Name</b>	<b>Born</b>	<b>Title</b>	<b>Education</b>
Ulf Larsson	1962	President, SCA Forest Products	BSc Forestry
Margareta Lehman	1958	President, SCA Incontinence Care	MSc Econ
Don Lewis	1961	President, SCA AfH Professional Hygiene	MSc Econ
Mikael Schmidt	1960	Senior Vice President, Group Function Legal Affairs, General Counsel	Master of Laws
Georg Schmundt-Thomas	1962	Senior Vice President, Global Hygiene Category	PhD, MA
Robert Sjöström	1964	Senior Vice President, Group Function Strategy and Business Development, Global Business Services and IT	MSc Econ, MBA
Kersti Strandqvist	1963	Senior Vice President, Group Function Sustainability	MSc Chem., Tech Lic.
Volker Zöller	1967	President, SCA Consumer Goods	Bsc BA
Anna Sävinger Åslund	1969	Senior Vice President, Group Function Human Resources	HR Management Degree

### Board of Directors

<b>Name</b>	<b>Born</b>	<b>Title</b>	<b>Other board Membership</b>
Pär Boman	1961	Chairman of the Board of SCA since 2015, SCA board member since 2010	Chairman of the Board of SCA Hygiene and Handelsbanken. Deputy Chairman of the Board of Aktiebolaget Industrivärden and Member of the Board of Skanska AB.
Ewa Björling	1961	SCA board member since 2016	Member of the Board of SCA Hygiene, Biogaia AB and Mobilis AB.
Maija-Liisa Friman	1952	SCA board member since 2016	Chairman of the Board of Helsinki Deaconess Institute. Vice Chairman of the Board of Neste Corporation and Member of the Board of SCA Hygiene, Finnair, LKAB, the Securities Market Association and Boardman OY.
Annemarie Gardshol	1967	SCA board member since 2015	President of PostNord Strålfors Group and Member of the Board of SCA Hygiene.
Magnus Groth	1963	President and CEO of SCA. SCA board member since 2015.	President and CEO of SCA Hygiene and Member of the Board of Acando AB.
Johan Malmquist	1961	Board member since 2016	Member of the Board of SCA Hygiene, Elekta AB, Getinge, Trelleborg, Mölnlycke Healthcare AB, the Chalmers University of Technology Foundation and the Dunker Foundations. Chairman of the Board of Tingstad Pappers AB.
Barbara Milian Thoralfsson	1959	SCA board member since 2006	Chairman of the Board of ColArt Holdings Ltd. Member of the Board of SCA Hygiene, Hilti AG, G4S Plc, and Norfolier GreenTec AS and industry advisor to EQT.
Bert Nordberg	1956	SCA board member since 2012	Chairman of the Board of Vestas Wind Systems AS. Member of the Boards of SCA Hygiene, AB Electrolux, SAAB, Skistar AB, and Axis AB,.
Louise Svanberg	1958	SCA board member since 2012	Member of the Board of SCA Hygiene. Member of the Board and advisor of Careers Australia Group, member of the Advisory Board for Cue Bali Capital, Boston and member of MPM Bio-tech, investment committee.
Roger Boström	1971	Vice Chairman Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand Pulp Mill, Timrå. SCA board member since 2013.	Member of the Swedish Trade Union Confederation (LO).
Örjan Svensson	1963	Senior Industrial Safety Representative at SCA Hygiene Products AB, Edet Bruk, Lilla Edet. SCA board member since 2005.	Member of the Swedish Trade Union Confederation (LO).



<b>Name</b>	<b>Born</b>	<b>Title</b>	<b>Other board Membership</b>
Thomas Wiklund	1955	Shift Production Manager and Chairman of Ledarna (Swedish Organization for Managers) at Munksund paper mill. SCA board member since 2009.	Member of the Council for Negotiation and Cooperation (PTK).

As far as is known to SCA, no potential conflicts of interest exist between any duties to SCA of the Board of Directors and Senior Management listed above and their private interests or other duties in respect of their management roles. There are no principal activities performed by the Senior Management outside SCA or SCA Hygiene, where such activities are significant with respect to SCA.

The business address for each of the persons listed under Senior Management and Board of Directors is the registered office of SCA, which is P.O. Box 200, SE-101 23 Stockholm, Sweden.

### **Significant Developments**

*May 2016* – SCA appointed Georg Schmundt-Thomas as its new President of Global Hygiene Category. He has global responsibility for SCA's customer and consumer brands and innovation in the hygiene area. Georg Schmundt-Thomas is a member of the Executive Management Team and reports to President and CEO Magnus Groth.

*August 2016* – SCA announced it will integrate its Business Unit MEIA (Middle East, India and Africa) into the Business Unit Consumer Goods to leverage its scale and capabilities and to further increase efficiency. Combining these organisations will help to achieve synergies and facilitate best practice sharing within the consumer business.

*August 2016* - SCA announced plans to split the Group into two listed companies in 2017, a hygiene products company and a forest products company (as described under "*Demerger*").

*August 2016* - SCA's Board of Directors appointed Ulf Larsson, current President of SCA Forest Products Business and a member of the Executive Management Team, Executive Vice President of SCA. This is in addition to his previous roles.

*September 2016* – SCA announced that it has decided to implement restructuring measures at its production plants in Hondouville and Saint-Etienne-du-Rouvray, France. The restructuring measures are aligned with the Group's strategy to improve production efficiency in order to drive cost and capital efficiency and further increase value creation in the Tissue business area. The restructuring measures include the closure of the oldest tissue machine in Hondouville and personnel reductions at Hondouville and Saint-Etienne-du-Rouvray. Total costs are expected to amount to approximately SEK 500million.

*October 2016* - SCA announced it has decided on capital structure and dividend policy targets for the Group's Hygiene Products Business. The capital structure target for SCA's Hygiene Products Business is to have an effective capital structure at the same time that the long-term access to debt financing is ensured. Cash flow in relation to net debt shall take into account the target to maintain a solid investment grade rating. SCA's hygiene business aims to provide long-term stable and rising dividends to its shareholders.

*30 September 2016* - SCA's net debt, including pension liabilities, which amounted to SEK 40,281million will be allocated pro-forma as follows: SEK 35,281million attributed to the Hygiene Products Business and SEK 5,000 million to the Forest Products Business.

*October 2016* – SCA announced a proposal to transfer all of the assets and liabilities (including existing notes previously issued by SCA in its capacity as issuer under its Euro Medium Term Notes Programme) pertaining to the hygiene business to SCA Hygiene. The transfer of all material assets and liabilities pertaining to the Hygiene Products Business has been completed.

*November 2016* – SCA announced that the noteholders' meeting, at which the proposal to substitute SCA in its capacity as issuer of the outstanding EMTN Programme notes with SCA Hygiene and to waive any and all events of default that could have been triggered in connection with the contemplated distribution of its shares in SCA Hygiene to its shareholders was approved.

*December 2016* – SCA entered into an agreement to acquire BSN Medical, a leading medical solutions company. BSN Medical develops, manufactures, markets and sells products within wound care, compression therapy and orthopedics. The acquisition is expected to complete during the second quarter 2017.

### **The acquisition of BSN Medical**

In December 2016, SCA entered into an agreement to purchase BSN Medical for EUR 2,740 million on a debt and cash free basis. The acquisition will be fully debt funded by the issuance of Notes under the Programme, other capital market transactions and/or the committed and uncommitted credit facilities that the Group has in place. The completion of the acquisition is subject to customary regulatory approvals. Upon completion of the acquisition, BSN Medical will be part of the SCA Hygiene group and will remain with the SCA Hygiene group following the Demerger. SCA Hygiene remains fully committed to retaining a solid investment grade rating.

BSN Medical is an innovative medical solutions company with well-known brands such as Leukoplast, Cutimed, JOBST, Delta Cast, Delta Lite and Actimove which are long established brand leaders in their respective markets. BSN Medical has a strong go-to-market strategy and supply chain with sales in more than 140 countries and production in 11 countries. BSN Medical has approximately 6,000 employees.

BSN Medical sales for the year ending 2015 amounting to EUR 866 million and Adjusted EBITDA of EUR 201 million. The sales for BSN Medical for the year ending 2016 amounted to EUR 850 million, and Adjusted EBITDA to EUR 210 million. The sales in 2016 decreased compared to 2015 at actual rates due mainly to a material devaluation against the Euro of the currency in Venezuela and further adverse translation effects in the UK and South Africa. At constant rates the organic sales growth was positive. The acquisition is expected to be accretive to the Issuer's earnings per share during the first year after the acquisition. BSN Medical has a high cash conversion and an asset light business model.

In relation to the acquisition, SCA anticipates that it will realise annual synergies of approximately EUR 30 million with full effect three years after completion of the acquisition. These include sales synergies from accelerated growth from cross-selling of BSN Medical products and SCA incontinence products as well as cost synergies primarily in supply chain and administration. Restructuring costs are expected to amount to approximately EUR 10 million and are expected to be incurred in the first three years following completion of the acquisition.

Transaction costs are expected to amount to approximately EUR 25 million of which approximately EUR 15 million will be recognised as an item affecting comparability during fourth quarter of 2016. The remaining costs will be recognised as an item affecting comparability during the second quarter of 2017. Intangibles related to the acquisition are expected to amount to approximately EUR 2.7 billion.

### **Glossary**

A glossary of the terms used herein can be found on page 91 of SCA Hygiene's 2016 Annual Report.

## TAXATION

### Swedish Taxation

The following summary outlines certain Swedish tax consequences relating to holders of Notes. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address, *inter alia*, situations where the Notes are held in an investment savings account (*Sw. investeringssparkonto*) or the rules regarding reporting obligations for, among others, payers of interest. Investors should consult their professional tax advisers regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties for the avoidance of double taxation) of acquiring, owning and disposing of the Notes in their particular circumstances.

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

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income tax, provided that such a holder (i) is not resident in Sweden for Swedish tax purposes and (ii) does not have a permanent establishment in Sweden to which the Notes are effectively connected. However, broadly speaking, provided that the value of or the return on the Notes relates to securities taxed as shares, private individuals who have been residents of Sweden for tax purposes due to a habitual abode in Sweden or a stay in Sweden for six consecutive months at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption are liable for capital gains taxation in Sweden upon disposal or redemption of such Notes. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation. Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes, except for certain payments of interest (and other return on Notes) to a private individual (or an estate of a deceased individual) who is resident in Sweden for Swedish tax purposes (see "Holders tax resident in Sweden" below).

#### *Holders tax resident in Sweden*

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

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

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

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

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate.

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

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer and the Guarantor) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## **Luxembourg Taxation**

The following overview is of a general nature, limited to description of withholding taxes applicable in Luxembourg and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

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

A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

## **Withholding Tax**

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

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

(ii) *Resident holders of Notes*

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

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20 per cent.

In addition, pursuant to the Law, Luxembourg resident individuals can opt to self declare and pay a 20 per cent tax (the "**Levy**") on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, or a Member State of the European Economic Area.

Such withholding tax as described above or the Levy will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Responsibility for the withholding of the tax in application of the Law as amended will be assumed by the Luxembourg paying agent and not by the Issuer.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 10 March 2017 (such programme agreement as further supplemented and/or restated from time to time being the "**Programme Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer, if applicable, has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future 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.

### United States

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

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

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

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

- (a) *Approved prospectus*: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the

dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

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

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

- (a) *No deposit-taking*: in relation to any Notes 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 as agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **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**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree,

that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

### **Sweden**

Each Dealer has confirmed 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 (*Sw. Lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"). However, to the extent such Dealer intends to make a Non-exempt Offer, such offer will be made in accordance with the requirements in the Trading Act.

### **The People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus, the Notes and any material or information contained or incorporated by reference herein in relation to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. Neither this Base Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Notes may only be invested by or sold to PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

### **Hong Kong**

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

### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and



regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Authorisation

The update of the Programme was duly authorised by resolutions of the board of directors of the Issuer passed on 23 February 2017 and by the board of directors of the Guarantor passed on 23 February 2017. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee relating to them.

### Admission to Trading and Listing of Notes

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme as described in this Base Prospectus to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

As long as Notes issued under the Programme are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) the Articles of Association and Certificate of Registration (with an English translation thereof) of the Issuer;
- (ii) the Articles of Association and Certificate of Registration (with an English translation thereof) of the Guarantor;
- (iii) the auditors' report and the consolidated financial statements for the financial years ended 31 December 2016 and 31 December 2015 of the Issuer;
- (iv) the auditors' report and consolidated and non-consolidated annual financial statements for the financial years ended 31 December 2016 and 31 December 2015 of the Guarantor;
- (v) the Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Issuer-ICSDs Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (vi) a copy of this Base Prospectus;
- (vii) any future prospectuses, financial statements, information memoranda and supplements, Final Terms (save that Final Terms relating to a Note that 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 Issuer and the Paying Agent as to its holding of Notes and identify) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

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

### **Significant or Material Change**

Since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and its subsidiaries nor any significant change in the financial or trading position of the Issuer and its subsidiaries.

Since 31 December 2016, there has been no material adverse change in the prospects of the Guarantor and its subsidiaries nor any significant change in the financial or trading position of the Guarantor and its subsidiaries.

### **Legal and Arbitration Proceedings**

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

### **Auditors**

The auditors of the Issuer and the Guarantor are Ernst & Young AB, which are regulated by the Supervisory Board of Accountants in Sweden (*Revisorsnämnden*). Ernst & Young AB have audited, without qualification and in accordance with generally accepted auditing standards in Sweden, the consolidated financial statements of the Issuer and the Guarantor, prepared in accordance with IFRS, the non-consolidated financial statements of the Guarantor, prepared in accordance with Swedish GAAP, for the financial year ended on 31 December 2016. Ernst & Young AB is a member of FAR (the institute for the accountancy profession in Sweden).

The auditors of the Issuer and the Guarantor were previously PricewaterhouseCoopers AB, which are regulated by the Supervisory Board of Accountants in Sweden (*Revisorsnämnden*). PricewaterhouseCoopers AB have audited, without qualification and in accordance with generally accepted auditing standards in Sweden, the consolidated financial statements of the Issuer and the Guarantor, prepared in accordance with IFRS, the non-consolidated financial statements of the Guarantor, prepared in accordance with Swedish GAAP, for the financial year ended on 31 December 2015. PricewaterhouseCoopers AB is a member of FAR (the institute for the accountancy profession in Sweden).

### **Indication of yield for Fixed Rate Notes**

In relation to Fixed Rate Notes, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative

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

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