Prospectus

Vattenfall AB

(*incorporated with limited liability under the laws of the Kingdom of Sweden*)

EUR15,000,000,000
Euro Medium Term Note Programme

On 5 July 1994, each of Vattenfall Treasury AB ("Vattenfall Treasury") and Vattenfall AB (the "Issuer") entered into a U.S.$1,000,000,000 Euro Medium Term Note Programme (the "Programme") and issued a Prospectus on that date describing the Programme. Further Prospectuses describing the Programme were issued by Vattenfall Treasury and the Issuer. This Prospectus supersedes all previous Prospectuses. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions herein. This does not affect any Notes already issued.

Under the Programme the Issuer may from time to time issue notes (the "Notes"), which expression shall include Ordinary Notes and Subordinated Notes (each as defined below), 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 EUR15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as provided herein. A description of the restrictions applicable at the date of this Prospectus relating to the maturity and denomination of certain Notes is set out on pages 7 and 10, respectively.

Factors which may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 12 – 21.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 1 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this 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.

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "UK Listing Authority") for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange plc's regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated Market is a regulated market for the purposes of 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 certain other information which are applicable to each Tranche (as defined on page 37) of Notes will be set forth in a Final Terms document (the "Final Terms") which will be delivered to the UK Listing Authority and the London Stock Exchange in each case on or before the date of issue of the Notes of such Tranche.

Copies of the Final Terms will be available from the specified office set out below of the Trustee (as defined herein), each of the Paying Agents (as defined herein) and will also be published on the website of the London Stock Exchange through a regulatory information service.

Each of the Issuer and the Programme have been rated A2 (Senior Unsecured) and A3 (Subordinated) by Moody's Investors Service Ltd ("Moody's") and A- (Senior Unsecured) and BBB+ (Subordinated) by Standard & Poor's Credit Market Services Europe Limited ("S&P") Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Credit Ratings may not reflect all risks*" in the Risk Factors section of this Prospectus.

The Notes of each Tranche (except Notes which are to be issued and cleared through Euroclear Sweden AB, a Swedish Central Securities Depository and Clearinghouse and which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("ES Registered Notes" and "ES" respectively)) will initially be represented by a temporary global Note which will be deposited on the issue date thereof with Citibank, N.A., London Branch as common depositary or, as the case may be, a common safekeeper on behalf of Euroclear Bank SA/NV ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other agreed clearing system which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes following the occurrence of an Exchange Event (as defined on page 25), all as further described in "Form of the Notes" below. The ES Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.

Arranger

Deutsche Bank

Dealers

Barclays Capital	BofA Merrill Lynch
BNP PARIBAS	Citi
Commerzbank	Deutsche Bank
Goldman Sachs International	Handelsbanken Capital Markets
ING	J.P. Morgan Cazenove
Nordea	SEB
Société Générale Corporate & Investment Banking	The Royal Bank of Scotland

The date of this Prospectus is 4 April 2013.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "Prospectus Directive").

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

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

Neither the Dealers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer. None of the Dealers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.

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

Neither this Prospectus nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme 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. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions.

In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Sweden), Japan and France (see "Subscription and Sale" below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and Sale" below).

This Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than EUR100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") must be made pursuant to an exemption under the Prospectus Directive, 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 may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- ***(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;***

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

All references in this document to "SEK" refer to Swedish kronor, those to "U.S. dollars", "U.S.$" and "$" refer to United States dollars, those to "Sterling" and "£" refer to pounds sterling, those to "NOK" refer to Norwegian kroner, those to "Yen" refer to Japanese Yen and those to "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community (as amended).

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

OVERVIEW OF THE PROGRAMME

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

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

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview.

Issuer:	Vattenfall AB.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below and include "*Financial Risk*" and "*Operational Risk*". 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 "Risk Factors" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme.
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, London Branch Goldman Sachs International ING Bank N.V. J.P. Morgan Securities plc Merrill Lynch International Nordea acting through Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Société Générale Svenska Handelsbanken AB (publ) The Royal Bank of Scotland plc
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 "Subscription and Sale" on page 100) including

	the following restrictions applicable at the date of this Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale".
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	Citibank, N.A., London Branch (for Notes other than ES Registered Notes)
Issuing Agent:	For ES Registered Notes, an account operator (being authorised by ES to process and register issues in the system operated by ES) specifically appointed by the Issuer and authorised by ES to assist in connection with the issue of ES Registered Notes.
Size:	Up to EUR15,000,000,000 (or its equivalent in other currencies calculated as described herein) 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:	Subject to any applicable legal or regulatory restrictions, Swedish kronor, U.S. dollars, Sterling, Norwegian kroner, Yen, euro, Danish krone, Australian dollar, Polish zloty, Hong Kong dollar and such currencies as may be agreed between the Issuer and the relevant Dealer(s).
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, 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.

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:	Each Tranche of Notes (except ES Registered Notes) will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and which will be exchangeable, upon request, as described therein either for a permanent global Note or definitive Notes (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 not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note will be exchangeable in whole but not in part for definitive Notes upon either (i) not less than 60 days' written notice to the Agent or (ii) only upon the occurrence of an Exchange Event as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate. The ES Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) 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(s) and indicated in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (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 the reference rate set out in the applicable Final Terms; or

(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of 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 Final Terms relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer (the "Issuer Call") and/or the Noteholders (the "Investor Put") upon giving not less than the minimum notice period and not more than the maximum notice period (as specified in the applicable Final Terms) irrevocable 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 as is or are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Certain Restrictions — Notes having a maturity of less than one year" above.

Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws, directives or regulations applicable to the relevant Specified Currency, see "Certain Restrictions — Notes having a maturity of less than one year", and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Sweden, subject as provided in Condition 7 of the Terms and Conditions of the relevant Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Status of the Ordinary Notes:	The Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 3(a)) unsecured and unsubordinated obligations of the Issuer and (subject as aforesaid) will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Status of the Subordinated Notes:	The Subordinated Notes will be direct, unsecured and subordinated obligations of the Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the Issuer, present and future. The rights of the holders of any Subordinated Notes will, in the event of the bankruptcy or liquidation of the Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the Issuer.

Negative Pledge:	The terms of the Ordinary Notes will contain a negative pledge provision as described in Condition 3(a). The terms of the Subordinated Notes will contain a negative pledge provision as described in Condition 3(b).
Cross Default:	The terms of the Notes will contain a cross-default provision relating to indebtedness for borrowed money as further described in Condition 9.
Ratings	Each of the Issuer and the Programme have been rated A2 (Senior Unsecured) and A3 (Subordinated) by Moody's and A- (Senior Unsecured) and BBB+ (Subordinated) by S&P. Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Moody's and S&P is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation. 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.
Listing:	Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b) will be governed by, and construed in accordance with, Swedish law. In addition, ES Registered Notes must comply with the SFIA Act.
Selling Restrictions:	There are certain selling restrictions in relation to the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not 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 believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

The changes to the overall economy in the Group's principal markets could have a significant adverse effect on Group's businesses and profitability.

The economy in the Group's principal markets was adversely affected since 2009 by a significant slowdown, with a direct impact on consumption. Whilst demand in Germany during the last two years has picked up exceeding pre-recession levels, demand in the Group's other markets, such as Sweden and the Netherlands, is still significantly below levels seen in 2008 and the Group does not expect those markets to fully recover until around 2020. Further, an oversupply in conjunction with the decrease in demand for energy has put pressure on sales margins, particularly in the natural gas sector. This could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Financial risk

Electricity price risk

Electricity prices are affected by fundamental factors such as supply (including water levels and available generation and transmission capacity), demand (electricity use, which in turn is affected by the weather and the economy), fuel prices and the price of CO_2 emission allowances.

The Group hedges its electricity generation and electricity sales through the use of physical and financial forward contracts and long-term customer contracts. Sensitivity analysis reflects the impact that variations in market prices can have on the Group's operating profit. The Group continuously hedges its exposure against the price of electricity and other commodities in the various markets. These exposures are monitored daily. The effect of price movements

increases, as the share of exposure that is not hedged increases. The long-term customer contracts pertain to time horizons in which there is no possibility to hedge prices in the liquid part of the futures market and stretch as far as to 2023. The total hedged volume for the period of 2016–2023 is 67 TWh, where most is hedged in the beginning of the period, with volumes falling over time. The amount of future electricity generation that is to be hedged within the given mandates is decided by the Group's risk committee and is confirmed by the Group's board. To measure electricity price risk, the Group uses methods such as “Value at Risk” and “Gross Margin at Risk” along with various stress tests. If the Group incorrectly hedges its electricity price risk or if the Group fails to hedge its electricity price and electricity sales adequately, this could adversely affect the Group’s business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Fuel Price Risk

Fuel price risk is minimised through analysis of the various commodity markets and diversification of contracts with respect to price model and terms. Regarding hard coal–fired and gas-fired electricity generation, hedges on electricity and fuel prices are coordinated to ensure a set fuel cost and gross margin on the electricity generation. For lignite-fired plants, there is no fuel price risk, since the Group owns the lignite mines. The price risk for uranium is limited, since uranium accounts for a relatively small proportion of the total cost of nuclear power generation. If the Group fails to mitigate its fuel price risk adequately, particularly in respect of hard coal-fired and gas-fried electricity generation, this could adversely affect the Group’s business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Volume risk

In hydro power generation, volume risk is managed by analysing and forecasting factors such as precipitation and snowmelt. Volume risk also arises in sales activities as deviations in anticipated versus actual volumes delivered to customers. There is a correlation between electricity price and generated electricity volume. If the Group’s analysis or forecast proves to be incorrect or if the Group fails to mitigate its volume risk adequately, this could adversely affect the Group’s business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Credit risk

Credit risk arises in the Group's commodities trading, sales, treasury operations and investments. The Group’s credit risk management involves analyses of the Group's counterparties, reporting of credit risk exposure and proposals for risk mitigation measures (such as by obtaining collateral). Counterparties with an exposure greater than SEK 10 million must be reviewed by the Group’s credit risk department. Smaller exposures are considered by the Group to be low-risk because of the diversification in the counterparty credit risk. If the Group’s credit analysis proves to be incorrect or if its system to mitigate credit risk proves inadequate, this could adversely affect the Group’s business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Liquidity risk

Liquidity risk refers to the risk of not being able to pursue the price hedging strategy, for example, due to insufficient liquidity in the electricity and fuel markets. This risk is managed through so-called proxy hedging and by securing an optimal number of trading counterparties. Liquidity risk also pertains to the risk of the Group not being able to finance its capital needs. Liquidity risk is mitigated by having several types of debt issuance programmes and credit facilities, which ensure access to capital and flexibility. The Group has a defined target for its short-term accessibility to capital. The goal is that funds corresponding to no less than 10 per cent. of the Group's sales, or the equivalent of the next 90 days' maturities, shall be available. In addition, different liquidity outcomes are simulated through various stress tests. The Group is committed to maintaining financial stability and the ambition is to maintain a rating in the Single A category from both Moody's and Standard & Poor's. If the Group were unable to execute its strategy to mitigate liquidity risk, for example if there were a lack of trading counterparties or a lack of diversified sources of financing, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Interest rate risk

The Group quantifies interest rate risk in its debt portfolio in terms of duration, which describes the average term of fixed interest rates. The norm is to have a duration of four years with a permissible variation of +/– one year. The norm duration is based on the Group's current financing needs and the desired interest rate sensitivity in net interest income/expense. The duration of the Group's debt portfolio as at 31 December 2012 was 3.32 years (in comparison to 4.25 years as at 31 December 2011) including Hybrid Capital. If the Group fails to successfully implement its strategy to mitigate its interest rate risk, it may be particularly sensitive to any interest rate volatility or have a less efficient financing structure in place and this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Currency risk

The Group is exposed to currency risk through exchange rate movements attributable to future cash flows (transaction exposure) and in the revaluation of net assets in foreign subsidiaries (translation or balance sheet exposure). Currency exposure in borrowing is eliminated using currency interest rate swaps. The Group strives for an even maturity structure for derivatives. The Group has limited transaction exposure, since most generation, distribution and sales of electricity take place in the respective local markets. Sensitivity to currency movements is therefore also relatively low. The business units are required to hedge all contracted transaction exposure in another currency when it exceeds the equivalent of SEK 10 million. The hedge is to be taken out immediately in connection with the transaction and is done through Staff Function Group Treasury. The goal for hedging translation exposure is to, over time, match the currency composition in the debt portfolio with the currency composition of the Group's funds from operations over time. The Group's largest exposure is in EUR. With respect to currency movements, a 5 per cent. change in exchange rates would affect the Group's equity by approximately SEK 5.2 billion. If the Group fails to adequately mitigate its currency risk, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Price risk in equities

The Group is also exposed to a certain level of price risk in equities due to its investment in listed entities. Price risk in listed equities consists of the price trend of the respective stock exchanges combined with currency movements of a foreign stock exchange, if applicable. If the prices of the relevant equities drop significantly, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Operational risk

In the course of its operations, the Group is exposed to numerous operational risks, such as in plants, infrastructure, personnel and organisation. These risks are described below.

Operational asset risk

The Group's largest operational asset risks are associated with the operation of power generation and heat production plants. An important part of the continuous risk management work involves a rolling inspection programme and continuous control of plant conditions to ensure effective maintenance.

Nuclear power safety and dam safety are also areas entailing operational asset risks and are special of focus areas for the Group's Safety and Risk Committee. The Group's Chief Nuclear Safety Officer is responsible for overseeing nuclear power safety at the Group level. Detailed analysis of the Group's nuclear power plants are updated continuously in consultation with the safety authorities in the respective countries and form the basis for continuous improvement work.

With respect to hydro power, the Group's larger plants have been upgraded and the dams have been reinforced in order to handle water flows and water levels that have a statistical probability of occurring once every 10,000 years. Risks associated with operational assets concern not only electricity generation but also damage to machinery, such as at the Group's open cast lignite mines, and damage to distribution networks. In the Nordic countries the Group is continuously working on replacing overhead power lines with underground cables to make the electricity grid less vulnerable. This work has already been completed for the most of the German grid. The Group protects itself against economic loss to the greatest extent possible through insurance. The Group has two Group-owned (captive) insurance companies that insure the Group's own risks exclusively – Försäkrings AB Vattenfall Insurance ("Vattenfall Insurance") and Vattenfall Reinsurance S.A., Luxembourg ("Vattenfall Reinsurance"). Vattenfall Insurance optimises the risk financing of insurable risks within the Group. Reinsurance is procured in the international reinsurance market. Vattenfall Reinsurance provides Vattenfall Insurance with some reinsurance capacity.

If there were an operational failure in respect of the power plants or dams or if the Group fails to mitigate such operational risk adequately through insurance, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Security risks

As part of the Group's business, the Group deals with various technology (whether in respect of energy production or distribution) but also sensitive personnel and client information. As such, the Group works with loss prevention and mitigating security measures to protect the Group's assets, IT systems, information, personnel and continuing operations. The Group ensures that assets and information are protected from improprieties and fraud, amongst other things by adherence to the "four eyes" principle, whereby decisions must be approved by at least two persons unless special exceptions exist. If the Group fails to mitigate such security risk adequately, this could result in a loss of business or client liability and this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Personnel risk

There are certain higher risks involved in certain aspects of work in the energy sector both as to personnel but also possible consequent effect in the wider society. As such, the Group ensures that it has preventive measures in place and adopts best practices in its health and safety work. The Group's production sites maintain a high level of safety procedures to ensure the safety of both employees and society in general. In addition, the Group takes a structured approach to succession and competence planning, both in the near and long term, as these are particularly important for energy projects which generally have a long lead time. If the Group fails to mitigate such personnel risk adequately, particularly in relation to safety and succession for the long term, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Legal risk

The Group's business straddles the private but also the public domain, ranging from private contracts with suppliers through to the supply of energy to the general public, and it is thereby exposed to legal risks across a wider area. The Group mitigates such legal risks by engaging Staff Function Legal Affairs as the central legal hub to deal with the legal aspects of ongoing business activities and decision-making processes. The Group's General Counsel also regularly reports on ongoing disputes to the Board of Directors. If the Group fails to mitigate such legal risk adequately, the Group may become exposed to legal liabilities which could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Strategic risk

The Group is exposed to a range of different factors affecting the energy sector that are difficult to influence, including the risk for changes in political policies, public opinion, regulations and choice of technology (medium- to long-term). To manage strategic risk, the Group works with scenario analyses and business intelligence activities as well as diversifies risk in the generation and distribution portfolios with respect to markets and also sources of energy. If the Group incorrectly anticipates the various factors and fails to mitigate such risks adequately, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Political risk

To protect itself from political risks which can have a significant impact on the energy sector as it is generally more highly regulated, the Group conducts active business intelligence activities and maintains contacts with decision-makers. In addition, the Group belongs to various national and international trade organisations in order to safeguard and promote the company's interests. If government or public policies or regulations change to the detriment of the Group, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Investment risk

The Group is a highly capital-intensive company with an extensive investment programme. For example, in 2012 the Group invested approximately SEK 13.7 billion on growth aspects and approximately SEK 15.9 billion on maintenance and replacement aspects of its investment programme. The Group applies a very thorough project governance process in which risk assessment is an integrated part. Before every investment decision, the risk unit performs an independent review of obligations and transactions. In addition to a strategic investment roadmap, a detailed five-year plan of investment projects is updated yearly to provide the Executive Group Management with guidance and updates in the investment decision process. If the Group incorrectly manages or plans its capital investment programme or is unable to fund its capital investment programme, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

Sustainability risk

At the initiative of the owner, the Group has structured its work with sustainability issues in seven areas: the environment, human rights, working conditions, gender equality, diversity, business ethics and anti-corruption. During the year, integration of these sustainability aspects with the continuing operations was intensified. Both governance and content have been escalated to the Group level, and a new, advisory and co-ordinating function has been established to ensure that the Group manages these sustainability issues in the best possible manner. If the Group fails to mitigate such sustainability risk, particularly in relation to the environment, its staff and anti-corruption, the Group may become exposed to liabilities which could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Notes.

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

Risks related to the structure of a particular issue of Notes

A 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 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.

Fixed/Floating Rate Notes

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

The obligations of the Issuer under Subordinated Notes are subordinated

The obligations of the Issuer under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. "Senior Liabilities" means the claims of unsubordinated creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Risks related to Notes generally

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

Modification, waivers and substitution

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

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 of the conditions of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State, or to certain limited types of entities established, in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other similar income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

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

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

Change of law

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

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 the minimum Specified Denomination.

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

Risks related to the market generally

Set out below is a brief description of the material 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.

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Conduct Authority (and are available via the National Storage Mechanism at http://www.morningstar.co.uk/uk/NSM) shall be incorporated in, and form part of, this Prospectus:

(a) the auditors' report (which can be found at page 111), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 51-110) and the administration report (including risk management) (which can be found at pages 4, 7-8 and 19-50) set out in the annual report of the Issuer for the financial year ended 31 December 2012;

(b) the auditors' report (which can be found at page 123), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 66-121) and the administration report (including risk management) (which can be found at pages 34-65) set out in the annual report of the Issuer for the financial year ended 31 December 2011;

(c) the terms and conditions of the Notes contained in the previous Prospectus dated 3 July 2003 pages 20 to 39 (inclusive) prepared by the Issuer in connection with the Programme;

(d) the terms and conditions of the Notes contained in the previous Prospectus dated 17 June 2004 pages 20 to 39 (inclusive) prepared by the Issuer in connection with the Programme;

(e) the terms and conditions of the Notes contained in the previous Prospectus dated 8 June 2005 pages 29 to 48 (inclusive) prepared by the Issuer in connection with the Programme;

(f) the terms and conditions of the Notes contained in the previous Prospectus dated 1 July 2005 pages 29 to 48 (inclusive) prepared by the Issuer in connection with the Programme;

(g) the terms and conditions of the Notes contained in the previous Prospectus dated 16 June 2006 pages 37 to 62 (inclusive) prepared by the Issuer in connection with the Programme;

(h) the terms and conditions of the Notes contained in the previous Prospectus dated 11 June 2007 pages 39 to 68 (inclusive) prepared by the Issuer in connection with the Programme;

(i) the terms and conditions of the Notes contained in the previous Prospectus dated 9 June 2008 pages 36 to 62 (inclusive) prepared by the Issuer in connection with the Programme;

(j) the terms and conditions of the Notes contained in the previous Prospectus dated 9 June 2009 pages 37-63 (inclusive) prepared by the Issuer in connection with the Programme; and

(k) the terms and conditions of the Notes contained in the previous Prospectus dated 14 October 2010 pages 38-62 (inclusive) prepared by the Issuer in connection with the Programme.

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

Any information which is incorporated by reference in documents which are deemed to be incorporated in, and to form part of this Prospectus, shall not form part of this Prospectus for the purposes of the Prospectus Directive.

Any documents which have been translated from Swedish to English are accurate translations.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at SE-169 92 Stockholm, Sweden and the offices of Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

Any non-incorporated part of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

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

FORM OF THE NOTES

Each Tranche of Notes (except ES Registered Notes) will initially be represented by a temporary global Note, without interest coupons or talons or, if so specified in the applicable Final Terms, a permanent global Note which, in either case will be:

(a) if the temporary global Note and the permanent global Note are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Clearstream, Luxembourg; or

(b) if the temporary global Note and the permanent global Note are not intended to be issued in NGN form, delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg.

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

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) 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. Any reference in this section "Form of the Notes" to Euroclear, Clearstream, Luxembourg and/or ES shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without interest coupons or talons or for security printed definitive Notes with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the Final Terms) in each case against certification of beneficial ownership as described in the first sentence of the third paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on and after the Exchange Date. Pursuant to the Agency Agreement (as defined under "Terms and

Conditions of the Notes" below), 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 at a point after the Issue Date of the further Tranche, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg 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 whereupon the Tranches shall be consolidated and form a single Series.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (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 (unless the Specified Denomination of Notes includes more than one Specified Denomination such as EUR100,000 and integral multiples of EUR1,000 in excess thereof in which case the Notes will not be permitted to be exchangeable for definitive Notes upon such notice) or (ii) only upon the occurrence of an Exchange Event as described therein. 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 alternative clearing system is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required 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) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Notes which are represented on issue by a temporary global Note exchangeable for definitive Notes may not have more than one Specified Denomination such as EUR100,000 and integral multiples of EUR1,000 in excess thereof.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all global Notes and definitive Notes which have an original maturity of more than one year and on all interest coupons and talons 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 or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes 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.

Each Tranche of ES Registered Notes will be issued in uncertificated and dematerialised registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act"). No global or definitive Notes will be issued in respect thereof. The holder of a ES Registered Note will be the person evidenced as such by a book entry in the records of ES. Where a nominee is so evidenced it shall be treated as the holder of the relevant ES Registered Note.

Title to the ES Registered Notes will pass by transfer between accountholders of ES, perfected in accordance with the Swedish statutory rules (including the SFIA Act) and regulations applicable to and/or issued by ES from time to time.

APPLICABLE FINAL TERMS

[ ]

VATTENFALL AB

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR15,000,000,000
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 Prospectus dated 4 April 2013 [and the supplement[s] to it dated [ ] [and [ ]] which [together] 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 Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [as so supplemented] has been published on the London Stock Exchange website (*www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html*).

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated [ ] [and the Supplementary Prospectus dated [ ]] and incorporated by reference into the Prospectus dated [ ]. 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 Prospectus dated [ ] [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Prospectus"). Full information on the Issuer and the offer of Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at the market news section of the London Stock Exchange website (*www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html*).]

1.	Issuer:		Vattenfall AB
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below, which is

			expected to occur on or about [ ]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
	(c)	[the Aggregate Nominal Amount of Notes issued has been translated into EUR [ ], producing a sum (for Notes not denominated in EUR) of:	EUR [ ]]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6.	(a)	Specified Denominations:	[ ]
	(b)	Calculation Amount:	[ ]
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]
8.	Maturity Date:		[[ ] Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[ ] month [LIBOR/EURIBOR] STIBOR/NIBOR/CIBOR/TIBOR/AFMA BBSW/WIBOR/HIBOR] [CMS Reference Rate] +/- [ ] per cent. Floating Rate] [Zero Coupon] (see paragraphs [14]/[15]/[16] below)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis:		[ ]/[Not Applicable]
12.	Put/Call Options:		[Investor Put]

			[Issuer Call] [(see paragraphs [18]/[19]/[20] below)]
13.	(a)	Status of the Notes:	[Ordinary/Subordinated]
	(b)	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[[ ] [and [ ]] in each year up to and including the Maturity Date]
	(c)	Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(d)	Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)] [30E/360] [Actual/365 (Fixed]] [Actual/Actual (ISDA)] [Actual/360]
	(f)	Determination Date(s):	[ ] in each year
15.	Floating Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to	[Screen Rate Determination/ISDA Determination]

be determined:

(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[[ ] as Calculation Agent/Not Applicable]
(f)	Screen Rate Determination:	
	(i) Reference Rate, Specified Time and Relevant Financial Centre:	Reference Rate: [ ] month [LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR/TIBOR/AFMA BBSW/WIBOR/HIBOR] [CMS Reference Rate] Specified Time: [ ] Relevant Financial Centre: [London/Brussels/Stockholm/Oslo/ Copenhagen/Tokyo/Sydney/Warsaw/Hong Kong] Reference Currency: [Euro/Sterling/United States dollars/Japanese Yen] Designated Maturity: 10 Years
	(ii) Interest Determination Date(s):	[ ]
	(iii) Relevant Screen Page:	[ ] [Reuters Screen LIBOR01 Page/Reuters Screen EURIBOR01 Page/Reuters Screen SIDE Page/Reuters Screen NIBR Page/Reuters Screen CIBOR= Page/Reuters Screen TIBM Page under the caption "Average of 10 Banks"/Reuters Screen BBSW Page/Reuters Screen WIBO Page/Reuters Screen HKABHIBOR Page] [ISDAFIX2 Page under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT"/Reuters Screen ISDAFIX4 Page/Reuters Screen ISDAFIX1 Page/Reuters Screen ISDAFIX1 Page]
(g)	ISDA Determination:	
	(i) Floating Rate Option:	[ ]

	(ii)	Designated Maturity:	[ ]
	(iii)	Reset Date:	[ ]
(h)		Margin(s):	[+/-] [ ] per cent. per annum
(i)		Minimum Rate of Interest:	[ ] per cent. per annum
(j)		Maximum Rate of Interest:	[ ] per cent. per annum
(k)		Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] [Sterling/FRN]
16.		Zero Coupon Note Provisions	[Applicable/Not Applicable]
(a)		Accrual Yield:	[ ] per cent. per annum
(b)		Reference Price:	[ ]
(c)		Day Count Fraction in relation to Early Redemption Amounts:	[360/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.		Notice periods for Condition 6(b):	Minimum period: [ ] days Maximum period: [ ] days
18.		Issuer Call:	[Applicable/Not Applicable]
(a)		Optional Redemption Date(s):	[ ]
(b)		Optional Redemption Amount:	[[ ] per Calculation Amount] [Spens Amount][Make-Whole Amount]]
(c)		Reference Bond:	[[ ]/FA Selected Bond/Not Applicable]
(d)		Quotation Time:	[ ]
(e)		Redemption Margin:	[[ ] per cent./Not Applicable]

(f) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(g) Notice periods: Minimum period: [ ] days

Maximum period: [ ] days

19. Investor Put: [Applicable/Not Applicable]

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [ ] per Calculation Amount

(c) Notice period: Minimum period: [ ] days

Maximum period: [ ] days

20. Final Redemption Amount: [ ] per Calculation Amount

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a) Form: [Uncertificated and dematerialised registered form for ES Registered Notes]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date or specified number of days' notice]

[Permanent Global Note exchangeable for Definitive Notes [on not less than 60 days' notice/only upon an Exchange Event]]

	(b) New Global Note:	[Yes][No]
23.	Additional Financial Centre(s):	[Not Applicable/[ ]]
24.	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]]; [TEFRA D/TEFRA C/TEFRA not applicable]
25.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

LISTING

26.	(a)	Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority 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 London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].]
	(b)	Estimate of total expenses related to admission to trading:	[ ]

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

SIGNED on behalf of the Issuer:

By:.....
Duly authorised

PART B — OTHER INFORMATION

1. RATINGS

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

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

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

3. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer:	[ ]
(ii) Estimated net proceeds:	[ ]
(iii) Estimated total expenses:	[ ]]

4. YIELD (Fixed Rate Notes only)

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

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR/TIBOR/AFMA BBSW/WIBOR/HIBOR][CMS Reference Rate]

6. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any Clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)/Euroclear Sweden AB, corporate identification number: 556112-8074]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agents(s):	[ ]
(vi)	Issuing Agent (if any):	[ ] [Not Applicable]
(vii)	Deemed delivery of clearing system notices for the purposes of Condition 13:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the business day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of Notes which will be incorporated by reference into each global Note and endorsed upon each definitive Note. The following Terms and Conditions will, whenever the context so permits, also apply to each ES Registered Note. The applicable Final Terms in relation to any Notes may specify certain information completing the following Terms and Conditions for the purpose of such Notes (including, for the avoidance of doubt, ES Registered Notes). The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note and shall apply as aforesaid to ES Registered Notes. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions.

This Note is one of a series of Notes issued by Vattenfall AB (the "Issuer") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 5 July 1994 made between Vattenfall Treasury AB, the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee). References herein to the "Notes" shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination (as defined below) in the Specified Currency (as defined below), (ii) definitive Notes issued in exchange (or part exchange) for a global Note, (iii) any global Note and (iv) Notes issued in and cleared in the system operated by Euroclear Sweden AB, a Swedish Central Securities Depository and Clearinghouse, which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("ES Registered Notes" and "ES" respectively). The Notes (except in the case of ES Registered Notes) and the Coupons (as defined below) also 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 4 April 2013 made between the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes have interest coupons ("Coupons") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms which are (except in the case of ES Registered Notes) attached hereto or endorsed hereon which complete these Terms and Conditions.

References herein to the applicable "Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) which is (except in the case of ES Registered Notes) attached hereto or endorsed hereon.

The Trustee acts for the benefit of the holders of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a global Note and in relation to ES Registered Notes, be construed as provided below) and the holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed. ES Registered Notes are in uncertificated and dematerialised registered form and, for the avoidance of doubt, any references in these Terms and Conditions Coupons and Talons shall not apply to ES Registered Notes.

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) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement (which contains the form of the Final Terms) are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 4 April 2013 at Fifth Floor, 100 Wood Street, London EC2V 7EX, England and at the specified offices of each of the Agent and the other Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. Copies of the applicable Final Terms may also be obtained from the registered office of the Issuer at SE-169 92 Stockholm, Sweden and from Citibank N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

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

1. Form, Denomination and Title

The Notes are in bearer form or, in the case of ES Registered Notes, in uncertificated and dematerialised registered form, as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the "Specified Currency") and the denominations (the "Specified Denomination(s)") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be an Ordinary Note or a Subordinated Note, as indicated in the applicable Final Terms.

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.

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

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

The holder of a ES Registered Note will be the person evidenced as such by a book entry in the records of the system operated by ES. Title to the ES Registered Notes will be passed by registration in the register between the direct or nominee accountholders at ES in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act") rules and regulations applicable to and/or issued by ES from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant ES Registered Note.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank SA/NV ("Euroclear") and/ or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, 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 the case may be, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and/or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee 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 (or the Trustee in accordance with the Trust Deed) (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 or of Clearstream, Luxembourg, as the case may be.

For so long as any of the Notes is a ES Registered Note, each person who is for the time being shown in the records of the system operated by ES as the holder of a Note shall be treated by the Issuer, the Trustee and any Issuing Agent as the holder of such Notes for all purposes in accordance with the SFIA Act (and the expressions "Noteholder" and holder of "Notes" and related expressions shall be construed accordingly).

ES Registered Notes will be transferable only in accordance with the SFIA Act rules and any regulations applicable to and/or issued by ES from time to time. ES Registered Notes will be

issued in uncertificated and dematerialised registered form and no global or definitive Notes will be issued in respect thereof and these Terms and Conditions shall be construed accordingly.

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

2. Status of the Notes

(a) Status of the Ordinary Notes

The Ordinary Notes and the relative Coupons are direct, unconditional, (subject to the provisions of Condition 3) unsecured and unsubordinated obligations of the Issuer and (subject as aforesaid) rank and will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) Status of the Subordinated Notes

The Subordinated Notes and the relative Coupons are direct, unsecured and subordinated obligations of the Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the Issuer. The rights of the holder of any Subordinated Note and the relative Coupons shall, in the event of bankruptcy or liquidation of the Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the Issuer.

The Issuer reserves the right to issue further subordinated notes and other subordinated obligations in the future, provided, however, that such further subordinated notes or other such subordinated obligations may not rank prior to present or future Subordinated Notes.

3. Negative Pledge

(a) Negative Pledge in relation to Ordinary Notes

So long as any of the Ordinary Notes remains outstanding, the Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future Securities of itself or another (or to secure any guarantee or indemnity in respect thereof) without in any such case at the same time according to the Ordinary Notes and the relative Coupons either the same security as is granted to or is outstanding in respect of such Securities (or such guarantee or indemnity in respect thereof) or such other security as the Trustee shall in its sole discretion deem not materially less beneficial to the interests of the holders of Ordinary Notes or as shall be approved by an Extraordinary Resolution of the holders of Ordinary Notes.

As used in this Condition 3(a), "Securities" means any loan or other indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are or are to be quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

(b) Negative Pledge in relation to Subordinated Notes

So long as any of the Subordinated Notes remains outstanding, the Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future subordinated debt of itself or another (or to secure any guarantee or indemnity in respect thereof).

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including or, in the case of ES Registered Notes, but excluding) 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 (but excluding or, in the case of ES Registered Notes, 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(s) so specified.

As used in these Conditions, "Fixed Interest Period" means the period from (and including or, in the case of ES Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) 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 Denominations, without any further rounding.

In these Terms and Conditions, "Day Count Fraction" means in respect of the calculation of an amount of interest in accordance with this Condition (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 or, in the case of ES Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) 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 (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including or, in the case of ES Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) 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; and

(iii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period unless, in the case of a relevant period ending on (but excluding or, in the case of ES Registered Notes, and including) the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(iv) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(v) 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);

(vi) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

In these Terms and Conditions:

"Determination Period" means the period from (and including or, in the case of ES Registered Notes, but excluding) a Determination Date to (but excluding or, in the case of ES Registered Notes, and including) 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, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates: Each Floating Rate Note bears interest from (and including or, in the case of ES Registered Notes, but excluding) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

(A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") 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. "Interest Period" means the period from (and including or, in the case of ES Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) 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:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment

Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each other place as is specified in the applicable Final Terms (each an "Additional Business Centre"); 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 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 Trans-European Automated Real- Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

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

(iii) *ISDA Determination*: 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 (iii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of

the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is the period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 5(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) *Screen Rate Determination for Floating Rate Notes*:

(A) *Floating Rate Notes other than CMS Linked Interest 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:

I the offered quotation (if there is only one quotation on the Relevant Screen Page); or

II the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 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 the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Agent (or, in the case of ES Registered Notes, the Calculation Agent). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (I) above, no offered quotation appears or, in the case of (II) above, fewer than three offered quotations appear, in each case as at the Specified Time in the Relevant Financial Centre, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time in the Relevant Financial Centre on the Interest Determination Date in

question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time in the Relevant Financial Centre 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) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) or the Copenhagen inter-bank market (if the Reference Rate is CIBOR) or the Tokyo inter-bank market (if the Reference Rate is TIBOR) or the Sydney inter-bank market (if the reference rate is AFMA BBSW) or the Warsaw inter-bank market (if the reference rate is WIBOR) or the Hong Kong inter-bank market (if the reference rate is HIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time in the Relevant Financial Centre on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer and suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) or the Copenhagen inter-bank market (if the Reference Rate is CIBOR) or the Tokyo inter-bank market (if the Reference Rate is TIBOR) or the Sydney inter-bank market (if the reference rate is AFMA BBSW) or the Warsaw inter-bank market (if the reference rate is WIBOR) or the Hong Kong inter-bank market (if the reference rate is HIBOR) 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).

In these Terms and Conditions:

"Interest Determination Date" means the date specified as such in the Final Terms or if none is so specified:

(1) if the Reference Rate is the London interbank offered rate ("LIBOR") (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;

(2) if the Reference Rate is Sterling LIBOR the first day of such Interest Period;

(3) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate ("EURIBOR"), the second day on which the TARGET2 System is open prior to the start of each Interest Period;

(4) if the Reference Rate is the Stockholm interbank offered rate ("STIBOR"), the second Stockholm business day prior to the start of each Interest Period;

(5) if the Reference Rate is the Norwegian interbank offered rate ("NIBOR"), the second Oslo business day prior to the start of each Interest Period;

(6) if the Reference Rate is the Copenhagen interbank offered rate ("CIBOR"), the second Copenhagen business day prior to the start of each Interest Period;

(7) if the Reference Rate is the Tokyo interbank offered rate ("TIBOR"), the second Tokyo business day prior to the start of each Interest Period;

(8) if the Reference Rate is the Sydney interbank offered rate ("AFMA BBSW"), the first day of each Interest Period;

(9) if the Reference Rate is the Warsaw interbank offered rate ("WIBOR"), the second Warsaw business day prior to the start of each Interest Period; and

(10) if the Reference Rate is the Hong Kong interbank offered rate ("HIBOR"), the first day of each Interest Period;

"Reference Banks" means (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (iii) in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market, (iv) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo inter-bank market, (v) in the case of a determination of CIBOR, the principal Copenhagen office of four major banks in the Copenhagen inter-bank market, (vi) in the case of a determination of TIBOR, the principal Tokyo office of ten major banks in the Tokyo inter-bank market, (vii) in the case of a determination of AFMA BBSW, the principal Sydney office of four major banks in the Sydney inter-bank market, (viii) in the case of a determination of WIBOR, the principal Warsaw office of five major banks in the Warsaw inter-bank market, and (ix) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Agent;

"Reference Rate" means (i) LIBOR, (ii) EURIBOR, (iii) STIBOR, (iv) NIBOR, (v) CIBOR, (vi) TIBOR, (vii) AFMA BBSW, (viii) WIBOR and (ix) HIBOR, in each case for the relevant period, as specified in the applicable Final Terms;

"Relevant Financial Centre" means (i) London, in the case of a determination of LIBOR, (ii) Brussels, in the case of a termination of EURIBOR, (iii) Stockholm, in the case of a determination of STIBOR, (iv) Oslo, in the case of a determination of NIBOR, (v) Copenhagen, in the case of a determination of CIBOR, (vi) Tokyo, in the case of a determination of TIBOR, (vii) Sydney, in the case of a determination of AFMA BBSW, (viii) Warsaw, in the case of a determination of WIBOR and (ix) Hong Kong, in the case of a determination of HIBOR, each as specified in the applicable Final Terms; and

"Relevant Screen Page" means (i) Reuters Screen LIBOR01 Page or its successor display page, in the case of LIBOR (ii) Reuters Screen EURIBOR01 Page or its successor display page, in the case of a termination of EURIBOR, (iii) Reuters Screen SIDE Page or its successor display page, in the case of a determination of STIBOR, (iv) Reuters Screen NIBR Page or its successor display page, in the case of a determination of NIBOR, (v) Reuters Screen CIBOR= Page or its successor display page, in the case of a determination of CIBOR, (vi) Reuters Screen TIBM Page under the caption "Average of 10 Banks" or its successor display page, in the case of a determination of TIBOR, (vii) Reuters Screen BBSW Page or its successor display page, in the case of a determination of AFMA BBSW, (viii) Reuters Screen WIBO Page or its successor display page, in the case of a determination of WIBOR and (ix) Reuters Screen HKABHIBOR Page or its successor display page, in the case of a determination of HIBOR, each as specified in the applicable Final Terms; and

"Specified Time" means (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of STIBOR, 11.00 a.m., (iv) in the case of NIBOR, 12.00 noon, (v) in the case of CIBOR, 11.00 a.m., (vi) in the case of TIBOR, 11.00 a.m., (vii) in the case of AFMA BBSW, 10.10 a.m., (viii) in the case of WIBOR, 11.00 a.m., and (ix) in the case of HIBOR, 11.00 a.m., each as specified in the applicable Final Terms.

(B) *Floating Rate Notes which are CMS Linked Interest 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 determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

For the purposes of this sub-paragraph (B):

"CMS Rate" shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

"CMS Reference Banks" means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) where the Reference Currency is Yen, the principal office of five leading swap dealers in the inter-bank market, in each case selected by the Calculation Agent.

"Designated Maturity" means 10 years.

"Interest Determination Date" means (i) where the Reference Currency is Euro, the second day on which the TARGET2 System is open prior to the start of each Interest Period; (ii) where the Reference Currency is Sterling, the first day of each Interest Period; (iii) where the Reference Currency is United States dollar, the day that is two U.S. Government Securities Business Days preceding the first day of each Interest Period; and (iv) where the Reference Currency is Japanese Yen, two Tokyo business days prior to the start of each Interest Period.

"Margin" shall have the meaning given to this term in the applicable Final Terms.

"Reference Currency" means Euro, Sterling, United States dollars and Japanese Yen.

"Relevant Screen Page" means (i) where the Reference Currency is Euro, Reuters Screen ISDAFIX2 Page under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" or its successor display page; (ii) where the Reference Currency is Sterling, Reuters Screen ISDAFIX4 Page or its successor display page; (iii) where the Reference Currency is United States dollar, Reuters Screen ISDAFIX1 Page or its successor display page; and (iv) where the Reference Currency is Japanese Yen, Reuters Screen ISDAFIX1 Page as of or its successor display page.

"Relevant Swap Rate" means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity

commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the 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")) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months;

(iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is Japanese Yen, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/Actual day count basis, of a fixed-for-floating Japanese Yen interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to JPY-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months.

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time.

"Specified Time" means (i) where the Reference Currency is Euro, 11.00 a.m., Frankfurt time; (ii) where the Reference Currency is Sterling, 11.00 a.m. London time; (iii) where the Reference Currency is United States dollar, 11.00 a.m., New York City time; and (iv) where the Reference Currency is Japanese Yen, 3:00 p.m., Tokyo time.

"U.S. Government Securities Business Day" means any day except for Saturday, Sunday or a day on which The Bond Market Association recommends that the fixed income

departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(v) *Minimum 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 above provisions 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 above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Issuer or its Agent (or the Calculation Agent, if so specified in the applicable Final Terms) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are ES Registered Notes, the Calculation Agent (if not the Agent) will notify the Agent of the Rate of Interest and the Interest Amount due for the relevant Interest Period as soon as practicable after calculating the same.

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 for any Interest Period:

(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/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Sterling/FRN" is specified in the applicable Final Terms, the 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.

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

(viii) *Determination or Calculation by Trustee:* If for any reason the Agent or the Calculation Agent (if so specified in the applicable Final Terms), as the case may be, at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub- paragraphs (ii), (iii) and (iv) above, as the case may be, and, in each case, (vii) above, the Trustee (or a person appointed by it for the purpose) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent (if not the Agent), as the case may be.

(ix) *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 paragraph 4(b), whether by the Agent, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of Interest

Each Note will cease to bear interest (if any) from the date for its redemption unless, payment of principal is improperly withheld or refused. In such event in respect of Notes other than ES Registered Notes, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Notes have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 13.

In such event in respect of ES Registered Notes, interest will continue to accrue until the date the holders of the ES Registered Notes receive the full amount of such payments.

5. Payments

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or at the option of the relevant holder 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); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) Presentation of Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender 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 of Coupons, in each case at the specified office of any Paying Agent outside the United States.

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 ten 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.

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. On the occasion of each payment, (i) in the case of any global Note which is not issued in new global note ("NGN") form, a record of such payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any global Note which is a NGN, the Agent shall instruct Euroclear and/or Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) 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 (or the Trustee, as the case may be) 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 to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in 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)):

(a) (i) if 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; or

(b) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

Payments of principal and interest in respect of ES Registered Notes will be made to the persons registered as Noteholders in the system operated by ES on the fifth Stockholm Business Day (or such other day which may become customary on the Swedish bond market, which in respect of ES Registered Notes denominated in Swedish Kronor is expected to be the third Stockholm Business Day) prior to the Interest Payment Date or the Maturity Date, as the case may be, and in accordance with the rules and procedures applied and/or issued by ES from time to time.

As used herein, "Stockholm Business Day" means a day on which commercial banks and foreign exchange markets are open for business in Stockholm.

(c) Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "Payment Day" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including trading in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only the relevant place of presentation;

(B) each Additional Financial Centre 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 (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.

(d) Payment Date for ES Registered Notes

If the date for payment of any amount in respect of ES Registered Notes is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, "Payment Day" means any day which (subject to Condition 8) is a day on which commercial banks are open for general business in Stockholm.

(e) Interpretation of Principal and Interest

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

(i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vi) any premium and any other amounts which (other than interest) may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

6. Redemption and Purchase

(a) 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 specified in the applicable Final Terms.

(b) Redemption for Tax Reasons

Subject to Condition 6(e), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee, the Agent (or, in the case of ES Registered Notes, ES) and, in accordance with Condition 13, the

Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7, as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision thereof or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee, to make available for inspection at its specified office to the Noteholders, a certificate signed by two Directors of the Issuer stating that the requirement referred to in (i) above will apply on the occasion of the next payment due under the Notes and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding or, in the case of ES Registered Notes, and including) the date of redemption.

(c) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice, as specified in the applicable Final Terms, to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only, as specified in the applicable Final Terms, of the Notes then outstanding on the Optional Redemption Date(s) 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 or, in the case of ES Registered Notes, and including) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as specified in the applicable Final Terms.

If Spens Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price (expressed as a percentage of its nominal

amount), as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

If Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition (c):

"FA Selected Bond" means a government security or securities selected by the Financial Adviser 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.

"Financial Adviser" means a financial adviser selected by the Issuer after consultation with the Trustee.

"Gross Redemption Yield" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

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

"Reference Bond" shall be as set out in the applicable Final Terms or the FA 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 Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

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

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

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

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the 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 Agent by such Reference Government Bond Dealer.

"Remaining Term Interest" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition (c).

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 and in accordance with the rules of ES in the case of ES Registered Notes, in each case 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 sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 5 days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice, as specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part) such Note on the relevant Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding or, in the case of ES Registered Notes, and including) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed 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 by cheque, an address) to which payment is to be made under this Condition.

In the case of ES Registered Notes, a Put Notice will not be effective against the Issuer before the date on which the relevant ES Registered Notes have been transferred to the account designated by the relevant Issuing Agent and blocked for further transfer until the Optional Redemption Date by said Issuing Agent. In the case of ES Registered Notes, the right to require redemption of such Notes in accordance with this Condition 6(d) must be exercised in accordance with the rules and procedures of ES and if there is any inconsistency between the foregoing and the rules and procedures of ES, the rules and procedures of ES shall prevail.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at an amount (the "Early Redemption Amount") determined or calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of Notes (other than Zero Coupon Notes) 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 Notes are denominated, at the amount set out in the applicable Final Terms or, if no such amount or manner is so set out, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount ("the Amortised Face Amount") calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including, or in the case of ES Registered Notes, but excluding) the Issue Date of the first Tranche of the Notes to (but excluding, or in the case of ES Registered Notes, and including) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) Purchases

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

(g) Cancellation

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

(h) Late Payment on Zero Coupon Notes

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

(i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 13 or individually.

In such event in respect of ES Registered Notes, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date the holders of the ES Registered Notes receive the full amount of such payment.

7. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges ("Taxes") of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision of, or any authority in, or of, the Kingdom of Sweden having power to tax unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(i) to, or to a third party on behalf of, a Noteholder or Couponholder who is liable to the Taxes in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of such Note or Coupon; or

(ii) to a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Payment Day; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting such Note or Coupon to a Paying Agent in another Member State of the European Union.

As used herein, the "Relevant Date" means the date on which such payment first becomes due but, if the full amount of the moneys payable has not been duly received by the Agent (or, in the case of ES Registered Notes, the holders of ES Registered Notes) or the Trustee 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 shall have been duly given to the Noteholders by the Issuer in accordance with Condition 13.

8. Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten 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).

In the case of ES Registered Notes, claims against the Issuer for the payment of principal and interest payable in respect of the ES Registered Notes shall be void unless made within 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor and thereafter any principal or interest payable in respect of such ES Registered Notes shall be forfeited and revert to the Issuer.

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 6(e)), together with accrued interest as provided in the Trust Deed, in any of the following events ("Events of Default"):

(i) if default is made in the payment in the Specified Currency of any principal due in respect of the Notes or any of them and the default continues for a period of 7 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(ii) if the Issuer fails to perform or observe any of its other obligations under the conditions of the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if any other indebtedness for borrowed money (as defined in the Trust Deed) of the Issuer or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any Principal Subsidiary fails to make any payment in respect of any other indebtedness for borrowed money on the due date for payment as extended by any originally applicable grace period or any security given by the Issuer or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the Issuer or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any other indebtedness for borrowed money of any other person, provided that no event shall constitute an Event of Default unless the indebtedness for borrowed money or other relative liability either alone or when aggregated with other indebtedness for borrowed money and/or other liabilities relative to all (if any) other events which shall have occurred and be at the relevant time outstanding shall amount to at least U.S.$50,000,000 (or its equivalent in any other currency); or

(iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Principal Subsidiary save for the purposes of a reorganisation on terms approved in writing by the Trustee; or

(v) if the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a reorganisation on terms approved in writing by the Trustee, or the Issuer or any Principal Subsidiary stops or threatens to stop payment of, or is unable to or admits inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vi) if (a) proceedings are initiated against the Issuer or any Principal Subsidiary 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 Principal Subsidiary 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 45 days; or if the Issuer or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

"Principal Subsidiary" means a Subsidiary of the Issuer:

(i) whose (a) total profits, before tax and extraordinary items, or (b) Total Tangible Assets (as defined in the Trust Deed) represent 10 per cent. or more of the consolidated total profits, before tax and extraordinary items, of the Issuer and its consolidated Subsidiaries, or, as the case may be, consolidated Total Tangible Assets of the Issuer and its consolidated Subsidiaries, in each case calculated by reference to the latest audited financial statements of such Subsidiary and the latest audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary under this sub-paragraph (ii) upon publication of its next audited financial statements,

all as more particularly defined in the Trust Deed.

A report by the independent auditors 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 Principal Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties.

10. Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. Agent and Paying Agents

(a) Notes other than ES Registered Notes

The following shall apply only to Notes other than ES Registered Notes.

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

The Issuer is, with the prior approval of the Trustee, 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:

(i) 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 any other relevant authority);

(ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Europe outside Sweden;

(iii) there will at all times be an Agent; and

(iv) there will be at all times a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in paragraph 8 of Condition 5(b). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

(b) ES Registered Notes

The following shall apply only to ES Registered Notes.

In relation to ES Registered Notes, the Issuer will, in accordance with the SIFA Act, appoint (i) ES as the central securities depository, and (ii) an issuing agent (the "Issuing Agent"). The Issuing Agent will be specified in the relevant Final Terms.

The Issuer is entitled to vary or terminate the appointment of ES or the Issuing Agent, provided that the Issuer will appoint another central securities depository or Issuing Agent, each of them to be duly authorised under the SFIA Act. The central securities depository and the Issuing Agent act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders.

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. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

13. Notices

All notices regarding the Notes shall be published in the Financial Times or any other daily newspaper in London approved by the Trustee. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any 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 in all the required newspapers.

All notices to holders of ES Registered Notes will be valid if mailed to their registered addresses appearing on the register of ES. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed.

Until such time as any definitive Notes are issued there may so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the business day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes (other than ES Registered Notes) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes (other than ES Registered Notes) are represented by a global Note, such notice may be given by any holder of a Note to the Agent *via* 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.

Notices to be given by any holder of ES Registered Notes shall be in writing and lodged with the relevant Issuing Agent.

14. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or 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 a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two- thirds, or at any adjourned such meeting 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 Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities, or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the

extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15. Further Issues

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

The Trustee may at its discretion and without further notice take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-fifth in nominal amount of the Notes outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

17. Substitution

The Trustee may, without consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of the Issuer's Subsidiaries, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

18. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

19. Contracts (Rights of Third Parties) Act 1999

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

20. Governing Law and Submission to Jurisdiction

(a) Governing law

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b), and clause 2.3(b) of the Trust Deed, are governed by, and shall be construed in accordance with, Swedish law. In addition, the ES Registered Notes must comply with the SFIA Act, as amended.

(b) Submission to jurisdiction

(i) Subject to Condition 20(b)(iii) below, the English Courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a "Dispute") and all Disputes will be submitted to the exclusive jurisdiction of the courts of England.

(ii) For the purposes of this Condition 20(b)(ii), each of the Issuer and the Trustee and any Noteholders or Couponholders taking proceedings in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) This Condition 20(b)(iii) is for the benefit of the Trustee, the Noteholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (A) proceedings in any other court with jurisdiction; and (B) concurrent proceedings in any number of jurisdictions.

Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of the ES (together, the "Swedish remedies"), holders of ES Registered Notes may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such ES Registered Notes, a holder of a ES Registered Note must first exhaust all available remedies under English law for non-payment or non-performance before any proceedings may be brought against the Issuer in Sweden in respect of the Swedish remedies. Notwithstanding the above, and in this limited respect only, a holder of a ES Registered Note may not therefore take concurrent proceedings in Sweden.

The Issuer has in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office for the time being (being at 4 April 2013 at Fifth Floor, 100 Wood Street, London EC2V 7EX, England) as their agent in England for service of process on their behalf and have agreed that in the event of Law Debenture Corporate Services Limited ceasing so to act they will appoint such other person as the Trustee may approve as their agent for service of process.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Notes and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and

unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

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

DESCRIPTION OF THE GROUP

OVERVIEW

General and History

With effect from 1 January 1992 the Swedish State Power Board, Statens Vattenfallsverk, was converted from a public utility into a limited liability company registered in Stockholm under registration number 556036-2138, having been established under the name Vattenfall Aktiebolag in November 1990. The national high-voltage grid, together with its international connections, which was part of Statens Vattenfallsverk's operations, was not transferred but was demerged and incorporated into a new public utility, Svenska Kraftnät. The Issuer's registered office is at Solna, Sweden and the telephone number is +46 8 739 50 00. With effect from 1 January 1995, the Issuer became a public limited company.

Group vision and operations

The vision of the Issuer and its subsidiaries (the "Group") is to develop a sustainable and diversified European energy portfolio with long-term increased profits and significant growth opportunities. At the same time, the Group aims to be among the leaders in developing environmentally sustainable energy production. The Group's main products are electricity, heat and gas. In electricity and heat, the Group works in all parts of the value chain: generation, distribution and sales. In gas the Group is active in sales, trading and gas-storage. The Group is also engaged in energy trading and lignite mining. The Group has approximately 33,000 employees. The Issuer is the parent company of the Group and is 100 per cent. owned by the Swedish state. The Issuer's activities are conducted on a commercial basis with the State's involvement limited to the role of a shareholder. Operations in 2012 were conducted in Sweden, Germany, the Netherlands, Denmark, Finland, France, and the United Kingdom (the "UK").

The Group's market positions

Electricity generation

The Group is the largest producer of electricity in the Nordic countries, through power plants in Sweden, Denmark and Finland. Its total market share is 17 per cent. (for Sweden and Denmark 41 per cent. and 17 per cent., respectively). In Germany and the Netherlands, the Group is the third-largest producer of electricity. Overall, the Group is the sixth largest producer of electricity in Europe. In total the Group generated 178.9 TWh in 2012 (compared to 166.7 TWh in 2011).

Electricity sales

In the sales market, the Group competes not only with electricity producers but also with a large number of electricity sales companies. In the Nordic countries, the Group has a market share of around 7 per cent. (sales to retail customers). In Germany, the Group's customers are concentrated in the cities of Hamburg and Berlin, where the Group has a market share of approximately 80 per cent. in the total retail segment. However, in Germany as a whole, the Group has a market share of approximately 8 per cent. In the Netherlands, the Group currently sells electricity under the "Nuon – part of Vattenfall" brand. The Vattenfall brand will be gradually introduced in the Dutch market. Nuon has a market share of just under 30 per cent. of electricity

sales to retail customers in the Netherlands. In total the Group has approximately 6.2 million retail customers.

Gas sales
The Group does not have any gas production of its own and operates only in gas sales and trading, and gas storage. Gas is sold to both retail and industrial customers. The Group has approximately 1.9 million gas customers. The gas business is concentrated mainly in the Netherlands, where the Group has a market-leading position. A large share of gas consumption is used for heating. In 2011 the Group also began supplying gas to customers in Germany.

District Heating
The Group is also a leading provider of district heating in Germany and one of the five largest in Sweden, the Netherlands and Denmark.

Electricity Distribution
Electricity distribution is a monopoly business that is regulated by network regulators in the respective countries. The Group has 4.3 million network customers. Disruption-free electricity supply is the most important demand from network customers, while development trends in society are creating a greater need for intelligent, flexible and reliable networks.

Strategy for value creation and changed marked conditions

In the Issuer's Articles of Association, it is stated that the Group should generate a market rate of return by operating a commercial energy business that enables the Group to be among the leaders in developing environmentally sustainable energy production. The strategic direction that was adopted by the Board of Directors of the Issuer (the "Board") in 2010 can be summarised in the following points:

- Efficiency improvement and cost-cutting;
- Strengthening of balance sheet through reduction of debt;
- Scaled-back investment programme;
- Focus on core markets of Sweden, Germany and the Netherlands;
- Divestment of non-core assets;
- Increased availability of production;
- Reduction in CO_2 exposure to 65 million tonnes by 2020; and
- Shift from geographic to functional business management and organisation.

During the past two years, the Group has successfully delivered on this strategy:

- A cost-cutting programme worth SEK 6 billion has been achieved by year-end 2012, one year earlier than planned;
- The balance sheet has been strengthened, and net debt has been reduced by approximately SEK 30 billion compared to 31 December 2010;
- The investment programme has been adapted to the company's cash flow;

- Focus on Sweden, Germany and the Netherlands has been achieved through the divestment of operations in Belgium, Finland and Poland;
- Availability of production has been improved. In 2012, availability at Vattenfall's nuclear power plants rose significantly compared to 2011 from 72 per cent. to 83 per cent.;
- CO_2 exposure has been decreased from 94 to 85 million tonnes, of which 8 million tonnes pertains to divested operations in Poland; and
- A new, business-led organisation was implemented on 1 January 2011 and was updated in November 2012.

The strategy that was decided in 2010 remains in place, but on a number of points, the conditions that applied then have changed, and certain assumptions that made up the foundation for the strategy no longer apply. The market outlook has continued to worsen as a result of an even higher level of overcapacity, lower price expectations and narrower margins. Moreover, since 2011 entirely new energy policy conditions exist, especially in Germany, as a result of the decision to phase out the country's nuclear power. The Group has therefore modified and adapted its strategy in the following four respects:

- Stronger focus on Operational Excellence and cost-cutting;
- Focus on continued strong and profitable position in the Nordic countries;
- Additional measures to reach the goal of lower CO_2 emissions; and
- Continued, but more selective, growth in renewable energy.

In the foreseeable future the Group must focus on its existing assets. Availability of production will be improved, customer focus will be strengthened, costs will be cut and profitability will be enhanced. The Group has a well-balanced production portfolio in terms of geographic spread, types of energy and CO_2 exposure. Half of production generates no, or only small amounts of, CO_2. The Group's liquidity situation is good, but the cost base is too high, and cash flow must be improved. This means that the scope for growth investments in new production capacity is limited. The size of investments must be adapted to the Group's financial resources, but like now, the absolute majority of growth investments will continue to be made in renewable energy.

Operational Excellence and cost-cutting

Operational Excellence aims to improve efficiency throughout the Group – both in the operative businesses and in the staff functions. It is a matter of measuring and evaluating working methodologies and processes, and of creating a company culture that is dedicated to continuous improvement. For 2013 the Group has decided to accelerate the cost reductions by setting a new goal of saving SEK 3 billion compared with 2012. This will require a reduction in the number of employees. The savings targets range from 15 per cent. to 30 per cent. for staff functions and shared services, and from 3 per cent. to 5 per cent. for the Business Divisions ("BD").

Continued strong position in the Nordic countries

The Nordic countries are a natural focus area for the Group given the Group's large scale, stakeholder relations and the leading position in all areas of the value chain. The Group intends to consolidate or further strengthen its position in the Nordic countries. The Group's ambition is to be a leader in the development of renewable energy sources in the Nordic countries and also to develop collaborations and take advantage of opportunities to make complementary

investments in the Nordic region. The development of future supply and demand is one of the most important factors for the Group's strategy in the Nordic countries. The Nordic power balance is strong and is expected to grow even stronger through the continued expansion of renewable energy. At the same time, only a weak rise in demand is anticipated. To manage the future power balance, an increasing transmission capacity for electricity from the Nordic countries to the European Continent and/or to the UK is an advantage both for society and the Group.

Achieve the goal of lower CO_2 emissions

The Group's goal is to achieve a reduction of the Group's CO_2 exposure from approximately 85 million tonnes in 2012 (based on the Group's share of ownership in the respective plants) to 65 million tonnes in 2020. However, CO_2 emissions are expected to rise in 2013 and 2014 as a result of completion of new coal-fired and gas-fired plants. Germany's changed energy policy, with the decision to phase out the country's nuclear power has made the country more permanently dependent on coal power than what would otherwise have been the case. This presents a new challenge for the Group in its efforts to achieve the goals it has set to reduce its CO_2 emissions.

Growth in renewable energy production

The Group continues to have an ambitious growth strategy in renewable energy production. At the same time, however, the scope for new investments is limited by the economic circumstances that apply for the entire energy industry. Careful analysis must be made to ensure that the Group chooses the projects that have the best prospects from both the environmental and financial perspectives. Where suitable, projects may be carried out in partnership with other companies. The Group may also consider inviting external financiers as part-owners in already completed investments in wind power. It is important to take advantage of economies of scale. The Group has an organisation and documented ability to carry out many and large investments in renewable production. The Group's goal is that the Group's rate of growth in renewable energy production will be higher than the average for the markets in northern and central Europe.

German nuclear power plants

The Group has taken a decision to dismantle the Brunsbüttel nuclear power plant as a result of the German government's decision in summer 2011 to phase out the country's nuclear power. In November 2012 the Group began the licence authorising process for closing and dismantling the plant. An immediate dismantling will allow optimal use of the expertise and knowledge of existing personnel. A precondition for the Group to choose an immediate dismantling is that it obtains access to a storage site for low and medium-level radioactive waste. The licence authorising process has been initiated with the responsible ministry in the federal state of Schleswig-Holstein. To obtain reasonable compensation for the financial losses, the Group has submitted a request for the institution of arbitration proceedings with the International Center for Settlement of Investment Disputes ("ICSID") in Washington, D.C. The subsidiaries operating the nuclear plants, Brunbuttel and Krummel, have filed a complaint with the Federal Constitutional Court of Germany.

Replacement of nuclear power in Sweden

The Group expects that slightly more than 20 TWh of nuclear power generation from older reactors will be phased out in Sweden between 2025 and 2035. This is a significant share of the country's electricity generation which, in contrast to hydro power and wind power, is not

dependent on weather and wind conditions. In the absence of replacement power generation or long-term planning, this phase-out may cause price turbulence and uncertainty in the electricity market. In 2010 Sweden's Parliament decided that it should be possible to replace existing reactors with new nuclear power capacity. In 2012 the Group therefore began a more in-depth analysis involving studies as well as formal processes intended to establish clarity on the conditions for an investment in replacement reactors. Among other measures, an application for replacement power has been filed with the Swedish Radiation Safety Authority ("SSM"). The aim of the Group's analysis is to make it possible for the company within ten years to arrive at a position that would enable an investment in replacement reactors.

Greater production flexibility at lignite-fired power plants

The Group is currently evaluating various alternatives for the development of lignite drying techniques in an effort to increase power plant flexibility and reduce the technical minimum load. At present, the boiler in a lignite-fired power plant must be supported with fuel oil or be completely shut down if the technical minimum load falls below a certain threshold. Using dry lignite is a way of further reducing the minimum load while also avoiding costly fuels with accompanying CO_2 emissions.

Investment plan for 2013-2017

The Group has, compared with the five-year period 2012–2016, reduced its total level of investment for the period of 2013–2017 from SEK 147 billion to SEK 123 billion. Of the total investment amount, SEK 93 billion pertains to the production of electricity and heat. The remaining amount mainly pertains to investments in electricity and heating networks and IT. Investments in new capacity ("growth investments") account for SEK 35 billion of the total investment budget. The remainder is earmarked for maintenance and replacement investments.

DEVELOPMENT IN THE EUROPEAN ENERGY MARKET

The European energy sector is under pressure from low prices, low growth in demand for electricity and overcapacity, such as the amount of renewable energy produced. The balances of supply and demand as well as regulations affect the Group to a high degree.

Lower electricity prices

During the year, average spot prices in the Nordic countries fell 30 per cent. compared to 2011, due to a strong hydrological balance. Spot prices have also fallen in Germany and the Netherlands, but to a lesser extent. While spot prices are ordinarily steered by weather and the near-term supply of electricity, futures prices give an indication of the price trend over a longer term perspective. During the year, futures prices were decreased compared to 2011, in the Nordics with 18 per cent. and in Germany with 12 per cent. Gross margins for gas-based electricity generation (clean spark spread) also decreased considerably in 2012 and were near or below zero for a large part of the year. Coal-fired plants, on the other hand – particularly lignite-fired power plants – still have positive operating margins, since the purchase price of coal is cheaper than for gas, inclusive of the price for CO_2 emission allowances.

Surplus of production capacity

A strong power balance currently exists in the Nordic electricity market, mainly due to higher production of renewable energy. In 2010, the overcapacity amounted to approximately 28 TWh (compared with total annual electricity consumption of approximately 400 TWh). The continued expansion of renewable energy – especially wind power – and the new Olkiluoto 3 nuclear

power plant (1,600 MW) in Finland, which is planned to commence production in 2014/2015, are expected to lead to further overcapacity in the medium term. In Germany, production capacity decreased by 8,500 MW through the closure of eight nuclear power plants in the summer of 2011. However, the closures have not affected price levels to a major extent, due to an increase in the production of renewable energy, a net increase of conventional energy production and an increase of imported electricity.

Lower prices for CO_2 emission allowances

The current economic recession in Europe has led to a considerable drop in industrial production and demand for electricity. This, in turn, has led to a dramatic change in demand for CO_2 emission allowances, where there is now a surplus on the market. It is estimated that the accumulated surplus will grow to nearly 2 billion tonnes by 2014, which is equivalent to the total volume of CO_2 emissions within the European Union Emissions Trading System ("ETS") in a given year. To some extent, the greater supply of CO_2 emission allowances is also due to lower use and the closure of power plants with high marginal costs, especially in the UK and southern parts of Europe. The price of CO_2 emission allowances averaged EUR 7.6 per tonne in 2012, which is 41 per cent. lower than in 2011. Since the price of CO_2 emission allowances is added to the production cost when using fossil fuels (which are also the most expensive energy source for electricity generation), the price of CO_2 emission allowances steers the marginal price of electricity. So while the lower price of CO_2 emission allowances leads to lower electricity prices, it also leads to cheaper energy production based on fossil fuels.

Increased investment in renewable energy

The energy sector is facing an enormous investment need in the years immediately ahead as a result of the political goals to increase the share of renewable energy. The European Union's target that 20 per cent. of electricity use shall come from renewable energy sources by 2020 (compared to 12.5 per cent. in 2010) – and a minimum of 55 per cent. by 2050 – is requiring enormous investments by utilities and countries. Even small-scale investments, such as co-combustion of biomass in hard coal-fired power plants, are costly and will require subsidies.

Integration of intermittent electricity generation

Renewable forms of energy such as wind power and solar energy are weather-dependent, entailing that electricity generation based on them is intermittent. It is therefore vital that other energy sources can cover the need for electricity during periods of weak winds and less sunshine. The integration of intermittent electricity generation from renewable energy can be carried out by strengthening the distribution network and expanding cable links in order to balance out production over larger geographic areas, as well as by steering demand and changing consumers' behaviours, for example, by encouraging them to use less electricity during periods of high demand.

Rules and Regulation

The Group's operations are also affected by a host of different legislative and regulatory initiatives. The trend is moving toward greater regulation in the European energy markets. Germany is a clear example, where "Energiewende" has changed the conditions for energy companies working in the country. "Energiewende" refers to the shift in Germany's energy policy following the accident at the Fukushima nuclear power plant in Japan in March 2011. In the aftermath of the accident, the German government decided in summer 2011 to close eight of Germany's nuclear power plants with immediate effect, and that all of the country's nuclear power plants would be phased out by 2022 at the latest. Further, the design of national support

systems is also a key precondition for the Group's investments. All energy production based on renewable energy sources (except for hydro power) is dependent on support systems in order to achieve grid parity. The laws and statutes that may have the greatest impact on the Group in the near future are:

- The allocation of network concessions for electricity and heat distribution in Hamburg and for electricity and gas distribution in Berlin;
- The future of the ETS. The future price of CO_2 emission allowances has a major impact on electricity prices and therefore on profitability for Europe's utilities. At present the economic incentives for lowering CO_2 emissions are very small, which is a disadvantage from a climate perspective. Discussions are currently being held in the European Union on a possible reduction in the volume of emission allowances in the market in order to increase their price; and
- The European Union Water Framework Directive ("WFD") has been adopted into Swedish law. Strict application of this law could lead to greater demands for measures to abate the environmental impact of hydro power generation, such as the impact on biological diversity. At the same time, a hydro power study is currently being carried out on the initiative of the Swedish government. There is a risk that the effects of both the WFD and the findings of the study could lead to a loss of production equivalent to approximately 10 per cent. of Sweden's existing hydro power generation.

GROUP GOVERNANCE, ORGANISATION AND BUSINESS STRUCTURE

Corporate Governance

Corporate governance in the Group is based on numerous external and internal rules and regulations.

External rules and regulations:

- Swedish and foreign legal rules, particularly the Swedish Companies Act and the Swedish Annual Accounts Act;
- The Swedish state's ownership policy and other owner directives;
- The Swedish Code of Corporate Governance (the "Code"); and
- Stock exchange rules. The Issuer adheres to the stock exchange rules that apply for companies that have fixed-income securities registered on Nasdaq OMX Stockholm and other marketplaces.

Internal rules and regulations:

- The Articles of Association;
- The Board's Rules of Procedure, including the Chief Executive Officer's ("CEO") instructions and instructions on reporting to the Board; and

- Internal documents – particularly the Vattenfall Management System ("VMS"), which includes the Issuer's Code of Conduct and instructions on roles and responsibilities, and on the delegation of duties.

The Issuer is the parent company of the Group, and is a Swedish public limited liability company with its registered office in Solna. The Swedish Companies Act therefore applies to the Issuer, which entails that a company must have a board of directors that is elected by the Annual General Meeting ("AGM"). The AGM decides the content of the Issuer's Articles of Association and elects auditors (based on the recommendations of the owner), adopts the income statement and balance sheet, grants discharge from liability and deals with other matters of business that are incumbent upon the AGM pursuant to the Swedish Companies Act or the Issuer's Articles of Association. Under Swedish law, the AGM will be held within six months after the end of each financial year. The Board, in turn, appoints the President and CEO, who is responsible for the day-to-day administration of the company in accordance with the Board's guidelines and instructions. Large parts of the Group's operations are conducted in wholly and partly owned subsidiaries. The Issuer also adheres to the stipulations that apply for companies registered on Nasdaq OMX Stockholm, Sweden, as well as in the other market places in which the Issuer has securities registered. The deviations that the Issuer makes from the Code are mainly due to the fact that the Issuer is 100 per cent. owned by the Swedish state, while the Code is written primarily for listed companies with broad ownership.

For enterprises that are wholly owned by the Swedish state and that are not listed on a stock market, uniform and joint principles for a structured nomination process are applied to the members of the board. These principles take the place of the Code's rules on proposal decisions for the nomination of board members and auditors. The principles state that the process for nominating directors is co-ordinated by the State Enterprises Division of the Ministry of Finance. The Issuer's Articles of Association stipulate that the Board shall have a minimum of five and a maximum of ten AGM elected directors without deputies. The Chairman of the Board shall be elected by the AGM. No members of the Executive Group Management ("EGM") are directors on the Board. Therefore in accordance with the Swedish state's ownership policy, the Group's CEO is not a director on the Board. The matters reserved for the Board are prescribed primarily by the Swedish Companies Act and the Board's Rules of Procedure and applies to the Issuer as well as the Group. Each year the Board adopts its Rules of Procedure and a number of instructions. The Rules of Procedure and instructions regulate matters such as reporting to the Board, the delegation of duties between the Board, the CEO and the Board's committees, the Chairman's duties, the form of board meetings, and evaluation of the work of the Board and the CEO. The Board's Rules of Procedure stipulate, among other things, that the Board shall approve major investments, acquisitions and divestments, and adopt central policies and instructions. The Board shall also approve certain important contracts, including contracts between Vattenfall and the CEO, and the Deputy CEO and such other persons in the Group who are defined as senior executives by the AGM. The Board's duties pertain to Vattenfall AB as well as the Vattenfall Group. The Chairman leads the work of the Board and is responsible for ensuring that other board members receive the necessary information.

The Board's Rules of Procedure stipulate that eight to twelve regular meetings are to be held each year. In addition to the regular meetings, the Board is summoned to further meetings if the need arises. The Rules of Procedure stipulate, among other things, that the following items are to be included on the agenda once a year:

- Strategic plan, business plan, investment plan and communication plan;

- Risk exposure and risk mandate;
- Strategic personnel issues; and
- The Group's research and development activities.

In addition, a report is presented at every regular meeting on important business events since the previous meeting, the financing situation and safety at the Group's nuclear power plants. Investments are followed up and analysed by the Board three years after they have been decided on by the Board. The Board evaluates its own work and the CEO's work once a year in the aim of improving the Board's processes and effectiveness.

The Board sets the overall risk mandates for the Group in the areas of energy and commodity trading, as well as for financial, insurance and credit risks. At each board meeting, the Board receives information about the Group's financial position.

The Board has established within itself an audit committee, a remuneration committee, and a safety and risk committee, along with rules of procedure for the committees. For each committee, the Board has appointed three AGM-elected directors to serve as members, of whom one is to serve as committee chair. In addition, the Board can, where necessary, establish other committees to look into matters in more defined areas. In other respects, the Board shall not delegate any special areas of responsibility or duties among its members. All committees reports to the Board by submitting a report together with minutes of the committee meetings at the next scheduled board meeting. Except for certain matters conducted by the Audit Committee, the committees are only drafting bodies. The Chief Finance Officer ("CFO"), the Chief Risk Officer ("CRO") and the Head of Internal Audit serve in a reporting role at Audit Committee meetings. The Issuer's external auditors attend all regular meetings and report their observations regarding the audit. The Audit Committee is responsible for meeting with the Issuer's external and internal auditors on a regular basis in order to confirm the audit's planning, focus and scope, and to discuss co-ordination of the external and internal audit and views on the Issuer's risks. The Audit Committee has the right, on behalf of the Board, to decide on the internal audit budget, the Internal Audit Charter, the internal audit plan and guidelines for services other than auditing which the Issuer may procure from the Group's auditors.

The President of the Issuer, who is also CEO of the Group, is responsible for the day-to-day administration in accordance with the Swedish Companies Act. The CEO has appointed decision-making bodies for governance of the Group and makes decisions independently or with the support of these decision-making bodies. The most important of these decision-making bodies is the EGM and the Vattenfall Risk Committee ("VRC"). The EGM focuses on the Group's overall direction and decides – within the framework of the CEO's mandate from the Board of Directors – on matters of importance for the Group, such as certain investments. The VRC makes decisions pertaining to the risk mandate and credit limits, among other things, and exercises oversight of the risk management framework. Both EGM and VRC conduct preparatory drafting work on matters that are to be decided by the Board of Directors.

The Swedish state's ownership policy states that responsibility for election of auditors of state-owned companies shall always rest with the owner by decision of the AGM. The Issuer's Articles of Association stipulate that the company shall have one or two auditors with or without one or two deputy auditors, or a chartered auditing firm as auditor. In accordance with the Act on Auditing of State Activities, the Swedish National Audit Office may appoint one or more

auditors to participate in the annual audit. After the 2011 AGM the Swedish National Debt Office has not appointed any auditor for the Issuer.

In 2012 the Issuer's board adopted a new Code of Conduct. Information on the Code of Conduct has been provided through numerous announcements on the Group's intranet, in articles found in the Group's employee magazine. This has helped familiarise the employees with the Code of Conduct. The rules in the new Code of Conduct are based on eight principles in the areas of health and safety, people, customers and suppliers, business ethics, communication, information security, company resources, the environment, and incident reporting. It also includes clear references to the VMS, which more clearly elaborates on the stipulations of the Code of Conduct. The VMS is the framework that ensures that the Issuer's governance adheres to formal requirements as well as to requirements made by the Board, the CEO, the business operations and the Staff Functions. The VMS is documented in binding governance documents consisting of policies, instructions and process documents on three different levels: company level, function level and business level. The VMS is an integrated management system that applies to the entire Group, along with the limitations that may arise from legal requirements, such as regarding the unbundling of the electricity distribution business.

Organisation and Business Structure

On 1 November 2012 the Group's organisational structure was changed. Three operating segments were reorganised into two: Generation, and Distribution and Sales. The Generation segment now encompasses four BDs: BD Sustainable Energy Projects, BD Production, BD Asset Optimisation and Trading and BD Nuclear Power. The Distribution and Sales segment still consists of BD Distribution and Sales. The governance model rests on a business-led structure that is based on the value chain for electricity and heat (production, distribution and sales). In addition, the function areas (“Staff Functions”), which supervise, govern and support the BD and Units are centralised and coordinated for the entire Group. Operations are structured into operating segments, business divisions and business units as per the below table.

<table>
<tr><td colspan="5">Operating Segments</td></tr>
<tr><td colspan="4">Generation</td><td>Distribution and Sales</td></tr>
<tr><td colspan="4">This segment is the Group's interface towards the wholesale market and includes development and building of production assets, generation of electricity and heat, and sales of electricity on the wholesale energy market.</td><td>The segment is responsible for all of the Group's end- customer relationships i.e. electricity and heating sales, electricity distribution and other end-customer activities.</td></tr>
<tr><td colspan="5">Business Division</td></tr>
<tr><td>Sustainable Energy Projects</td><td>Production</td><td>Asset Optimisation and Trading</td><td>Nuclear Power</td><td>Distribution and Sales</td></tr>
<tr><td colspan="5">Business Units</td></tr>
<tr><td>R&D Projects</td><td>Lignite Mining & Generation</td><td>Asset Optimisation Nordic</td><td>Projects and Services</td><td>Products and Solutions</td></tr>
<tr><td>Engineering</td><td>Generation Wind</td><td>Asset Optimisation Continental</td><td>Nuclear Fuel</td><td>Consumer Sales</td></tr>
<tr><td>Thermal Power Projects</td><td>Hydro Power</td><td>Trading</td><td>Forsmark</td><td>Business Sales</td></tr>
<tr><td>Project Governance & Improvement</td><td>Thermal Power and Heat</td><td>Operations</td><td>Ringhals</td><td>Heat</td></tr>
<tr><td>Onshore Wind Projects</td><td></td><td></td><td>Nuclear Germany</td><td>Distribution</td></tr>
<tr><td>Offshore Wind Projects</td><td></td><td></td><td>Decommissioning and Waste Management</td><td>Customer Service</td></tr>
<tr><td>Biomass</td><td></td><td></td><td></td><td>Energy Related Services</td></tr>
<tr><td colspan="5">Shared Services</td></tr>
</table>

Generation operating segment

The Generation operating segment consists of the development and construction of production plants, production of electricity and heat, and sales of electricity on the wholesale market. It comprises four BDs– Sustainable Energy Projects, Production, Asset Optimisation and Trading, and Nuclear Power – and accounts for 74 per cent. of the Group's underlying operating profit.

The Group's energy sources

The Group's production activities are based mainly on lignite, hard coal, natural gas, nuclear power, hydro power and wind power. During 2012 the company produced 178.9 TWh of electricity, up 7.3 per cent. from 2011. Hydro power generation reached its highest levels in two decades, and availability at the company's nuclear power plants has increased.

The Group's lignite operations

In 2012 the Group's lignite-fired power plants produced 55.5 TWh of electricity in the Group's power plants: Jänschwalde (3,000 MW), Boxberg (2,575 MW), Schwarze Pumpe (1,600 MW) and Lippendorf (1,800 MW, of which 900 MW belongs to the Group). The Group owns the mines from where the lignite is extracted (except for Lippendorf), which are located nearby the power plants. It is important to secure the permits for lignite mining at the Welzow and Nochten mines, and expand the open-cast mine at Jänschwalde Nord to ensure supply for the Group's lignite-fired plants in the future. Considerable progress was made during the year in negotiations with the federal states of Brandenburg and Saxony, which issue the permits. The permitting process is expected to be completed in mid-2013 for Nochten and mid-2014 for Welzow.

CO_2 emissions

The greatest share of the Group's CO_2 emissions comes from the Group's lignite-fired power plants. CO_2 emissions have an impact on Group's operations both financially and environmentally. In 2012 the Group produced a total of 85 million tonnes of CO_2. Starting in 2013, the free of charge allocation of emission allowances will essentially cease. During the period of 2008–2012, the Group received emission allowances corresponding to 61 million tonnes of CO_2 per year free of charge, mainly for the Group's German operations.

Hard Coal- and gas-fired plants

The Group's coal-fired and gas-fired power plants produced 17.2 TWh of electricity in 2012. The gross margin for gas-fired electricity generation (the clean spark spread) has decreased and was close to and even below zero for most of the year, which has reduced profitability and the number of hours in operation. In addition, costs increased due to a new tax (EUR 13.8/tonne) on hard coal-fired electricity generation in the Netherlands.

Nuclear power generation

In 2012 the Group's nuclear power plants produced 48.9 TWh (compared to 42.5 TWh in 2011) of electricity, which is roughly 30 per cent. of Sweden's total electricity generation. Combined availability for the Group's nuclear power plants in 2012 was 83 per cent. (compared to 72 per cent. in 2011). The Forsmark nuclear plant had availability of 89.3 per cent. (compared to 86.2 per cent. in 2011) and generation of 24.6 TWh (compared to 23.6 TWh in 2011). The Ringhals nuclear power plant attained its highest level of generation since 2008. The Ringhals 3 reactor set a historic generation record of slightly more than 8.3 TWh and availability of 91 per cent. To increase availability at the plants, the Group has developed and improved the routines for audits

in a number of areas. Safety has highest priority at all of the Group's nuclear power plants. During the period of 2003–2012, more than SEK 30 billion was invested by the Group and other part-owners to raise the level of safety, extend the nuclear power plants' useful lives and implement capacity increases. The Group's Swedish nuclear power plants Forsmark and Ringhals have made substantial investments over a number of years in physical security. In January 2012, the SSM submitted a report to the government on the physical security of the two plants. The report recommended further measures to prevent potentially hostile actions at the plants. This work is continuing in 2013 and may lead to further demands from SSM. The European Union's stress tests continued in 2012. During the spring, a national Swedish report from SSM was examined in a peer review process in the European Nuclear Safety Regulators Group. The national report confirms that Sweden's nuclear power plants meet the current standards. SSM has compiled a national action plan that was presented at the end of 2012. One future measure involved mobile systems for enabling action in the event of several parallel events at several different reactors. Other measures pertained to additional reserve power solutions for electricity supply and strengthened crisis organisations.

Hydro power

The Group's hydro power plants generated 42.2 TWh (compared to 34.5 TWh in 2011) of electricity in 2012, which is the highest volume in 20 years. It was mainly the spring months that contributed to the production record as a result of high availability at the plants and good water supply. In hydro power, the ongoing political processes involving interpretation of the WFD and the ongoing hydro power study in Sweden are of central importance. During the year, the Group therefore participated in the discussion surrounding these processes together with authorities, ministries and other stakeholders. In addition, the Group started a programme to study how biological diversity can be strengthened in developed rivers while maintaining the production capacity of existing hydro power plants. The Group continued to invest in measures to increase dam safety and further raise the availability of the company's hydro power plants.

Wind Power

Wind power is the fastest growing renewable source of energy in Europe. In all, the Group has more than 900 wind power turbines in operation in Sweden, Denmark, Germany, the Netherlands and the UK. In 2012 the Group's wind farms generated 3.6 TWh (compared to 3.4 TWh in 2011) of electricity. The Swinford wind farm in the UK was fully commissioned in September 2012. The wind farm comprises 11 turbines with combined installed capacity of 22 MW. In the Netherlands, installation of the Zuidlob onshore wind farm, west of Zeewolde, will be completed in spring 2013. The wind farm comprises 36 turbines with combined installed capacity of 122 MW. In September 2012, the Group inaugurated its most advanced wind farm, Ormonde, which is located offshore Barrow-in-Furness in the Irish Sea comprised of 30 turbines, with combined capacity of 150 MW. The DanTysk wind farm, comprising 80 turbines with combined capacity of 288 MW in the North Sea, 70 km offshore the island of Sylt, is planned to be commissioned in early 2014. DanTysk is a joint venture between the Group and Stadtwerke München.

Optimisation of generation assets

The Generation Operating Segment is also responsible for central optimisation of all of the Group's generation assets. Operation of the plants is optimised on the basis of the forecast electricity price and the power plants' variable production costs. Production costs, in turn, are affected mainly by the type of fuel that is used and the cost of any CO_2 emission allowances.

The produced electricity is sold on the wholesale market to electricity exchanges and bilateral counterparties.

Distribution and Sales operating segment

The Distribution and Sales operating segment is responsible for all relationships with the Group's end-customers, such as sales of electricity, heat and gas, and distribution of electricity and heat. The operating segment accounts for 28 per cent. of the Group's underlying operating profit.

Sales and Market position

Electricity
The Group has a strong market position in all of its core markets. In Sweden the Group has a market share of 27 per cent. in the retail market. In Germany the Group's market share is approximately 80 per cent. among retail customers in the cities of Berlin and Hamburg, while the Group's total market share in Germany is approximately 8 per cent. In the Netherlands, the Group currently sells electricity under the brand "Nuon – part of Vattenfall". The Vattenfall brand is being gradually phased in to the Dutch market. Nuon has a market share of just under 30 per cent. in the retail market for electricity sales.

The Group has a total of 6.2 million retail electricity customers in four countries and total sales of 122.8 TWh (compared to 137.5 TWh in 2011) of electricity. Sales of electricity to private customers decreased by 4.5 TWh to 29.5 TWh (compared to 34.0 TWh in 2011), which is mainly attributable to the divestment of the Polish and Belgian operations. Sales to resellers decreased by 6.7 TWh to 22.0 TWh (compared to 28.7 TWh in 2011), of which 4.8 TWh was attributable to Germany and 0.6 TWh to the Nordic countries. Sales to business customers decreased by 3.5 TWh to 71.3 TWh (compared to 74.8 TWh in 2011). Sales to business customers in France increased to 10.7 TWh (compared to 6.7 TWh in 2011).

Gas
The Group's sales of gas are mainly concentrated in the Netherlands, where the Group has a market leading position of just under 30 per cent. A large share of gas sales are used for heating. Since 2011 the Group has also been supplying gas to customers in Germany. Total sales of gas amounted to 52.4 TWh (compared to 53.8 TWh in 2011). The divested Belgian operation contributed 3.2 TWh in 2011.

Heat
The Group is a leading provider of district heating in Germany and one of the five largest in Sweden, the Netherlands and Denmark. In 2012 the Group sold 20.4 TWh (compared to 31.7 TWh in 2011) of district heating. During the year, several new contracts for heat sales were signed, among others with real estate companies in Uppsala, Sweden and Berlin, Germany. In the Netherlands, the Group signed three new, large concession agreements for the supply of heat and electricity – one in Waalsprong–Waalfront and two in the Amsterdam area (Zeeburgereiland and Houthaven), for 25 MW of district heating each as well as for 7 MW of comfort cooling in Houthaven. The latter two agreements are part of a collaboration project with the City of Amsterdam. Total sales of heat amounted to 20.4 TWh (compared to 31.7 TWh in 2011).

Electricity network operations

Electricity distribution is a monopoly business that is regulated by network regulators in the respective countries. It is legally and functionally separated from the Group's operations that are open to competition. The Group has 4.3 million network customers in Sweden and Germany. High-quality, uninterrupted electricity service is one of the chief requirements made by network customers. The Group is continuing with its extensive investments in the electricity network that were begun in the mid-1990s to protect the grid from the effects of weather and thereby ensure highly reliable services for all of its electricity network customers. The growing availability of renewable energy – especially wind power – along with customer needs for better and more intelligent information about their electricity use, is driving the development of smart grids. The Group is conducting extensive development work in smart grids in parallel with extensive modernisation and expansion of the electricity grid in order to meet the emerging needs of customers and the authorities. Vattenfall Eldistribution AB, together with other Swedish network companies, had previously appealed a decision made by the Swedish Energy Markets Inspectorate on revenue frameworks for the Swedish operations for the period of 2012–2015. During the year, this legal process continued in the administrative court. In October 2012, the Energy Markets Inspectorate issued its reply to the appeal, in which it conceded to changes that will result in more reasonable terms for financing the electricity network operations.

Network concessions in Hamburg and Berlin

The Group’s network concessions for electricity distribution in Hamburg and Berlin expire in 2014. In Berlin, the tendering process has been started, and the Group has submitted a bid to continue running the network operations. In Hamburg, the tendering process will not begin until a referendum in association with the parliamentary election has been held at the end of September 2013. The referendum pertains to the issue of whether the city's electricity network should be returned to municipal ownership.

New products and services

During 2012, the Group further developed products and customer offerings as part of its ongoing efforts to adapt to changes in the energy market. One example is in the fast-emerging "prosumers" segment, i.e., customers who both produce and consume electricity. Since 1 January 2012 it has been possible for producers of renewable energy in Germany to sell electricity that they have generated directly to the electricity exchange, instead of receiving a fixed price for feed-ins to the grid. Since the start of the year the Group has offered this service to producers of electricity from wind farms, solar power plants and combined heat and power plants that use biomass. In Uppsala, Sweden, the Group offers major business customers the product "Carbon-Neutral Heat". Customers receive information about lower CO_2 emissions in relation to their consumption, which they can then use in statistics about reduced CO_2 emissions in their own operations. In Hamburg and Berlin, the Group offers the product "Natural Heat". Customers can choose to receive district heating that is entirely or partly produced using renewable energy sources, including wood-based fuel, waste and methane gas.

Staff functions and Shared Service Centres

A number of Group-wide Staff Functions support the Group’s business as well as the decision-making process of the EGM and CEO. The Staff Functions also govern relevant business processes in the Group as a whole. The Staff Functions are managed and co-ordinated centrally with employees located at both the corporate level and closer to the business. Shared Service Centres (“SSCs”) are an important and integral element of the Group’s business

operations and focus on transaction-related processes. SSC's are led with a focus on process efficiency and utilisation of economies of scale. SSC's provide such services and specialist functions which, from a cost perspective, are advantageous to handle and perform on a shared basis.

INSURANCE COVER

The Group protects itself against economic loss to the greatest extent possible through insurance. The Group has two Group-owned (captive) insurance companies that insure the Group's own risks exclusively – Vattenfall Insurance and Vattenfall Reinsurance. Vattenfall Insurance optimises the risk financing of insurable risks within the Group. Reinsurance is procured in the international reinsurance market. Vattenfall Reinsurance provides Vattenfall Insurance with some reinsurance capacity. Vattenfall Insurance underwrites insurance for most of the Group's property and business interruption exposure as well as for construction risks. Most of the power lines in the distribution networks are uninsured. This is due to the difficulty of finding cost-effective insurance solutions. In addition, Vattenfall Insurance provides Group-wide, general liability insurance, including consultant and product liability.

With respect to dam liability, Swedish dam owners have strict and unlimited liability for damage to third parties caused by dam accidents. In co-operation with other Swedish and a number of Norwegian dam owners, the Group procures dam liability insurance with an insured amount of SEK 8,685 million. Property insurance for the Group's nuclear power plants is issued by the European Mutual Association for Nuclear Insurance, and for the Swedish nuclear power plants also by the Nordic Nuclear Insurers. Nuclear liability in Sweden is strict and limited to 300 million Special Drawing Rights, approximately SEK 3,004 million, which means that owners of nuclear power plants are liable for damage up to this amount. Statutory nuclear liability insurance is issued by the Nordic Nuclear Insurers and by the mutual insurance company, European Liability Insurance for the Nuclear Industry. In Germany, nuclear liability is strict and unlimited. By law, nuclear power plants are required to have insurance or other financial guarantees for up to EUR 2,500 million. The German Atomic Insurance Pool issues insurance for up to EUR 256 million. Thereafter, the nuclear power plants and their German parent companies (in the Group's case, Vattenfall GmbH) are liable for amounts exceeding this level, in proportion to the respective ownership interest the parent companies have in the nuclear power plant. It is not until these resources are exhausted that a solidarity agreement (Solidarvereinbarung) between the German nuclear power plant owners (Vattenfall GmbH, E.ON, RWE and EnBW) would enter into force for up to EUR 2,500 million. Since the liability is unlimited, the nuclear power plants and their German parent companies are ultimately liable also for amounts in excess of this level.

PENSIONS

The Group's pension obligations in the Swedish, German and Dutch companies are predominantly defined benefit pension obligations. The concerned pension plans are primarily retirement pensions, disability pensions and family pensions. The assets in these funds, the plan assets, are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans.

Swedish pension plans

The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer and employee organisations. Almost all of the Group's

employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP–Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are mainly accounted for through provisions in the balance sheet or to a lesser extent secured in a pension trust. In 2012, the Issuer decided to resume full funding of its defined benefit occupational pensions on the balance sheet and to phase out the Pension Trust which was established in 1999. Certain of the Group's obligations are secured through an insurance policy from Alecta (a Swedish mutual insurance company), e.g. spouse's benefits and disability benefits. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this plan is a multi-employer defined benefit plan. As in previous years, the Issuer has not had access to such information as to make it possible to report this plan as a defined benefit plan. The ITP pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined contribution plan. Contributions for 2012 for pension insurance policies from Alecta amount to SEK 89 million (compared to SEK 84 million for 2011). Alecta's surplus can be distributed among the policyholders and/or the insured. At the end of 2012, Alecta's surplus in the form of its so-called collective funding amounted to 129 per cent. (compared to 113 per cent. for 2011). Collective funding consists of the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

German pension plans

The pension plans in Germany are based on collective business-like agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany. Two pension plans exist, both secured through Pensionskasse der Bewag, a mutual insurance company. Obligations are secured through funds from the Group and its employees. One plan has been classified as a defined contribution plan and is reported as such since the benefit is based on paid-in contributions and Pensionskasse der Bewag's financial position. For employees who began their employment before 1 January 1984, there is a supplementary agreement providing employees working until retirement age with a pension equal to up to 80 per cent. of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Vattenfall GmbH Berlin's obligations encompass the entire pension obligation. The plan assets attributable to personnel employed since before 1 January 1984 are reported as plan assets at fair value. In addition the Group has pension obligations for employees in Hamburg that mainly comprise of the company's obligations to personnel employed before 1 April 1991 and who have been employed for at least 10 years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65 per cent. of pensionable salary.

Dutch pension plans

In the Netherlands, the Group has a number of defined benefit plans and defined contribution plans for which premiums are paid to pension funds or insurance companies. The most significant pension plans have been transferred to the ABP pension fund and the "Metaal en Techniek" pension fund. These plans can be characterised as multi-employer plans. The pension plans offered by these funds are defined benefit plans. However, as Nuon does not have access to the required information and Nuon's participation in the multi-employer plans exposes Nuon to actuarial risks that pertain to present and former employees of other entities, both pension plans are recognised as defined contribution plans. The pension premiums paid during the financial year are accounted for as pension costs in the financial statements. If there is a contractual agreement with a multi-employer plan, which determines how a surplus is

distributed to the participants, or a deficit is to be financed, and the plan is accounted for as a defined contribution plan, a receivable or liability following from the agreement should be recognised in the balance sheet. The resulting gains or losses are to be recognised in the income statement. The pensions of the majority of Nuon's workforce are transferred to the ABP pension fund and the "Metaal en Techniek" pension fund. These plans do not contain the aforementioned contractual agreements. As a result, no receivable or liability has been recognised in the balance sheet.

The Group's pension provision was SEK 21,890 million at year end 2012 (compared to SEK 17,996 million in 2011). The total pension costs in 2012 were SEK 2,328 million (compared to SEK 2,234 million in 2011).

RECENT ACTIVITIES

In January 2012, the Group has reached a consortium agreement with three partners in France to be well prepared for the coming hydro concessions later this year. On the occasion of the renewal of French hydroelectric concessions, the four partners, ArcelorMittal, Rhodia, SNCF and the Group joined forces under the name Force Hydro to bid for the concessions tender to be launched by the French state in 2012. By targeting 2000 MW of the 5300 MW expected to be renewed in the coming years, Force Hydro aims to become a key player in large hydro power generation in France. The partnership is led by the Group.

In January 2012, the Group's accomplished the following divestments of its:

- Electricity distribution and heat business in Finland. The buyer was LNI Acquisition Oy. The purchase price was EUR 1.54 billion; and
- Heat and electricity generation company in Warsaw, Vattenfall Heat Poland S.A., to the Polish gas company PGNiG S.A. The purchase price amounts to PLN 3,016 billion.

In April 2012, the Issuer reached an agreement to sell its interest in a pilot project involving the supply of biomass in Liberia that is being conducted through Buchanan Renewables Fuel. The Group is a minority owner in the project. Due to the sale of its interest, the Issuer has recognised an impairment loss and made provisions during the first quarter, for a total of SEK 1,341 million.

In May 2012, the first deliveries of electricity were made from the gas-fired Diemen 34 power plant in the Netherlands. The plant has installed capacity of 435 MW electricity and 260 MW heat.

In May 2012, the Group submitted a request for the institution of arbitration proceedings with the ICSID in Washington, D.C., in response to the German government's decision in summer 2011 to close the Group's Krümmel and Brunsbüttel nuclear power plants, amongst others. The request was submitted together with the Brunsbüttel and Krümmel nuclear power companies, which are owned by the Group and E.ON. This is the first step before a formal petition for arbitration can be filed. The Krümmel and Brunsbüttel companies have also filed suit with the Federal Constitutional Court of Germany.

In June 2012, the Issuer purchased in advance 3.04 per cent. of the shares in N.V. Nuon Energy ("Nuon Energy") from the minority owners (as part of the stake originally scheduled for purchase in mid-2013), in accordance with the plan for the acquisition of 100 per cent. of shares in Nuon Energy by 2015, thereby taking its shareholding to 67.04 per cent. Nuon Energy has

been consolidated since 1 July 2009. The remaining shares will be acquired, according to plan, in two tranches in mid-2013 and mid-2015 at a previously determined price.

In July 2012, the Group filed an application with the SSM to obtain clarity on the conditions that apply for new nuclear power generation. The application is necessary for the Group to investigate the conditions set by SSM, which is needed to complete the Group's analysis work.

In September 2012, the Group's German subsidiary, Vattenfall Europe AG, was merged with its parent company, Vattenfall Deutschland GmbH, which at the same time changed its name to Vattenfall GmbH. Vattenfall GmbH is 100 per cent. owned by the Issuer. As a result of the merger, the domination agreement (Beherrschungsvertrag) from 2008 between Vattenfall Europe AG and the Issuer no longer applies.

In September 2012, The Group's Ormonde wind farm (150 MW) in the Irish Sea was officially inaugurated.

In September 2012, the Issuer decided to recognise an impairment loss for goodwill and production assets in the Thermal Power business units, mainly in the Netherlands, for a total of SEK 8.6 billion, of which SEK 3.5 billion is attributable to goodwill and SEK 5.1 billion to assets in coal-fired and gas-fired power plants.

In September 2012, the new Hemweg 9 combined cycle gas turbine power plant (with a 435 MW capacity) in the Netherlands, was connected to the electricity grid, replacing an older plant at the same location.

In October 2012, new 675 MW unit at the Boxberg lignite-fired power plant, owned by the Group, in the German federal state of Saxony was connected to the electric grid. The unit is scheduled to be commissioned for commercial operation in October 2012.

In November 2012 the Issuer decided to resume full funding of its defined benefit occupational pensions in Sweden on the balance sheet under the item Pension provisions, i.e., in accordance with the structure that applied before the Issuer's Pension Foundation was established in 1999. A total of approximately SEK 7 billion will gradually be paid out from the foundation to the Issuer and its subsidiaries. The change in funding does not affect the Issuer's adjusted net debt. Nor will the change affect the Issuer's obligation to pay future pensions to its employees.

During 2012, the sale of minority interests in the Group's electricity and heating networks in Hamburg were completed. The City of Hamburg acquired 25.1 per cent. of shares for EUR 463.1 million. The jointly owned companies are now called Vattenfall Stromnetz Hamburg GmbH and Vattenfall Wärme Hamburg GmbH.

In March 2013, the Group disclosed that the Group is investigating the possibility of divesting its share of the combined heat and power plant Lippendorf in Germany. No decision, however, has been taken yet, and Germany continues to be a core market for the Group.

In March 2013, the Group disclosed that approximately 2,500 employees might leave the Group when the Group has to cut costs by SEK 3 billion during 2013 and by another SEK 1.5 billion during 2014.

Financial overview and analysis

As of 1 January 2011 the Group moved from a geographical to a business-led organisational structure which is based on the value chain and which from 1 November 2012 consists of the

following operating segments: (1) Generation and (2) Distribution and Sales. Staff Functions and SSCs are reported under the heading “Other”. All operating segments are followed up according to underlying operating profit, i.e. operating profit (“EBIT”), adjusted for items affecting comparability which is why financial items and expenses as well as taxes are reported in their entirety under the heading “Other”. All segments apply IFRS. Deliveries of electricity, heat and gas between segments are made at market prices. For services between segments, cost price generally applies, although in certain cases market prices are applied

Net sales and financial performance for the full year 2012

During 2012 net sales decreased by 7.6 per cent. to SEK 167,313 million (compared to SEK 181,040 million in 2011). The decrease in net sales is mainly attributable to the Group’s divested operations in Belgium, Finland and Poland. Excluding these divestments, net sales increased by 2 per cent.

The cost of products sold decreased by 8.9 per cent. to SEK 131,698 million (compared to SEK 144,492 million in 2011). The amount includes direct costs such as production taxes and duties of SEK 6,238 million (compared to SEK 5,742 million in 2011) and property taxes of SEK 2,124 million (compared to SEK 2,298 million in 2011). Depreciation increased to SEK 27,712 million (compared to SEK 30,737 million in 2011). EBIT increased by 12.8 per cent. to SEK 26,175 million (compared to SEK 23,209 million in 2011). The underlying operating profit for 2011 decreased by 9.9 per cent. to SEK 27,747 million (compared to SEK 30,793 in 2011). The deterioration in the underlying operating profit for 2012 is mainly attributable due to average lower electricity prices, mainly in the Nordic market, higher fuel costs and costs for CO_2 emission allowances, loss of earnings from divested operations in Belgium, Finland and Poland. The negative effects have partly been neutralised by positive effects of higher hydro and nuclear power production and lower costs for operations and maintenance, sales and administration, and research and development. Items affecting comparability in the operating profit amounted to SEK -1,572 million (compared to SEK -7,584 million in 2011). These consist mainly of a capital gain on the sale of the Group’s electricity distribution and heat business in Finland (SEK 8.1 billion), impairment of goodwill and production assets in the Thermal Power business unit (SEK -8.6 billion), and restructuring costs (SEK -0.8 billion). Items affecting comparability in 2011 pertained mainly to impairment of book value and higher provisions for handling nuclear waste and dismantling of the German nuclear power plants (SEK -10.5 billion), capital gains on divestments in 2011 (SEK 4.8 billion), and unrealised changes in the fair value of energy derivatives and inventories (SEK -2.2 billion). Net financial items amounted to SEK -7,874 million (compared to SEK -8,911 million in 2011). Financial items for the year included impairment losses and provisions related to the Liberian biomass project, Buchanan Renewables Fuel, totalling SEK -0.8 billion. The improvement in financial items during the fourth quarter of 2012 is mainly explained by the fact that financial items in the fourth quarter of 2011 were charged with impairment of the Issuer’s shareholding in the energy company Enea S.A., totalling SEK -1.6 billion. An additional impairment loss of SEK 0.3 billion was recognised for the shareholding in Enea S.A. in the second quarter of 2012 and has been included in the full year figures.

The tax expense for 2012 amounted to SEK 1,077 million (compared to 3,882 million in 2011). As a result of Swedish Parliament’s decision in December 2012 to lower the corporate income tax rate in Sweden from 26.3 per cent. to 22 per cent., Vattenfall AB’s deferred tax liabilities have been recalculated. This led to a positive earnings impact of SEK 3.5 billion. The effective

tax rate was 5.9 per cent. (compared to 27.1 per cent. in 2011) due to the recalculation of the deferred tax liabilities. Excluding the recalculation the effective tax rate was 28.1 per cent.

Return on equity increased to 12.1 per cent. (compared to 8.6 per cent. in 2011).

Investment activities for the full year ended 31 December 2012
Total amount of investments for 2012 amounted to SEK 29,581 (compared to SEK 35,750 in 2011) of which growth investments accounted for SEK 13,715 million (compared to SEK 19,919 in 2011) and maintenance investments for SEK 15,866 (compared to SEK 15,831 in 2011). Divestments during the year amounted to SEK 22,836 million (compared to SEK 16,280 in 2011), of which SEK 20,969 million (compared to SEK 13,553 in 2011) is attributable to sales of shareholdings.

Cash flow analysis for the full year 2012
Cash flow from operating activities amounted to SEK 28,485 million (compared to SEK 33,468 million in 2011). Funds from operations amounted to SEK 34,419 million (compared to SEK 38,256 million in 2011). The decrease in funds from operations is mainly attributable to lower production volumes, average lower electricity prices received and lower sales of gas. Lower costs for operations and maintenance, sales and administration, and research and development, and lower paid tax and lower interest expenses had a positive impact. Working capital decreased by SEK 5,934 million (compared to SEK 4,788 million in 2011). The change in working capital is mainly attributable to a net increase in operating receivables and liabilities. Cash flow from investing activities was SEK -6,890 million (compared to SEK -20,802 in 2011) and cash flow from financing activities was SEK -14,746 million compared with SEK -13,842 million in 2011. Free cash flow, i.e. cash flow from operating activities less maintenance investments, decreased to SEK 12,619 million (compared to SEK 17,637 million in 2011). Cash flow before financing activities increased to SEK 21,595 million (compared to SEK 12,666 million in 2011).

Liabilities

As at 31 December 2012 the total interest-bearing liabilities decreased by SEK 10,089 million, to a total of SEK 160,261 million, which includes the remaining consideration of 33 per cent. of the shares in Nuon Energy amounting to SEK 27,080 million. The remaining consideration is to be paid in two tranches in July 2013 and 2015. Interest-bearing liabilities also included SEK 8,543 million (compared to SEK 8,883 million in 2011) in Hybrid Capital, which were issued in June 2005. Further, interest-bearing liabilities included SEK 9,308 million (compared to SEK 10,521 million in 2011) in loans from the Group's minority-owned companies, and SEK 11,876 million (compared to SEK 10,240 million in 2011) in loans from minority owners in the Group's Swedish nuclear power plants, amongst others. The Group's reported net debt decreased by SEK 29,182 million to SEK 111,907 million (compared to SEK 141,089 million in 2011). Interest rate risk in the Group's debt portfolio is measured in terms of duration, which is permitted to vary from a norm of four years by up to 12 months either way. The duration of the Group's debt portfolio at year-end was 3.32 years including Hybrid Capital (compared to 4.25 years in 2011). To adjust the duration of borrowing, the Group uses interest rate swaps, interest rate forwards and options, amongst other instruments.

Accounting Policies

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as well as the interpretations issued by the International Financial Reporting Interpretations Committee as endorsed by the European Commission for application within the European Union. In addition, recommendation RFR 1 – *Supplementary Accounting Policies for Groups*, issued by the Swedish Financial Reporting Board (RFR), has been applied. RFR 1 specifies the mandatory additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act. For a full description of the Group's Accounting Principles please refer to the Issuer's Annual Report for 2012, Notes to the consolidated accounts.

RISK MANAGEMENT

The Board has the overall responsibility for risk management within the Group and decides on the risk appetite and risk tolerance, including the risk mandates for Energy & Commodities, Treasury and Credit. As the utmost responsible party for risk management within the Group, the Board is responsible for obtaining knowledge of the risks inherent in the operations of the Group. For this purpose the Board has established the Safety and Risk Committee. The main purpose of risk management in Vattenfall is to identify, manage and control risks to which the Group is exposed to, as well as assuring that the risk exposure is aligned with strategic and financial targets. This contributes to transparency to the decision makers and the owner. Risk management is emphasised through the Three Lines of Defence model, which establishes the three different roles - risk ownership, control and assurance. Line management, as the risk owner, provides the first line of defence, the second line of defence is provided by the Risk Management organisation and the third line of defence is provided by the (internal) auditor. The VRC is a part of the CEO Decision-making Process. The VRC is chaired by the CEO and serves both as a decision-making body, as well as a preparatory body for the Board.

The Group’s CRO is responsible for organising risk management within the Group. The CRO is responsible for this organisation at the Group level and is responsible for providing information to the Safety and Risk Committee and the Audit Committee and is accountable for the risk management framework within Vattenfall. The CRO reports to the CFO as well as informs on risk issues, on an independent basis, to the Board or, in case the Board so decides, to the Safety and Risk Committee. The CRO is entitled to access any information regarding risk within any entity of the Group. The CRO’s responsibilities are:

- Secure risk governance in the Group;
- Coordinate and ensure risk control and transparency of the Group’s risk positions; and
- Supporting the decision making of the business and top management.

The CRO responsibility includes monitoring that the organisation is implementing the above at all appropriate levels as the second line of defence.

The Enterprise Risk Management (“ERM”) process in the Group

ERM is the one common continuous risk management process where risks are identified, assessed, managed, followed-up and controlled. This corporate governance process is applicable for all risks in the Group and serves as the Group’s overarching risk process that is to

be embedded into all operations. The process is designed to identify and manage potential events and developments that may affect the achievement of objectives, all according to the risk appetite of the Group. ERM aims to create transparency, risk awareness and to support management in decision-making, strategy setting, business planning and business operations. The ERM process is an iterative process that is conducted in conjunction with the Group's business planning and reporting cycles. The output of the process shall be identified, managed and controlled risk. The ERM process is applicable for all risks including project risk management. The Project Risk Management Framework is being implemented in all Vattenfall units starting 2012. The implementation is coordinated by Risk Management.

BOARD OF DIRECTORS OF THE ISSUER

Name	*Details of Directors*	*Appointments outside the Board of the Issuer*
Board of Directors		
Lars G Nordström	Chairman of the Board since June 2011	Director on the boards of Nordea Bank, Viking Line and Chairman of the Swedish-American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Gunilla Berg	Board Member since 2012	Deputy CEO and CFO of Teracom Group. Director on the boards of Alfa Laval AB and LE Lundbergföretagen AB.
Håkan Buskhe	Board Member since 2012	President and CEO at SAAB AB and Director on the board of the Association of Swedish Engineering Industries (Teknikföretagen).
Jan-Åke Jonsson	Board Member since 2012	Chairman of the Board of Directors of Bythjul Norden AB, Polstiernan Industri AB, Västkustens Affärsänglar AB and Datachassi AB and Director of the boards of Castellum AB and Opus Prodox AB.
Patrik Jönsson	Board Member since 2010	Deputy Director at the Unit for State Ownership at the Ministry of Finance. Board member of Svevia AB.
Eli Arnstad	Board Member since 2008	Deputy Chairman of Sparebank 1 SMN. Director of the Center for Economic Research at the Norwegian University of Science and Technology (NTNU), AF-gruppen and Stiftelsen Nidarosdomens Restaureringsarbeider.
Cecilia Vieweg	Board Member since 2009	Member of Electrolux Executive Group Management and Board member of PMC Group AB and Teknikföretagen Sweden. Member of the Swedish Securities Council.
Håkan Erixon	Board Member since 2011	CEO of H. Erixon & Co AB. Board Member of Saab Automobile Parts AB and Alfvén & Didrikson Invest AB. Member of the NASDAQ OMX Stockholm AB Company Committee.
Johnny Bernhardsson	Board Member since	

Name	*Details of Directors*	*Appointments outside the Board of the Issuer*
Board of Directors		
	1995 Employee representative	
Ronny Ekwall	Board Member since 1999 Employee representative	
Carl Gustaf Angelin	Board Member since 2003 Employee representative	
Deputy Members		
Jeanette Regin	Board Member since 2011 Employee representative	
Lennart Bengtsson	Board Member since 2011 Employee representative	
Lars-Göran Johansson	Board Member, since 2008 Employee representative	

There are no potential conflicts of interest between any duties to the Issuer of the above Board members and their interests and/or other duties.

The business address of the above board members is SE-169 92 Stockholm, Sweden.

TAXATION

Swedish Taxation

The following summary outlines certain Swedish tax consequences relating to holders of Notes, if not otherwise stated. The summary is based on the laws of Sweden as currently in effect and is only intended to provide general information. This summary does not address the rules regarding reporting obligations for, among others, payers of interest. Prospective purchasers are urged to consult their professional tax advisers regarding the Swedish tax and other tax consequences (including the applicability and effect of double taxation treaties) of holding or transferring Notes.

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 holder is neither resident in Sweden for Swedish tax purposes nor engaged in trade or business in Sweden through a permanent establishment. A person is resident in Sweden for Swedish tax purposes if he (a) is domiciled in Sweden; (b) has his habitual abode in Sweden; or (c) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example, is engaged in trade or business in Sweden). Swedish law does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes, except on payment of interest to a holder who is an individual or an estate of a deceased individual with tax residence in Sweden. Individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have stayed permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations (e.g. life insurance companies). If the Notes are registered with ES or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by ES or the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual or an estate of a deceased individual with residence in Sweden for Swedish tax purposes.

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and HM Revenue and Customs ("HMRC") published practice in relation only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective

Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

In the context of securities, HMRC has powers, in certain circumstances, to obtain information about payments derived from securities and about payments of interest. For these purposes payments derived from securities include an amount (whether income or capital) payable out of or in respect of securities (which could include interest). Payments of interest are expressly defined to include (among other things) the amount payable on the redemption of a deeply discounted security.

HMRC can obtain information about a payment derived from securities from: (i) a person who receives (or is entitled to receive) such a payment; (ii) a person who makes such a payment (received from, or paid on behalf of another person); and (iii) the holder of securities. HMRC can obtain information about interest from any person by whom (or through whom) interest is paid or credited.

In relation to payments derived from securities, HMRC can obtain information on: (i) whether the person required to provide information is the beneficial owner of the securities or the payment; or if not, details of the beneficial owners or, if not known, details of the person for whom the securities are held, or the person to whom the payment is to be made; (ii) if there is more than one beneficial owner (or more than one person for whom securities are held or to whom payments are to be made) their respective interests; and (iii) the amount of any payment received from or paid on behalf of another person (and the name and address of that other person).

In relation to interest paid or credited on money received or retained in the United Kingdom, HMRC can obtain information on: (i) the sums on which interest is payable; (ii) the identity of the security under which interest is paid; (iii) if interest is paid in a currency other than sterling, the amount and currency of the payment; and (iv) the number of recipients of the interest (if there are two or more recipients). HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC's published practice on the use of powers to obtain information about interest is arranged in accordance with earlier statutory provisions which have now been repealed (although it does also refer to current legislation). HMRC's Type 17 and Type 18 Guidance Notes set out HMRC's practices in this area. The Guidance Notes contain references to situations in which HMRC will not require information to be provided and specify, where information does have to be provided, precisely what HMRC expects to receive. HMRC has indicated that it will not use its power to obtain information about interest in respect of payments under deeply discounted securities paid before 6 April 2014.

EU Savings Directive

Under the Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, or to certain limited types of entities established, in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of interest or other similar income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

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

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (as amended or supplemented from time to time, the "Programme Agreement") dated 4 April 2013 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" above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

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

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

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exception from registration under the Securities Act.

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

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent

and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this 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 Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

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

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

United Kingdom

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

(a) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by either Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to either Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

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

France

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

Sweden

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

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 Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws

and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The issue of Notes by the Issuer under the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 3 June 1994. The update of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer on 11 February 2013.

Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of the temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of such Notes is expected to be granted on or around 4 April 2013.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of each Issuer and from the specified office of the Agent in London:

(i) the constitutional documents (with an English translation thereof) of the Issuer;

(ii) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2011 and 31 December 2012 (in English and together with the audit report prepared in connection therewith);

(iii) the most recently available audited annual financial statements of the Issuer and the most recently available published interim financial statements (if any) of the Issuer (in English and together with the audit reports prepared in connection therewith);

(iv) the Programme Agreement, the Trust Deed (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Coupons and the Talons) and the Agency Agreement;

(v) a copy of this Prospectus; and

(vi) any future prospectuses, offering circulars, information memoranda, supplements, Final Terms and subscription agreement for Notes that are admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market (excluding Final Terms relating to Notes 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) to this Prospectus and any other documents incorporated herein or therein by reference.

Any documents which have been translated from Swedish to English are accurate translations.

Clearing Systems

The Notes have been accepted for clearance through ES (in the case of ES Registered Notes), Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. If the Notes are to clear through an additional or alternative clearing system (including ES) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg and the address of ES is P.O. Box 191, SE-101 23 Stockholm, Sweden.

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

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries taken as a whole, in each case since 31 December 2012 and no material adverse change in the financial position or prospects of the Issuer or the Issuer and its subsidiaries taken as a whole, in each case, since 31 December 2012.

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or any of the Issuer's subsidiaries are aware) which may have or have had during the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Issuer or the Issuer and its subsidiaries taken as a whole.

Auditors

The auditor of the Issuer, Ernst & Young AB (the individual auditor in charge being Certified Public Accountant Hamish Mabon) have audited the Issuer's accounts prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 issued by the Swedish Financial Reporting Board and the Group's accounts prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU for the financial years ended 31 December 2011 and 31 December 2012, without qualification. The auditors of the Issuer and the Group have no material interest in the Issuer and the Group, as the case may be.

Post-issuance information

Save as disclosed in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect the 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 or instruments.

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