

BASE PROSPECTUS



SANDVIK AB (PUBL)

(incorporated with limited liability in the Kingdom of Sweden)

€3,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the “FSA”), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (“**Notes**”) issued under the Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under “Risk Factors” below.

Arranger

DEUTSCHE BANK

Dealers

BARCLAYS CAPITAL

CITI

DEUTSCHE BANK

HSBC

MITSUBISHI UFJ SECURITIES INTERNATIONAL PLC

SEB

BNP PARIBAS

DANSKE BANK

HANDELSBANKEN CAPITAL MARKETS

J.P. MORGAN

NORDEA

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

THE ROYAL BANK OF SCOTLAND

5 November 2010

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IMPORTANT NOTICES

Sandvik AB (publ) (the “**Issuer**” or “**Sandvik**”) accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Notes” (the “**Conditions**”) as amended and/or supplemented by a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “Final Terms and Drawdown Prospectuses” below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “Subscription and Sale”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms or any other information supplied in connection with the Programme or the issue of any Notes shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme and the Issuer’s SEK 15,000,000,000 Swedish medium term note programme will not exceed €3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at

any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “Subscription and Sale”.

In this Base Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**Sweden**” are to the Kingdom of Sweden, references to “**U.S.\$**”, “**U.S. dollars**” or “**dollars**” are to United States dollars, references to “**€**”, “**EUR**” or “**euro**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to “**SEK**” or “**Swedish kronor**” are to the lawful currency of the Kingdom of Sweden.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms or a Drawdown Prospectus in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or 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.

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

OVERVIEW

This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this summary.

Issuer:	Sandvik AB (publ).
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under “Risk Factors” below.
Arranger:	Deutsche Bank AG, London Branch.
Dealers:	Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Danske Bank A/S, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities Ltd., Mitsubishi UFJ Securities International plc, Nordea Bank Danmark A/S, Skandinaviska Enskilda Banken AB (publ), Société Générale, Svenska Handelsbanken AB (publ), The Royal Bank of Scotland plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Citibank N.A., London Branch.
Swedish Issuing and Paying Agent:	For Swedish Registered Notes, an account operator specifically appointed by the Issuer to assist in connection with the issue of Swedish Registered Notes.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg (or in relation to Swedish Registered Notes, Euroclear Sweden) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one

time.

Issuance in Series:

Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. For the avoidance of doubt, Swedish Registered Notes can only be issued in one type of denomination for the same Series.

Forms of Notes:

Notes may be issued in bearer form, in registered form or in Swedish registered form in accordance with the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*) as amended (the “**SFIA Act**”).

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. Each Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

Each Tranche of Swedish Registered Notes will be issued in uncertificated and dematerialised book entry form, with the legal title thereto being evidenced by book entries in the register for such Swedish Registered Notes kept by Euroclear Sweden on behalf of the Issuer. Title to Swedish Registered Notes will not be evidenced by any physical note or document of title. For the avoidance of doubt, the TEFRA C and TEFRA D Rules will not be applicable to Swedish Registered Notes. Definitive Notes will not be issued in respect of any Swedish Registered Notes.

Currencies:	Notes may be denominated in euro or U.S. dollars or Swedish kronor or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes will be issued on an unsubordinated basis. The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption:	Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (<i>Redemption and Purchase - Redemption for tax reasons</i>).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of

the relevant Series.

Denominations:	No Notes may be issued under the Programme which (a) have a minimum denomination of less than €50,000 (or nearly equivalent in another currency), save where Notes are otherwise issued in circumstances which do not require the publication of a Prospectus under the Prospectus Directive, or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (<i>Negative Pledge</i>).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 14 (<i>Events of Default</i>).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the Kingdom of Sweden unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law. Swedish Registered Notes must comply with the SFIA Act.
Enforcement of Notes in Global Form:	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 13 February 2009, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area (including the United Kingdom and the Kingdom of Sweden) and Japan, see " <i>Subscription and Sale</i> " below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and 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 Base Prospectus and reach their own views prior to making any investment decision.

Risk related to Sandvik's Business

New product innovation

The Group's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new products. The Group's revenues and market share may suffer if it is unable to introduce new products successfully in a timely fashion or if any new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suitable for their needs. If the Group is not able to keep pace with global product development and technological advances, including also shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The markets for the Group's products are highly competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service and terms of financing. The Group faces intense competition from significant competitors and to a lesser extent small regional companies. If it does not compete successfully in all its business areas and does not anticipate and respond to changes in evolving market demands, including the demand for new products, it will not be able to compete successfully in its markets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The planning and implementation of the Group's business operations seeks to take into account market opportunities and opportunities to acquire new businesses. Any failure in the Group's business development could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's products are used in industries which are either cyclical or affected by general economic conditions

The demand for the Group's products and services is affected by changes in customers' investment plans and production levels. Customers' investment plans could change materially if the economic situation in an industry, country or region changes. In addition, changes in the political situation in a region or country or political decisions affecting an industry or country could also materially impact on investments in equipment. Also, the replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors in its customer industries could also have a material adverse effect on the Group's business, financial condition and results of operations. Although the Issuer believes that the Group's sales are well diversified with customers in many industries and operations in more than 130 countries, the Group may be affected by a downturn in the general economic situation in the markets in which it operates.

If the Group's or its sub suppliers manufacturing and production facilities are damaged, destroyed or closed for any reason, its ability to distribute its products will be significantly affected

The Group has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from sub suppliers. The core component manufacturing is concentrated into few locations per region and if these facilities are destroyed or closed for any reason or

the equipment in the facilities is significantly damaged, or there are severe interruptions in its productions, the Group is likely to face setbacks in its ability to manufacture and distribute its products. Such circumstances, to the extent it is unable to find an alternative manufacturing and production facility or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the availability of non-core components is dependent on the sub suppliers and if they have interruptions or if they do not have enough capacity, this could have an adverse effect on the Group's business and results of operations.

Financial risks

Through its comprehensive international operations, Sandvik is exposed to currency, interest and financing risks.

Currency risk

Foreign-exchange movements affect the Issuer's earnings, shareholders' equity and competitive situation in different ways:

- Earnings are affected when sales and purchases are made in different currencies (transaction exposure).
- Earnings are affected when assets and liabilities are denominated in different currencies (translation exposure).
- Earnings are affected when the financial results of subsidiaries are translated to Swedish kronor (translation exposure).
- Shareholders' equity is affected when the net assets of subsidiaries are translated to Swedish kronor (translation exposure).

Interest risk

Changes in market interest rates affect the Group's net financial items adversely. The speed with which a change in interest rate affects net financial items depends on the fixed-interest period of the assets or loans. Interest risk arises in two ways:

- The company may have invested in interest-bearing assets, the value of which changes when the interest rate changes.
- The cost of the company's borrowing fluctuates when the general interest rate situation changes.

Liquidity and financing risk

Liquidity and financing risk is defined as the risk that costs will rise and financing possibilities will be limited when loans must be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity. In Sandvik's finance policy, the liquidity and financing risks are regulated such that the sum of guaranteed credit facilities and cash and cash equivalents must exceed the total of all borrowings falling due within the next six months. As of 31 December 2009 cash equivalents amounted to SEK 8 billion and unutilised guaranteed credit facilities, maturing in 2012 and 2013, to SEK 15 billion, while the borrowings falling due within 6 months amounted to SEK 5 billion. If refinancing of short-term borrowings and the guaranteed credit facilities is not possible when they fall due this may have a material adverse effect on the Group's business, results of operations and financial condition.

Credit risk

The Group's financial transactions give rise to credit risk in relation to financial counterparties. Sandvik has entered into agreements with the banks that it has outstanding derivatives contract with on such matters as the right to offset receivables and liabilities that arise from these financial transactions, so-called ISDA agreements. The Issuer has, on the other hand, a credit risk in the form of outstanding customer accounts receivable. If weak financial situations lead to customers not paying their payables to

Sandvik this may have a material adverse effect on the Group's business, results of operations and financial condition.

Raw materials price exposure

Sandvik's operations give rise to risks due to changes in the price of market-quoted raw materials, mainly nickel, molybdenum and of electricity. The price can vary significantly during a year. If the market does not permit a transfer of the effects of changing raw-material prices into the end-price of the products this may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on the efficiency of its distribution centres, distributors and aftermarket organisation

The Group most often distributes its products and services directly to the end customers, but also through distributors. A significant part of physical distribution of products is concentrated to a number of distribution centres and the provision of services depends on the efficiency of the Group's aftermarket organisation. Should the Group's distribution centres, distributors or other aftermarket organisations be subjected to disruptions its sales may be affected, which in turn could have a material adverse effect on the Group's revenues and results of operations.

Lack of retention of skilled employees may affect the Issuer's business

The success of the Group's business depend in large part on the ability to attract and retain key management and operating personnel. The Group's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise, knowledge of its products or industry necessary to conduct its operations. Given that the Group constantly needs to introduce new or enhanced products, it is important that it is able to attract people with sufficient expertise in its product areas, particularly its research and development functions. In addition the Group continuously monitors its need for people or to outsource certain parts of its non-core manufacturing in order to make sure it can fulfil its customers' orders. If the Group fails to monitor its need for employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms it may not be able to sustain or further develop parts of its business which may have a material adverse effect on the Group's business, results of operations and financial condition.

International political, economic and other uncertainties may affect the Issuer's penetration of international markets

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries in which it conducts business may result in risks, such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations and decrees, or (v) relative inexperience of the judiciary and courts in such matters. Also, the protection of intellectual property rights may be less developed and less strictly enforced in these countries. There can be no assurance that the Group's licences, licence applications or other legal arrangements of the effectiveness of the enforcement thereof will not be adversely affected by the actions of government authorities or others. In addition, the uncertainty of the legal environment in certain regions could limit the Group's ability to enforce its rights under contracts or otherwise.

The Group also has extensive operations in emerging markets such as certain countries in South America, Africa and Asia. Its business operations in these countries may be subject to various political, economic and social conditions which include nationalisation of assets, social, political or economical instability, volatility in currency exchange rates and in gross domestic product or restrictions on repatriation of profits and transfers of cash which all could have a material adverse effect on the Group's business, results of operations and financial condition. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and political systems, including economic instability, which could make it difficult for the Group to anticipate future business conditions in these markets, which may have a material adverse effect on the Group's business, results of operations and financial condition.

Environmental compliance

Like most industrial companies, the Group affects the environment in its production processes, through the use of natural resources, and the generation of emissions and wastes, in the distribution of, as well as in the use and final disposal of its products. Compliance with environmental requirements is a significant factor in its operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations, particularly in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violations of which can lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. In addition, the Group could also become subject to liabilities and claims relating to personal injury (including exposure to substances used in its production), property damage or damage to natural resources.

Although the Issuer believes that the Group is in material compliance with applicable environmental laws, substantial environmental costs and liabilities are inherent in industrial operations and there can be no assurances that substantial costs and liabilities will not be incurred in the future or that the adoption of increasingly strict environmental laws, regulations and enforcement policies could not result in increased costs and liabilities in the future. Any such costs and/or liabilities could have a material adverse effect on the Group's business, results of operations and financial condition.

IT Risks

The Issuer's operations in research and development, production, distribution, marketing and administration are dependent on a large number of complex IT-systems and solutions. Routines and procedures are implemented to protect hardware, software and information from being damaged, manipulated, lost or misused. A major break-down of these systems with loss of information may have a material adverse effect on the Group's business, results of operations and financial condition.

Any difficulties the Group encounters relating to the integration of recent or future acquisitions could have a material adverse effect on the Group's business, results of operations and financial condition

In addition to organically growing the Group's business, the Group continuously evaluates potential value added acquisitions in the core areas of its business to complement its existing product portfolio, to gain access to new markets and to create synergies. Consequently, it acquired new businesses to a total value of SEK 2,036 million during 2009, and it intends to continue to acquire businesses that it believes fit its long-term strategy. The process of co-ordinating and integrating acquired businesses with the Group's own business will continue to require managerial and financial resources. In addition, the integration process could also cause the interruption to, or a loss of momentum in, the activities of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The management of integration of the businesses, systems and culture of any acquired business requires, among other things, the continued development of the acquired businesses financial and management controls, including the integration of information systems and structure, the integration of product offerings and customer base and the training of new personnel, all of which could disrupt and place a strain on the Group's management resources as well as require significant expenditure. Any significant diversion of the Issuer's executive management's attention and other resources or any major difficulties encountered in the integration of an acquired business could have a material adverse effect on the Group's business, financial condition and results of operations.

In agreeing to acquire new businesses, the Issuer makes certain assumptions and determinations on, among other things, future sales and need for capital expenditures, based on its investigation of the respective businesses and other information then available. While the Issuer believes it is well positioned to assess the opportunities and risks associated with these acquisitions, the Issuer cannot provide assurance that its assumptions and determinations will prove to be correct and liabilities, contingencies or losses, if realised, could have a material adverse effect on the Group's business, results of operations and financial condition.

Success of the Group depends on protection of intellectual property rights

The protection of the Group's intellectual property is important to its business. The Issuer can not give any assurance that its competitors do not seek to utilise its patents, trademarks and logos when they market their products thereby infringing or challenging its intellectual property rights. In addition, existing laws of certain countries in which the Group conducts its business may offer only limited protection of its intellectual property rights, if at all. If the Group's intellectual property and in particular its registered patents and trademarks cannot be protected, for whatever reason, the Group's business could be materially and adversely affected.

Property and product liability insurance

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

Legal issues

Sandvik is party to litigation related to its business operations in the ordinary course of business. Sandvik is also party to legal and administrative proceedings related to its responsibility for products, environment, health and safety. There is currently no litigation in relation to the Group which may have a significant effect on the financial position or profitability of the Group. However, there can be no assurance that the Group will not be subject to legal disputes in the future which may have an adverse effect on the Group's business, financial condition and results of operations.

Provision for pensions and similar obligations

Sandvik has comprehensive pension plans for its employees in all countries in which it operates. The pension provisions vary depending on legislation and local agreements. The most comprehensive agreements are found in Finland, Germany, Sweden, the United Kingdom and the U.S.. To ensure the efficient administration of the substantial pension plans in each of these countries and an equally efficient management of funds reserved for pension plans, Sandvik has established a separate entity for this purpose, the Sandvik Pensions Supervisory Board. In addition, local pension Boards are established in each country that are responsible for compliance with legislation and local agreements. Calculating pension and similar obligations require management to make assumptions on discount rates, expected return on plan assets and rate of compensation increase. Actual results could differ from the assumptions made. Sandvik may be required to contribute additional amounts to its pension schemes which could have a material adverse effect on the Group's business, results of operations and financial condition.

Work stoppages or strikes could adversely affect the Group's business.

Many of the Group's employees are covered by collective bargaining agreements. The Issuer cannot provide any assurance that it will not encounter strikes or other disturbances occasioned by its unionised labour force, or that, upon the expiration of existing agreements; it will be able to reach new collective bargaining agreements on satisfactory terms or without work stoppages, strikes or similar industrial actions.

Non satisfactory terms on any bargaining agreements could cause the Group's labour costs to increase, which would affect its profit margins negatively. In addition, it is required to consult and seek the advice of its employee works' council in respect of a broad range of matters, which could delay or prevent the completion of certain corporate transactions. While the Group has not experienced any major work stoppages in recent years and expect its current process to proceed amicably, the Issuer cannot provide any assurance that it will not experience lengthier consultations or even strikes, work stoppages or other industrial actions in the future. Any industrial action could disrupt its operations, possibly for a significant period of time, and result in increased wages and benefits or otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

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

The Notes may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

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

- (i) the market price of such Notes may be volatile;

- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

Partly-paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the 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 terms of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

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

Modification and waivers

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

EU Savings Directive

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

Notes where denominations involve integral multiples: definitive Notes

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

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

Risks related to the market generally

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

The secondary market generally

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

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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the years ended 31 December 2009 and 31 December 2008 (set out on pages 34 to 87 and 33 to 85, respectively, of the Issuer's Annual Reports for 2009 and 2008);
- (2) the consolidated unaudited interim financial statements of the Issuer in respect of the nine months ended 30 September 2010 (as set out on pages 9 to 14 of the Issuer's Interim Report for the Third Quarter of 2010); and
- (3) the terms and conditions set out on pages 25-49 of the base prospectus dated 13 February 2009 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**13 February 2009 Conditions**").

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at www.sandvik.com. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes that is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with

Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“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.”

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (“**Individual Note Certificates**”) or a global Note in registered form (a “**Global Registered Note**”), in each case as specified in the relevant Final Terms. Each Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being “Global Registered Note exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Global Registered Note”, then if (a) Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

Swedish Registered Notes

Each Tranche of Swedish Registered Notes will be issued in uncertificated and dematerialised book entry form in accordance with the SFIA Act. No global or definitive Notes will be issued in respect thereof. The holder of a Swedish Registered Note will be the person evidenced as such by the register for such Note maintained by Euroclear Sweden on behalf of the Issuer. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Registered Note.

Title to Swedish Registered Notes will pass by transfer between accountholders of Euroclear Sweden, perfected in accordance with the legislation (including the SFIA Act), rules and regulations applicable to and/or issued by Euroclear Sweden that are in force and effect from time to time.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

- (a) *Programme:* Sandvik AB (publ) (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €3,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Bearer Notes and the Registered Notes are the subject of an issue and paying agency agreement dated 13 February 2009 (the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citibank N.A., London Branch as registrar, and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions, references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (d) *Swedish Agency Agreement:* The Swedish Registered Notes are the subject of an agreement between the Issuer and the Swedish Issuing and Paying Agent to be entered into by the Issuer on or prior to the date the first Swedish Registered Notes are issued, pursuant to which the Issuer will appoint the Swedish Issuing and Paying Agent (the "**Swedish Agency Agreement**"). The Issuer will furthermore enter into agreements with Euroclear Sweden, applicable to a relevant issue of Swedish Registered Notes, which will set out the terms and conditions for connecting any Swedish Registered Notes to the Swedish clearing and settlement system maintained by Euroclear Sweden (each a "**Euroclear Sweden Agreement**").
- (e) *Deed of Covenant:* The Notes may be issued in bearer form ("**Bearer Notes**"), in registered form ("**Registered Notes**") or in registered form in accordance with the SFIA Act ("**Swedish Registered Notes**"). The Registered Notes are constituted by a deed of covenant dated 13 February 2009 (the "**Deed of Covenant**") entered into by the Issuer.
- (f) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below, and at www.londonstockexchange.com.
- (g) *Summaries:* Certain provisions of these Conditions are a summary of the Agency Agreement, the Swedish Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Swedish Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are

set out below. A copy of the Swedish Agency Agreement will be available for inspection by Noteholders during normal business hours at the Specified Office of the Swedish Issuing and Paying Agent.

2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in relation to Swedish Registered Notes, the meaning ascribed to such term by the then applicable rules and procedures of Euroclear Sweden.

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if “**Actual/Actual (ICMA)**” is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

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

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*), in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*) and, in the case of Swedish Registered Notes, has the meaning given in Condition 3 (e) (*Form, Denomination, Title and Transfer - Title to Swedish Registered Notes*);

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“Payment Business Day” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Principal Subsidiary” means at any time, any Subsidiary whose total assets, consolidated in the case of a Subsidiary which itself has subsidiaries (to the extent attributable to the consolidated total assets of the Group), as shown by its latest audited balance sheet, represent ten per cent. or more of the consolidated total assets of the Group, as shown by the latest published audited consolidated balance sheet of the Group;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“**Reference Banks**” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” has the meaning given in the relevant Final Terms;

“**Registrar**” means, in relation to any series of Registered Notes, Citibank N.A. London Branch (which includes any successor registrar appointed from time to time in connection with the Registered Notes) or in respect of any Series of Swedish Registered Notes, Euroclear Sweden in accordance with the SFIA Act;

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent or in respect of Swedish Registered Notes, by the Swedish Issuing and Paying Agent, on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

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

“**SFIA Act**” means the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*) as amended;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement or in relation to Swedish Registered Notes, the Swedish Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subsidiary**” means a subsidiary company or corporation (the “**First Company**”) of another company or corporation (the “**Holding Company**”), where

- (i) the First Company is controlled, directly or indirectly, by the Holding Company;
- (ii) more than half the issued share capital of the First Company is beneficially owned, directly or indirectly, by the Holding Company; or
- (iii) the First Company is a subsidiary of another subsidiary of the Holding Company,

and, for the purpose of this definition, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Treaty**” means the Treaty establishing the European Communities, as amended;

“**Euroclear Sweden**” means the Swedish Central Securities Depository and Clearing Organisation Euroclear Sweden AB, incorporated in Sweden with Reg. No. 556112-8074;

“**Euroclear Sweden Register**” means in respect of Swedish Registered Notes the computerised register maintained by Euroclear Sweden for the Issuer consisting of accounts for the holders of financial instruments registered pursuant to the SFIA Act; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13

(*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement or in respect of Swedish Registered Notes, the relevant Euroclear Sweden Agreement or Swedish Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes;
- (viii) as Swedish Registered Notes are in dematerialised form, any reference in those Conditions to Receipts, Coupons and Talons shall not apply to Swedish Registered Notes; and
- (ix) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue and, in the case of Definitive Notes, serially numbered, in the Specified Currency. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes and Swedish Registered Notes*: Registered Notes and Swedish Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes*: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (e) *Title to Swedish Registered Notes*: The holder of a Swedish Registered Note will be the person appearing as such in the Euroclear Sweden Register. In the case of Swedish Registered Notes the term “**Holder**” shall be construed accordingly. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Registered Notes.
- (f) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999. This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency

Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

- (g) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (h) *Transfers of Swedish Registered Notes:* Title to Swedish Registered Notes will pass by transfer in the register that the Issuer will procure to be kept by Euroclear Sweden on behalf of the Issuer. Where a nominee is so evidenced it shall be treated as the holder of the relevant Swedish Registered Notes.
- (i) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (j) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. For the avoidance of doubt, the provisions of this Condition 3(j) do not apply to Swedish Registered Notes.
- (k) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes. No Holder of Swedish Registered Notes may require the transfer of a Swedish Registered Note to be registered during a period which is the equivalent of any such closed period pursuant to the then applicable rules and procedures of Euroclear Sweden.
- (l) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations. All transfers of Swedish Registered Notes are subject to any cut-off dates applicable to such Swedish Registered Notes and are subject to any other rules and procedures for the time being of Euroclear Sweden. Euroclear Sweden’s rules and regulations may be downloaded from its website: <http://www.ncsd.eu>

4. **Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or any of its Principal Subsidiaries or Guarantee of Relevant Indebtedness of the Issuer or any of its Principal Subsidiaries without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders *provided that* for the purposes of this Condition 5 (*Negative Pledge*) Principal Subsidiaries shall not include Seco Tools AB.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, the Swedish Issuing and Paying Agent (in respect of Swedish Registered Notes) and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in

respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (or in the case of Swedish Registered Notes to the Swedish Issuing and Paying Agent) (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion

of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). In respect of Swedish Registered Notes, the notice shall furthermore specify the Closed Period.
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and, in the case of Swedish Registered Notes, the then applicable rules and procedures of Euroclear Sweden and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers or, in the case of Swedish Registered Notes, otherwise specify the Notes or amounts of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the holder of a Note must, not less than 15 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. In the case of Swedish Registered Notes, a Put Option Notice will not take effect against the Issuer before the date of which the relevant Swedish Registered Notes have been transferred to the account designated by the Swedish Issuing and Paying Agent and blocked for further transfer by such Swedish Issuing and Paying Agent (such date will be the first date of a Closed Period). No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

Notwithstanding the above, in the case of Swedish Registered Notes, the right to require redemption of such Notes in accordance with this Condition 10(e) must be exercised in accordance with the rules and procedures of Euroclear Sweden and where there is any inconsistency between the foregoing and the rules and procedures of Euroclear Sweden, the rules and procedures of Euroclear Sweden shall prevail.

- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith. Such Notes so purchased may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary surrendered to any Paying Agent and/or the Registrar for cancellation.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them that are not held, reissued or resold shall be cancelled.

11. **Payments - Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon

Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Payments - Registered Notes**

Items (a) to (f) of this Condition 12 are only applicable to Registered Notes. Item (g) of this Condition 12 is only applicable to Swedish Registered Notes.

- (a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Payment- Swedish Registered Notes*: Payments of principal and/or interest in respect of Swedish Registered Notes shall be made to the persons shown as the Holders of Swedish Registered Notes

on the fifth Business Day (or in accordance with the rules and procedure applied by Euroclear Sweden from time to time) before the due date for such payment, or such other Business Day falling closer to the due date as may be stipulated in the current rules and procedures of Euroclear Sweden. Such day will be the “**Record Date**” in respect of Swedish Registered Notes.

13. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Sweden or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) 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, this Directive; or
 - (iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
 - (iv) where the relevant Note or Coupon or Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Sweden references in these Conditions to the Kingdom of Sweden shall be construed as references to the Kingdom of Sweden and/or such other jurisdiction.

14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment*: if default is made in the payment of any principal or interest in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer or Principal Subsidiary*:
 - (i) any Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;

- (ii) any such Indebtedness becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary) by reason of an event of default (however described); or
- (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness as extended by any applicable grace period; or
- (iv) any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness becomes enforceable by reason of default, or
- (v) one or more judgment(s) or order(s) for the payment is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment,

provided that no event referred to in this Condition 14(c) shall constitute an Event of Default, first, unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least €50,000,000 (or its equivalent in any other currency); or

- (d) *Insolvency, etc.:* (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries for all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed and such appointment is not discharged within 45 days, (iii) the Issuer or any of its Principal Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee or indemnity of any Indebtedness given by it, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its other Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Principal Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a Principal Subsidiary, or (D) on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (e) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its Principal Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Principal Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a Principal Subsidiary, or (D) on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (f) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately (or, in the case of Swedish Registered Notes, such later date on which the relevant Swedish Registered Notes have been transferred to the account designated by the Swedish Issuing and Paying Agent and blocked for further transfer by such Swedish Issuing and Paying Agent) due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Coupon or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Note Certificates must be surrendered before replacements will be issued. For the avoidance of doubt, this Condition 16 shall not apply to the Swedish Registered Notes.

17. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a fiscal agent, a registrar in respect of Registered Notes or, as the case may be, the Swedish Registered Notes, which in the latter case shall be Euroclear Sweden; and
- (b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (c) the Issuer shall at all times maintain a Swedish Issuing and Paying Agent *provided that* such Swedish Issuing and Paying Agent is duly authorised by Euroclear Sweden; and
- (d) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (e) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.
- (c) *Swedish Registered Notes:* Notices to the Holders of Swedish Registered Notes shall be valid if sent by mail (if posted to an overseas address) by airmail to their registered addresses appearing in the Euroclear Sweden Register. Any such notice shall be deemed to have been given on the fourth Business Day after the day of which it was mailed.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law. In addition, the Swedish Registered Notes must comply with the SFIA Act.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes including a Dispute relating to any non-contractual obligation arising out of or in connection with the Notes.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, save in respect of the limited exception set out in Condition 23(e) (*Proceedings in respect of Swedish Registered Notes*), nothing in this Condition 23 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Proceedings in respect of Swedish Registered Notes:* Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the “**Swedish Remedies**”), Holders of Swedish Registered Notes may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Swedish Registered Notes, a Swedish Registered Note Holder 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 Condition 23 (d), and in this limited respect only, a Registered Holder of Swedish Registered Notes may therefore not take concurrent Proceedings in Sweden.

- (f) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Sandvik Limited at Manor Way, Halesowen, West Midlands, B62 8QZ or at any address of the Group's in Great Britain at which service of process may be served on it in accordance with Part 34 of the Companies Act 2006. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated •

SANDVIK AB (PUBL)

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

under the €3,000,000,000 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 (the “**Conditions**”) set forth in the Base Prospectus dated [•] 2010 [and the supplemental Base Prospectus dated [•] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the base prospectus dated [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), save in respect of the Conditions which are extracted from the base prospectus dated [original date] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the “**Conditions**”) incorporated by reference in the Base Prospectus dated [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), save in respect of the Conditions which are set forth in the base prospectus dated [original date] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

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 Base Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectuses dated [•] and [•]]. The Base Prospectuses [and the supplemental Base Prospectus] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

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

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

- | | | | |
|----|-------|---|--|
| 1. | (i) | Issuer: | [•] |
| 2. | [(i) | Series Number:] | [•] |
| | [(ii) | Tranche Number: | [•] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.) | |
| 3. | | Specified Currency or Currencies: | [•] |
| 4. | | Aggregate Nominal Amount: | [•] |
| | [(i)] | [Series]: | [•] |
| | [(ii) | Tranche: | [•] |
| 5. | | Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| 6. | (i) | Specified Denominations: | [•] |
| | | | <i>[No Notes may be issued which have a minimum denomination of less than €50,000 (or nearly equivalent in another currency)]</i> |
| | | | <i>[Note - where the specified denomination is expressed to be €50,000 or its equivalent and multiples of a lower principal amount, the following sample wording should be used: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No notes in definitive form will be issued with a denomination above [€99,000]”]</i> |
| | | | <i>[N.B. If an issue of Notes is (i) not admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required]</i> |
| | | | <i>[Notes which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)]</i> |
| | (ii) | Calculation Amount: | [•] |
| 7. | (i) | Issue Date: | [•] |

- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]
9. Interest Basis: [• per cent. Fixed Rate]
[[Specify reference rate] +/- [•] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (i) Status of the Notes: Senior
- [(ii) [Date [Board] approval for issuance of Notes obtained: [•] [and [•], respectively
(N.B. Only relevant where Board (or similar authorisation is required for the particular tranche of) Notes)]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]

- (ii) Interest Payment Date(s): [[•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted.
- (This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) [Determination Dates: [•] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (iii) Specified Interest Payment Dates: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)*
- (iv) [First Interest Payment Date]: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be [Screen Rate Determination/ISDA Determination/ other *(give details)*]

- determined:
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]*
- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR or EURIBOR]*
 - Interest Determination Date(s): *[•] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
 - Relevant Screen Page: *[For example, Reuters LIBOR 01/EURIBOR 01]*
 - Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
 - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
- Floating Rate Option: *[•]*
 - Designated Maturity: *[•]*
 - Reset Date: *[•]*
- (xi) Margin(s): *[+/-][•] per cent. per annum*
- (xii) Minimum Rate of Interest: *[•] per cent. per annum*
- (xiii) Maximum Rate of Interest: *[•] per cent. per annum*
- (xiv) Day Count Fraction: *[•]*
[Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out *[•]*

in the Conditions:

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Any other formula/basis of [Consider whether it is necessary to specify a Day determining amount payable: Count Fraction for the purposes of Condition 10(g)]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-Provisions paragraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
 - (ii) Calculation Agent or other party [•] responsible for calculating the interest due: [•]
 - (iii) Provisions for determining Coupon variable: [•] *[need to include a description of market where calculated by reference to disruption or settlement disruption events and Index and/or Formula and/or other adjustment provisions]*
 - (iv) Interest Determination Date(s): [•]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (vi) Interest or calculation period(s): [•]
 - (vii) Specified Period: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
 - (viii) Specified Interest Payment Dates: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not

Applicable”)

- (ix) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
- (x) Additional Business Centre(s): [•]
- (xi) Minimum Rate/Amount of Interest: [•] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [•]
19. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, or other party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount/*specify other/See Appendix*
- (iii) If redeemable in part:
- (a) Minimum Redemption [•] per Calculation Amount/*specify other/See Appendix*

	Amount:	
	(b) Maximum Redemption Amount	[•] per Calculation Amount/ <i>specify other/See Appendix</i>
	(iv) Notice period:	[•]
21.	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
22.	Final Redemption Amount of each Note	[•] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	<i>[give or annex details]</i>
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[•]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[•]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) Payment Date:	[•]
	(vii) Minimum Final Redemption Amount:	[•] per Calculation Amount

(viii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable/Per Calculation Amount/specify other/See Appendix
(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **Form of Notes:**

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

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

[Permanent Global Note exchangeable for Definitive Notes on 60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]

(The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Registered Notes]

[Swedish Registered Notes

Registrar: Euroclear Sweden

Swedish Issuing and Paying Agent: *specify*]

25. New Global Note:

[Yes] [No]

26. Additional Financial Centre(s) or other special provisions relating to payment dates:

[Not Applicable/give details.
Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate]

27. Talons for future Coupons or Receipts to be attached to Definitive Notes

[Yes/No. *If yes, give details*]

(and dates on which such Talons mature):

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/*give details*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition •] apply]
31. Other final terms: [Not Applicable/*give details*]
- [(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

DISTRIBUTION

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

35. Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on London Stock Exchange of the Notes described herein pursuant to the €3,000,000,000 Euro Medium Term Note Programme of Sandvik AB (publ).

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Sandvik AB (publ):

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing [London/Luxembourg/Other(*specify*)/None]
- (ii) Admission to trading Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] 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 [*specify relevant regulated market*] with effect from [•].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: [•]]
- [Moody's: [•]]
- [Fitch: [•]]
- [[Other]: [•]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

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

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

- [(i) Reasons for the offer [•]]

(See [“Use of Proceeds”] wording in Prospectus if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

- [(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses: [•]

[Include breakdown of expenses]

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

5. **[Fixed Rate Notes only - YIELD**

Indication of yield: [•]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Index-linked or other variable-linked notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]]

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

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information].

7. **[Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

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

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

8. **OPERATIONAL INFORMATION**

(i) ISIN Code: [•]

(ii) Common Code: [•]

- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, societe anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
[Euroclear Sweden Identification number:]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): [•]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [•]
- (vii) Name of Swedish Issuing and Paying Agent (if any): [*only applicable to Swedish Registered Notes*]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case the Notes must be issued in NGN form*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Global Registered Notes

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the

principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or
- (b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon, will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in

accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Payment Business Day: Notwithstanding the definition of "Payment Business Day" in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is deposited with a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its general corporate purposes or as may otherwise be disclosed in the Final Terms.

DESCRIPTION OF THE ISSUER

BUSINESS OVERVIEW

Sandvik Aktiebolag (publ) was established in 1862 and incorporated in 1897 under the laws of Sweden as a public company (Aktiebolag). Sandvik is registered at the Swedish Companies Registration Office with registration number 556000-3468. Sandvik's registered office and principal place of business is at Storgatan 2, 811 81 Sandviken, Gävleborgs län, Sweden and the telephone number is +46 (0) 26 26 00 00.

The Issuer is the ultimate parent company of 300 subsidiaries (as at 31 December 2009) which are situated in Sweden as well as internationally. References in this business description to the "Group" are to the Issuer and its subsidiaries.

History and development

Sandvik was founded in 1862 by Göran Fredrik Göransson, who was first in the world to succeed in using the Bessemer method for steel production on an industrial scale. Sandvik is a high-technology, engineering group with advanced products within selected areas. Sandvik's business concept is based on specialist competence and expertise in materials technology. Sandvik operates in three core areas:

- tools for metal cutting produced of cemented-carbide and high-speed steel as well as components produced of cemented carbide and other hard materials.
- equipment and tools for the mining and construction industries.
- products in advanced stainless materials, titanium, special alloys, metallic and ceramic resistance materials and process systems.

Sandvik's business concept is to develop, manufacture and market high-tech products and services that facilitate higher customer productivity and profitability.

Worldwide business activities are conducted in 130 countries. As at 31 December 2009 the Group had 44,000 employees and annual sales of approximately SEK 72 billion compared to 50,000 employees and annual sales of approximately SEK 92 billion at 31 December 2008.

STRATEGY

Overview of strategy

Sandvik develops, manufactures and markets products and services with a high technology content that contribute to enhancing the productivity and profitability of Sandvik's customers. This is Sandvik's business concept. All industrial companies must enhance efficiency in production so that rising costs for raw materials, wages, energy and other items are balanced with the gains provided through higher prices. For many products the possibility to increase prices is limited. Sandvik helps to close this productivity gap in customer operations by offering products that result in cost savings and reliable and cost-efficient processes for its customers.

Sandvik creates customer value through a strong global presence; customers worldwide are offered solutions that encompass products, services and technical support.

Manufacturing and Research and Development

Conducting core operations, such as manufacturing, on a proprietary basis, ensures that Sandvik's products adhere to the Group's high and globally standardised performance and quality parameters. Sandvik's production organisation is strongly integrated with research and development ("R&D"). This creates favourable conditions for the ongoing development of new products and is a key competitive advantage for the Group.

Comprehensive and goal-oriented research and development is a prerequisite for the Group's continued profitable growth. R&D activities are customer oriented and projects are managed in close co-operation with the customer. To ensure maximum customer value, the Group's R&D is based on leading, unique

technology and active patent work. R&D also enhances manufacturing processes and facilitates more efficient production lines. Sandvik invests about SEK 3 billion in R&D and has approximately 2,300 employees working within R&D.

Organisation

Sandvik's distribution system is based on a small number of large and strategically located distribution centres in major market areas such as Asia, Europe and the United States of America. In this manner, the Group can offer rapid deliveries and an extensive product offering to its customers. Efficient inventory management and advanced logistics are designed to enhance delivery reliability.

Sandvik has a decentralised operational organisation. Decisions relating to the operational business are made in the Group's three business areas: Sandvik Tooling, Sandvik Mining and Construction and Sandvik Materials Technology. The business areas have specialist expertise within materials technology and in-depth knowledge of the customers' processes. To develop the best solutions, work is conducted in close co-operation with the customers.

Operations

The Sandvik Group conducts operations within three core business areas - Sandvik Tooling (accounting for approximately 27 per cent. of the Group's invoicing as at 2009), Sandvik Mining and Construction (accounting for approximately 45 per cent. of the Group's invoicing as at 2009) and Sandvik Materials Technology (accounting for approximately 21 per cent. of the Group's invoicing as at 2009). The business areas have full operational responsibility and are responsible also for goals, strategies and acquisitions as well as sales, results and balance sheet for their respective unit.

In addition Seco Tools is a listed subsidiary, 60 per cent. owned by Sandvik (which corresponds to 89 per cent of the voting rights) which publishes its own annual report and independently runs its own operations. Seco Tools is an independent publicly listed company and has been a member of the Group since 1974 (accounting for approximately 7 per cent. of the Group's invoicing as at 2009).

Business Activities

Sandvik's operational structure is made up of three business areas where the subsidiaries of Sandvik AB are allocated. The presidents of the business areas report directly to the Chief Executive Officer (the "CEO") of Sandvik and are responsible for the business activities of their respective areas. The business areas in turn are organised by various product areas or customer segments. These are as follows.

Sandvik Tooling

Sandvik Tooling is a global manufacturer of tools and tooling systems for cutting operations as well as of blanks and components. Annual sales as at 31 December 2009 were SEK 19,078 million compared to SEK 25,975 million as at 31 December 2008. Operating results as at 31 December 2009 were an operating loss of SEK 527 million compared to an operating profit of SEK 5,461 million as at 31 December 2008. There were 15,296 employees as at 31 December 2009 compared to 16,998 as at 31 December 2008.

Products are manufactured in cemented carbide, high-speed steel and other hard materials such as diamond, cubic boron nitride and special ceramics.

Sandvik Tooling has a strong global presence with a high focus on R&D to be able to introduce new products to the market.

Sandvik Tooling operates in the tooling sector with a portfolio of international brands, including Sandvik, Sandvik Coromant, Walter, Valenite, ValeniteSafety, Dormer, Precision and Diamond Innovations.

Sandvik Tooling's business is driven by increased consumption of tools as a result of shorter product cycles and growing demand for lighter components in more difficult-to-machine materials. The value chain from raw material to finished product for cemented carbide and super hard materials is well integrated.

Sandvik Mining and Construction

Sandvik Mining and Construction is a leading global supplier of machinery, cemented-carbide tools, service and technical solutions for the excavation and sizing of rock and minerals in the mining and construction industries. Annual sales as at 31 December 2009 were SEK 32,621 million compared to SEK 38,651 million as at 31 December 2008. Operating results as at 31 December 2009 were an operating profit of SEK 466 million compared to an operating profit of SEK 4,996 million as at 31 December 2008. There were 14,429 employees as at 31 December 2009 compared to 16,796 as at 31 December 2008.

Sandvik Mining and Construction offers an extensive range of products for drilling, mechanical rock excavation, loading and transport of minerals, crushing and screening as well as demolition and recycling, and handling of rock and minerals. The operation is divided into five customer segments: Underground Mining; Surface Mining and Construction.

Advanced special equipment and tools are developed in close co-operation with customers. Sandvik Mining and Construction aims to increase its market share of tools and spare parts manufacturing and to provide related services and offer a highly developed global organisation with strong focus on the after-market.

Sandvik Mining and Construction's business is driven by customers seeking to improve their productivity, efficiency and profitability by using advanced equipment and tools. Sandvik Mining and Construction's customers prioritise service and maintenance, which creates a substantial after-market for tools, spare parts and service.

The business is driven by increased requirements from the customers with regard to mechanisation, safety, environment, mobility and ergonomics.

Sandvik Materials Technology

Sandvik Materials Technology is a manufacturer of high value-added products in advanced stainless materials, special alloys, metallic and ceramic resistance materials, as well as process plants. Annual sales as at 31 December 2009 were SEK 15,328 million compared to SEK 21,480 million as at 31 December 2008. Operating results as at 31 December 2009 were an operating loss of SEK 1,137 million compared to an operating profit of SEK 1,187 million as at 31 December 2008. There were 8,246 employees as at 31 December 2009 compared to 9,281 as at 31 December 2008.

The business area comprises product areas Tube, Strip, Wire and Heating Technology Process Systems and MedTech.

Sandvik Materials Technology has a strong position that focuses on niche markets and product areas and customers with exacting demands on productivity, safety and performance. Products and materials are developed in close co-operation with customers based on cutting edge expertise of alloyed materials, materials technology, process technology and its own research facilities. Sandvik Materials Technology has a strong international sales organisation with global distribution.

The customers of Sandvik Materials Technology are increasingly demanding products and materials that are durable and can cope with stringent requirements in terms of safety, productivity and cost effectiveness. They are also seeking a higher level of automation, combined with demands for energy-efficient products and processes, as well as a general increase in environmental awareness. This is driving demand for more advanced materials and products. Sandvik Material Technology focuses on a number of strategic customer segments with higher growth and profitability than the market average, such as the energy and medical industries.

RECENT EVENTS

The management board of Sandvik views that the following factors and trends have influenced the performance of the Group in the first three quarters of 2010.

Overview

The global financial crisis that culminated in autumn 2008 triggered a deep recession that impacted essentially all markets and industries simultaneously. Demand for Sandvik's products declined very sharply, with the exception of the energy sector. In 2009, the Group focused on measures to manage the downturn in demand while also creating conditions to enable it to emerge strongly from this business situation. In 2010 the global market situation has improved although volumes are not back to pre-financial crisis levels.

Order intake for the first three-quarters of 2010 was positively impacted by the global economic recovery and amounted to SEK 66,972 million (compared to SEK 51,498 million for the same period in 2009), up 30% in total and 32% at fixed exchange rates for comparable units. Invoicing was SEK 59,378 million (compared to SEK 53,725 million for the same period in 2009), up 11% in total and 12% at fixed exchange rates for comparable units.

The operating result for the first three-quarters of 2010 improved significantly primarily due to higher volumes, greater cost efficiency and a favorable product mix and amounted to SEK 7,900 million (compared to an operating loss of SEK 1,820 million for the same period in 2009). The operating margin was 13.3% of invoicing (compared to -3.4% for the same period in 2009). Movements in exchange rates had a negative impact on the result of about SEK 470 million since the beginning of the year and movements in metal prices had a positive impact of SEK 390 million.

Financial net amounted to a loss of SEK 1,242 million (compared to a loss of SEK 1,575 million for the same period in 2009) and the result after financial items was SEK 6,658 million (compared to a loss of SEK 3,395 million for the same period in 2009). The tax rate was 29%, and the net result for the period amounted to SEK 4,757 million (compared to a loss of SEK 2,494 million for the same period in 2009). Earnings per share amounted to SEK 3.83 (compared to SEK -2.13 for the same period in 2009).

Cash flow from operating activities amounted to SEK 8,891 million (compared to SEK 7,909 million for the same period in 2009). The Group's investments in fixed assets totalled SEK 2,079 million (compared to SEK 3,425 million for the same period in 2009). Company acquisitions accounted for SEK 726 million (compared to SEK 1,542 million for the same period in 2009). After investments, acquisitions and divestments, cash flow amounted to SEK 6,249 million (compared to SEK 3,118 million for the same period in 2009).

The third quarter of 2010

The global market situation continued to improve in the third quarter. Order intake and invoiced sales rose by 23% and 21%, respectively, at fixed exchange rates compared with the preceding year, although they were largely in line with the preceding quarter. Adjusted for a normal seasonal weakening, mainly in Europe and the US, the sequential development of order intake and invoiced sales was positive in most markets.

A continued increase in global industrial production entailed a marked increase in demand for Sandvik's products in all markets compared with the third quarter of 2009. Demand was particularly strong for high value-added products for industrial production and the aftermarket segment, while the improvement for investment-related products is occurring with some delay.

A high level of activity was noted in the energy sector and demand increased from, among others, the automotive, mining and engineering industries compared with the preceding quarter. Growth in order intake in the mining industry was most notable in the aftermarket segment, although the continued high price of metal meant that the willingness to invest in new equipment also gradually increased. Demand from the construction industry increased in Asia and South America, but remained weak in Europe and slowed slightly in the US compared with the preceding quarter. Order intake from the aerospace industry remained stable.

Demand remained strong in Asia, and most markets – primarily in Europe and the US – reported high rates of increase compared with the preceding year. Order intake in South America and Africa declined somewhat as a result of fewer project orders compared with the preceding year. However, the global rate of increase in order intake was approximately 25%, excluding major project orders.

The product mix displayed a positive trend in the third quarter of 2010, mainly because the share attributable to cutting tools was relatively high, which was also the case for the aftermarket segment within Sandvik Mining and Construction.

Sandvik's strong position as a supplier to the international nuclear power industry was consolidated during the quarter and three additional orders for steam generator tubes to China were received for a combined value of nearly SEK 700 million. Deliveries are expected to commence in 2012.

Order intake amounted to SEK 21,523 million (compared to SEK 17,241 million for the same period in 2009), up 25% in total and 23% at fixed exchange rates for comparable units. Of the total order intake, SEK 700 million comprised major project orders. The increase at fixed exchange rates for comparable units was 39% for Sandvik Tooling and 8% for Sandvik Mining and Construction. For Sandvik Materials Technology, the increase was 35%, including a positive effect of about 8 percentage points related to movements in metal prices.

Invoiced sales in the third quarter amounted to SEK 20,241 million (compared to SEK 16,578 million for the same period in 2009), up 22% in total and 21% at fixed exchange rates for comparable units compared with the third quarter in the preceding year. The increase in invoiced sales for Sandvik Tooling was 39%. The corresponding increase for Sandvik Mining and Construction was 8% and for Sandvik Materials Technology 25%, including a positive effect of about 8 percentage points related to movements in metal prices.

Earnings and return for the third quarter displayed a significant improvement compared with the corresponding quarter in the preceding year. Still earnings were lower than the preceding quarter because of a normal seasonal weakening combined with negative exchange rate effects and certain costs of a nonrecurring nature. The operating result amounted to SEK 2,532 million (compared to SEK 51 million for the same period in 2009) and the operating margin was 12.5% of invoiced sales (compared to 0.3% for the same period in 2009). Return on capital employed totaled 12.9% for the most recent 12-month period. The improvement is attributable to higher volumes, increased capacity utilisation, a lower cost level and a favorable product mix. Nonrecurring costs and a provision for variable compensation had a negative impact on earnings of approximately SEK 200 million. The negative impact of movements in exchange rates was approximately SEK 280 million when compared to the third quarter 2009.

The earnings improvement compared with the preceding year was mainly generated by increased sales and production volumes combined with implemented efficiency-enhancement measures and a product mix with a higher average level of profitability. The improvement programs implemented are gradually increasing efficiency in all business areas and thus the underlying profitability. Compared with the preceding quarter, earnings declined due to seasonally lower invoicing and production volumes combined with negative exchange-rate effects as a result of a strengthening of the SEK. The result was also negatively impacted in the amount of approximately SEK 100 million due to a provision for variable salaries and profit-sharing and by approximately SEK 100 million related to a nonrecurring cost for such measures as the closure of the production unit in Crystal Lake in the US. Movements in metal prices had a marginal effect on the result.

Net financial items amounted to a loss of SEK 412 million (compared to a loss of SEK 574 million for the same period in 2009) and the result after net financial items was SEK 2,120 million (compared to a loss of SEK 523 million for the same period in 2009), or 10.5% of invoiced sales. Income tax was SEK -560 million (compared to SEK 343 million for the same period in 2009) and the net result for the period amounted to SEK 1,560 million (compared to a loss of SEK 180 million for the same period in 2009), or 7.7% of invoicing. Earnings per share amounted to SEK 1.33 (compared to a loss of 0.15 in the same period in 2009) in the quarter.

Capital efficiency improved further during the quarter and working capital amounted to 27% (compared to 40% for the same period in 2009) of invoiced sales. Cash flow from operations was SEK 3,978 million (compared to SEK 3,521 million for the same period in 2009). Investments amounted to SEK 1,131 million (compared to SEK 1,320 million for the same period in 2009), of which company acquisitions accounted for SEK 258 million (compared to SEK 491 million for the same period in 2009). Cash flow after investments was SEK 2,886 million (compared to SEK 2,283 million for the same period in 2009) for the quarter.

Return on capital employed for the most recent 12-month period amounted to 12.9% (compared to 1.3% for the same period in 2009) and the return on shareholders' equity was 15.2% (compared to 4.0% for the same period in 2009).

The demand trend for Sandvik Tooling remained positive during the third quarter, both in relation to the preceding year and quarter. Order intake and invoiced sales improved substantially in all markets compared with 2009, and were largely in line with the preceding quarter despite a seasonal weakening. In the third quarter, order intake and invoiced sales rose by 39% at fixed exchange rates for comparable units. The operating result was SEK 961 million (compared to an operating loss of SEK 247 million for the same period in 2009), or 16.1% of invoiced sales. Currency effects, nonrecurring costs and a provision for variable compensation had a negative impact on earnings of approximately SEK 230 million.

The market situation continued to improve in all markets. Intensified global activity in many areas resulted in growth in industrial production and thus higher demand. In Europe, North America and Asia, order intake and invoicing rose by more than 40%. Demand from the energy sector remained strong, while the automotive, aerospace and general engineering industries demonstrated a stable trend. A stronger trend was noted for cemented carbide products and super-hard materials than for high-speed steel products.

Order intake volume for the quarter was approximately 15% below the level recorded in 2008. A long-term focus in strategic areas has boosted Sandvik Tooling's competitiveness, and market shares grew in most markets. The price trend remained positive.

Capital efficiency continued to develop in a positive direction and working capital declined to 26% of invoiced sales (compared to 42% for the same period in 2009) and, combined with a low level of investment, led to a continued strong cash flow.

Compared with 2009, the operating result improved and amounted to SEK 961 million (compared to an operating loss of SEK 247 million). In seasonal terms, the third quarter is weaker than the other quarters with respect to order intake, invoicing and profitability, which is why earnings were lower than the figure posted in the preceding quarter. Excluding seasonal and exchange-rate effects, the underlying profitability displayed a positive trend. Earnings were negatively impacted by approximately SEK 130 million due to movements in exchange rates, and by approximately SEK 100 million for a provision for variable salaries and profit-sharing together with nonrecurring costs, including the closure of the production unit in Crystal Lake in the US. The operating margin was 16.1% (compared to a negative operating margin of 5.6% compared to the same period in 2009). Return on capital employed for the most recent 12-month period amounted to 13.6% (compared to 1.6% in the same period in 2009).

Demand from the global mining industry continued to improve in the third quarter, both in relation to the preceding year and quarter. Most notable was the improvement in the aftermarket segment, while the increase for machinery and equipment is at a slightly lower pace. Activity in the construction industry was lower than in the mining industry. Demand for major material-handling projects remained low during the quarter. Order intake and invoiced sales increased by 8% at fixed exchange rates. Excluding major project orders order intake increased by 28%.

Activity in the mining industry, particularly in underground mines, continued to develop positively during the quarter in line with the trend in earlier quarters. The growth in demand was more evident from the mining industry than from the construction industry and the trend was more pronounced for the aftermarket segment than for the equipment segment. However, higher metal prices meant that the willingness to invest in new equipment gradually increased. Major project orders represented a relatively low share of both order intake and invoiced sales, although deliveries of projects on order will increase in the forthcoming quarters. Of invoiced sales, the aftermarket business accounted for 57% while equipment and projects accounted for 36% and 7%, respectively. The invoicing volume for the quarter was about 15% lower than the peak year 2008, and while the aftermarket volume has returned to the same level, equipment and project volumes remain lower. Although the increase in demand was high in all markets, it was strongest in Europe and North America, which together account for about 30% of the business area's sales.

The number of employees increased slightly on account of an expansion of the sales organization in Asia and Eastern Europe and a growing need for personnel in production and service segments to ensure a high

level of delivery and service. Capital efficiency continued to develop in a positive direction and net working capital reached 25% of invoiced sales for the first time. Combined with a low investment level, this was one of the contributing factors behind a continued strong cash flow.

The third-quarter operating result amounted to SEK 1,257 million (compared to SEK 332 million for the same period in 2009) or 14.5% of invoiced sales (compared to 4.3% for the same period in 2009). The result was positively impacted by increased invoicing and production volumes, increased internal efficiency and a favourable product mix. Movements in exchange rates had a negative impact of approximately SEK 100 million on the result. Return on capital employed for the most recent 12-month period was 19.2% (compared to 5.1% for the preceding 12-month period).

Demand developed positively for Sandvik Materials Technology during the quarter. Order intake rose by 35% and invoiced sales by 25% at fixed exchange rates. Order intake for products to the energy sector and mining industry remained strong. During the quarter, this business area received three major project orders with a combined value of SEK 700 million from the Chinese nuclear power industry within the framework of previously signed agreements.

The market situation gradually improved during the quarter, primarily in North America, Europe and Asia. The market for advanced products to the nuclear power industry was extremely robust and a further three orders were registered for deliveries of steam generator tubes to Chinese nuclear power plants to the value of SEK 700 million. Demand remained favorable for products to, for example, the oil and gas industry and the electronics and consumer goods industries. A favourable trend was noted in most customer segments – in line with recent quarters – although a flat development was observed for major projects for the process industry. A conscious focus on high value-added products meant that order intake for low value-added products was retained at a low level. Movements in metal prices had a positive impact of 8 percentage points on order intake and invoicing compared to the preceding quarter.

Further actions to strengthen the business area's strategic position were taken during the quarter. These included the establishment of a strategic partnership with Carpenter Technology Corporation relating to the development and production of products based on powder technology. Furthermore, the decision was taken to discontinue the production and sale of bimetal products in the Wire and Heating Technology product area.

The number of employees increased to strengthen the sales organization in Asia and to ensure the implementation of expansion projects in the nuclear power area.

During the quarter, scheduled maintenance measures were conducted, which limited delivery capacity. Some complications connected to the restart caused a slight increase in delivery times and had a negative impact on the operating margin. Working capital amounted to 33% of invoiced sales (compared to 38% for the same period in 2009). The operating result amounted to SEK 203 million (compared to an operating loss of SEK 2 million for the same period in 2009), or 4.9% of invoiced sales (compared to -0.1% for the same period in 2009). Nonrecurring costs and a provision for variable salaries and profit-sharing adversely affected the operating margin by about 1 percentage point. Movements in metal prices and exchange rates had no material impact on earnings. Return on capital employed for the recent 12-month period was 8.5% (compared to -6.9% for the preceding 12-month period).

SIGNIFICANT EVENTS

- During the quarter, Sandvik Tooling decided to discontinue production at Crystal Lake in the US. Manufacturing at the unit primarily focuses on high-speed steel drills. The plant closure affects about 150 employees and is expected to be completed by the end of 2010. The cost of the closure is estimated to be SEK 50 million, which corresponds to the estimated annual savings.
- In September, Sandvik Materials Technology received three orders for steam generator tubes to China to a total value of nearly SEK 700 million. Deliveries are expected to commence in 2012.
- To strengthen its market position, improve cost efficiency and specialize the product program in Wire and Heating Technology (formerly the Wire and Kanthal product areas), the decision was taken during the third quarter of 2010 to discontinue the bimetal operation. With this move, the product area has phased-out operations to a sales value of SEK 250 million through a range of

structural measures, including the closure of two heating element plants in Europe and the phasing-out of the spring and welding rod range.

- In October, it was announced that Sandvik Materials Technology and Carpenter Technology Corporation intend to establish a strategic partnership to further strengthen its position in the field of powder technology and advanced materials. As part of the arrangement, Sandvik AB will acquire 40% of the shares in Carpenter Powder Products AB and Carpenter Technology Corporation will acquire 40% of the shares in Sandvik Powdermet AB. Carpenter Powder Products AB manufactures high-alloy powder and is already one of Sandvik Powdermet AB's suppliers. The partnership, which will also provide the opportunity for strategic product development collaboration, makes the combination of Sandvik and Carpenter Technology into a leading player in the powder technology area.
- The Public Commissioner requested that Sandvik be taxed in 2005 for a capital gain of SEK 18,097 million, which arose in the Group in conjunction with the reorganisation. The issue is described in Sandvik's Annual Report for 2009 on page 27. The IP Company's appeal of the Tax Board's decision pertaining to 2005 and 2006, and the Public Commissioner's appeal regarding taxation of Sandvik for 2005, as well as the appeal pertaining to the IP Company have now been addressed by the Administrative Court in Falun. The Administrative Court approved the Public Commissioner's appeal pertaining to additional taxation of Sandvik for 2005. The Administrative Courts decision was not unanimous. The Court approved the IP Company's appeal as well as the Public Commissioner's appeal concerning the Tax Board's decision to refuse the deduction for amortisation of intellectual property rights and approved the base for amortisation. The decision, if it gains legal force, entails that Sandvik will be taxed for additional earnings of SEK 18,097 million for 2005. However, this will not affect the Group's earnings, since the additional tax cost of approximately SEK 5 billion would correspond to the tax value of the increased amortisation in the IP Company and this tax value, according to IFRS policies, would then be recognised as income.

PARENT COMPANY

The Parent Company's invoicing for the third quarter of 2010 amounted to SEK 3,917 million (compared to SEK 2,700 million for the same period in 2009) and the operating result was a loss of SEK 13 million (compared to a loss of SEK 362 for the same period in 2009). For the first three quarters of 2010, invoicing amounted to SEK 12,754 million (compared to SEK 9,632 million for the same period in 2009) and the operating result was SEK 283 million (compared to an operating loss of SEK 1,815 million for the same period in 2009). The operating result was positively impacted by an improved market climate with subsequent increased sales and production volumes. An additional contributing factor was positive metal price effects and, compared with 2009, the absence of costs for restructuring programs. Income from shares in Group companies consists primarily of dividends from these and amounted to SEK 203 million after the third quarter (compared to SEK 3,676 million in the same period for 2009). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 13,170 million (compared to SEK 11,319 million at 31 December 2009). Investments in fixed assets amounted to SEK 845 million (compared to SEK 800 million at 31 December 2009).

ACQUISITIONS AND DIVESTMENTS

Sandvik is on a continuing basis evaluating acquisitions of complementary companies to strengthen its positions within areas of high growth and favourable profitability. The total purchase consideration for operations acquired during 2009 amounted to SEK 2,036 million. A further part payment was made during the third quarter of 2010 relating to the acquisition of Wolfram, which had a negative impact of SEK 230 million on cash flow after investments. Seco Tools acquired the French company AOB during the third quarter.

The table below shows the acquisitions of Sandvik during the last 18 months (as at the date of this Base Prospectus):

Acquisitions during the latest 18 months

<u>Business area</u>	<u>Company/unit</u>	<u>Closing date</u>	<u>Annual revenue SEK M</u>	<u>No of employees</u>
Seco Tools	AOB, France	23 July 2010	40	37
Sandvik Tooling	Wolfram Austria	28 May 2009	1,800	274

No divestments were made during the last 18 months.

Sandvik continuously considers making investments needed for its normal business activity. These investments are normally financed out of the Sandvik's short and long-term funding programmes.

MANAGEMENT

The Board of Directors of the Issuer (the "**Board**") has responsibility for the Issuer's organisation and the management of the company's business. The Board continuously monitors the Issuer's and the Group's financial position. The Board ensures that the Issuer's organisation is designed in a way that ensures that the accounts, the management of assets, and the Issuer's financial condition are satisfactorily controlled. The CEO of the Issuer is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the CEO is laid down in written terms of reference.

The principal tasks of the Board are to:

- establish the overall objectives for Sandvik's operations and the strategy for reaching those objectives;
- ensure that Sandvik's executive management functions efficiently and is suitably remunerated;
- ensure that Sandvik's external financial reporting is conducted transparently and objectively and gives a fair view of Sandvik's performance, profitability, financial position and risk exposures;
- ensure that there are effective systems for the monitoring and control of Sandvik's operations and financial position in respect of the established goals;
- monitor and evaluate Sandvik's development and advise and support the CEO in taking necessary measures;
- ensure that there is adequate control of compliance with laws and regulations governing Sandvik's operations;
- ensure that necessary ethical guidelines are established for Sandvik's behaviour;
- decide on acquisitions, divestments and investments; and
- propose dividends to the annual meeting of shareholders.

The Board is elected at the annual meeting of shareholders and has eight members (**Directors**). The union organisations are entitled to representation on the Board and have appointed two additional ordinary members and two deputies.

Members of the Board

Anders Nyrén, b. 1954.

Chairman since 2010, Director of Sandvik AB since 2002.

Education and business experience: B.Sc. (Econ.), MBA. President and Chief Executive Officer of AB Industrivärden since 2001, Executive Vice President and CFO of Skanska AB 1997–2001, various executive positions within AB Wilhelm Becker, STC Scandinavian Trading Co AB, STC Venture AB, OM International, Securum AB and Nordbanken 1979–1997.

Current Board assignments: Chairman of Association of Exchange-listed Companies and the Association for Good Practices on the Securities Market, Vice Chairman of Svenska Handelsbanken AB, Director of Ericsson AB, Industrivärden, SCA, SSAB, and Ernström-gruppen.

Shareholding in Sandvik (own and closely related persons): 4,500 ordinary shares

Lars Pettersson, b. 1954.

Director of Sandvik AB since 2002.

Education and business experience: MSc. Eng., PhD Honorary. President and Chief Executive Officer of Sandvik AB since 2002. Group Executive Vice President and President of Sandvik Specialty Steels business area 2000–2002. Various positions within production and management in Sandvik 1978–1999.

Current Board assignments: Director of Skanska AB, Teknikföretagen.

Shareholding in Sandvik (own and closely related persons): 102,462 ordinary shares

Georg Ehrnrooth, b. 1940.

Director of Sandvik AB since 1997.

Education and business experience: Graduate engineer, D.Tech. Honorary. President of Metra Oyj (currently Wärtsilä Oyj Abp) 1991–2000, President of Lohja Oyj Abp 1979–1991, various positions in production and management within Wärtsilä Oyj Abp 1965–1979.

Current Board assignments: Director of Nokia Oyj.

Shareholding in Sandvik (own and closely related persons): 11,000 ordinary shares

Fredrik Lundberg, b. 1951.

Director of Sandvik AB since 2006.

Education and business experience: MSc. Eng., B.Sc. (Econ.), D.Econ Honorary, D.Tech. Honorary. Active in L E Lundbergföretagen AB since 1977 and Chief Executive Officer since 1981.

Current Board assignments: Chairman of the Board of Cardo AB, Holmen AB, Hufvudstaden AB, Vice chairman of Svenska Handelsbanken AB and NCC AB, Director of LE Lundbergföretagen AB and AB Industrivärden.

Shareholding in Sandvik (own and closely related persons): 5,900,000 ordinary shares; via L E Lundbergföretagen AB 23,500,000 ordinary shares; via AB Industrivärden 140,443,752 ordinary shares; and via relatives 40,000 ordinary shares.

Egil Myklebust, b. 1942.

Director of Sandvik AB since 2003.

Education and business experience: LLB. Chief Executive Officer of Norsk Hydro 1991–2001, President of Næringslivets hovedorganisasjon 1989–1990, President of Norsk Arbeidsgivareforening 1987–1988, various positions within Norsk Hydro 1971–1987. Consultant to the National Insurance Administration 1968–1971.

Shareholding in Sandvik (own and closely related persons): 10,000 ordinary shares.

Hanne de Mora, b. 1960.

Director of Sandvik AB since 2006.

Education and business experience: B.Sc. (Econ.), Bachelor's degree of Business Administration IESE, Barcelona. One of the founders and owners, also Chairman of the Board of the management company a-

connect (group) ag since 2002, partner in McKinsey & Company Inc. 1989–2002, various positions within brand management and controlling within Procter & Gamble 1986–1989.

Current Shareholding in Sandvik (own and closely related persons): 0

Lars Westerberg, b.1948

Director of Sandvik AB since 2010.

Education and business experience: Msc. Eng and B.Sc (Econ.).

Current Board assignments: Chairman of Vattenfall AB, Husqvarna AB and Autoliv AB. Board member of AB Volvo and SSAB.

Shareholding in Sandvik (own and closely related persons): 12,000

Simon Thompson, b. 1959.

Director of Sandvik AB since 2008.

Education and business experience: MA Geology. Various positions with Anglo American Group 1995–2007 including director of Anglo American plc 2005–07, Director of AngloGold Ashanti 2004–08, chairman Tarmac 2004–07, Director of SG Warburg 1994–95, NM Rothschild & Sons Ltd 1984–95.

Current Board assignments: Director of UC Rusal, Newmont Mining Corporation and AMEC plc.

Shareholding in Sandvik (own and closely related persons): 0

Tomas Kärnström, b. 1966.

Director of Sandvik AB since 2006 (Employee representative).

Education and business experience: Principal safety representative for Sandvik Materials Technology. Various positions within Sandvik since 1986.

Shareholdings in Sandvik (own and closely related persons): 2,865 ordinary shares

Jan Kjellgren, b. 1952.

Director of Sandvik AB since 2008 (Employee representative).

Education and business experience: Research engineer, Sandvik Tooling Sverige AB. Various positions within Sandvik since 1981.

Current Board assignments: AB Sandvik Hard Materials, Sandvik Tooling Sverige AB.

Shareholding in Sandvik (own and closely related persons): 570 ordinary shares

Deputy members

Bo Vestin, b. 1950.

Director of Sandvik AB since 1999 (Employee representative).

Education and business experience: Chairman Union Committee, Metal Workers' Union, Sandvik Rotary Tools AB, Köping. Various operator positions within Sandvik Mining and Construction since 1973. Volvo Köpingverken 1971–1972, Köpings Mekaniska Verkstad 1968–1970.

Current Board assignments: Director of Sandvik Rotary Tools.

Shareholding in Sandvik (own and closely related persons): 0

Alicia Del Carmen Espinosa, b. 1967.

Director of Sandvik since 2010 (Employee representative).

Shareholding in Sandvik (own and closely related persons): 6,731 ordinary shares

Percy Barnevik, b. 1941.

Honorary Chairman

Chairman of the Board of Sandvik AB 1983–2002.

Auditors

Caj Nackstad, b. 1945.

Auditor in charge, Authorised Public Accountant, KPMG.

Other auditing assignments: Billerud, Skanska, LKAB, Axel Johnson AB and Wallenius.

Shareholding in Sandvik (own and closely related persons): 0

Board Secretary

Bo Severin, b. 1955.

Secretary to the Sandvik Board of Directors and General Counsel since 2000.

Education and business experience: LLB. General Counsel in Sandvik AB. Member of Group Executive Management since 1 October 2010.

Shareholding in Sandvik (own and closely related persons): 12,970 ordinary shares

The business address for the Members of the Board is Storgatan 2, SE-811 81 Sandviken, Sweden.

President and the Group Executive Management

The President of Sandvik AB, the Executive Vice President and the CFO of Sandvik AB, and the three presidents of each of the three business areas make up Group Executive Management. Group Executive Management meets every month and deals with the Group's financial development, group-wide development projects, leadership and competence issues, and other strategic issues. The Group has established eleven group functions responsible for group-wide activities within finance, treasury, information technology ("IT"), communications, internal control, legal affairs, personnel, taxes, investor relations, intangible rights, and patents and trademarks. Intangible rights and patents and trademarks are managed by a separate wholly owned group entity. In addition to Group Executive Management, business areas and group functions, there are a number of councils commissioned to coordinate group-wide strategic areas such as environment, health and safety, research and development, purchasing, IT, finance and human resources ("HR").

The members of the Group Executive Management are as follows:

Lars Pettersson, b. 1954.

President and Chief Executive Officer of Sandvik AB since 2002.

Education and business experience: MSc. Eng., PhD Honorary. Director of Sandvik AB since 2002, President and Chief Executive Officer of Sandvik AB since 2002 Group Executive Vice President and President of Sandvik Specialty Steels business area 2000–2002, various positions within production and management in Sandvik 1978–1999.

Current Board assignments: Director of Skanska AB, Teknikföretagen.

Shareholding in Sandvik (own and closely related persons): 102,462 ordinary shares

Peter Larson, b. 1949.

Executive Vice President of Sandvik AB since 2000. Head of IT since 2004, and head of HR since December 2007.

Education and business experience: B.Sc. (Econ), Executive Vice President and head of IT, Sandvik AB 2004–2007, Executive Vice President and CFO, Sandvik AB 2000–2004, Executive Vice President of Kanthal 1992–2000, Administration Manager, Uddeholm Tooling 1989–1992, controller positions within Härnösands Grafit AB, Kanthal AB and Asea/ABB 1974–1989.

Current Board assignments: Director of Seco Tools AB.

Shareholding in Sandvik (own and closely related persons): 35,325 ordinary shares

Ola Salmén, b. 1954.

CFO of Sandvik AB since 2009 and Executive Vice President of Sandvik AB since 28 October 2010.

Education and business experience: B.Sc (Econ). CFO, Vin & Sprit AB 2002-2009, CFO Adcore AB 2000-2001, Director of Finance Handelsbanken Markets 1997-2000, various financial manager and controller positions at the Swedish Match and STORA Groups 1984-1996.

Current Board assignments: Director of Svevia AB and Pettersson & Wagner Fonder AB.

Shareholding in Sandvik (own and closely related persons): 5,000 ordinary shares

Anders Thelin, b. 1950.

President of Sandvik Tooling business area since 2000.

Education and business experience: MSc. Eng. Various positions within research and development and the management group of Sandvik Coromant 1976–2000.

Current Board assignments: Director of Haldex AB.

Shareholding in Sandvik (own and closely related persons): 19,055 ordinary shares

Lars Josefsson, b. 1953.

President of Sandvik Mining and Construction business area since 2003.

Education and business experience: MSc. Eng. Physics. President, ABB STAL/ALSTOM 1998–2003.

Current Board assignments: International Council of Swedish Industry.

Shareholding in Sandvik (own and closely related persons): 44,500 ordinary shares

Peter Gossas, b. 1949.

President of Sandvik Materials Technology business area since 2002.

Education and business experience: MSc. Eng. Physics. General Manager Sandvik Tube 2001, business unit manager positions within Avesta Polarit, Avesta Sheffield and Avesta AB 1986–2001, production and development positions within SSAB 1974–1986.

Current board assignments: Director of Höganäs AB, chairman of “Stål och Metall Arbetsgivareförbundet” and “Industriarbetsgivarna”.

Shareholding in Sandvik (own and closely related persons): 23,104 ordinary shares

Bo Severin, b. 1955.

Secretary to the Sandvik Board of Directors and General Counsel since 2000. Member of Group Executive Management since 1 October 2010.

Education and business experience: LLB. General Counsel in Sandvik AB.

Shareholding in Sandvik (own and closely related persons): 12,970 ordinary shares

The business address of the Group Executive Management is Storgatan 2, SE-811 81 Sandviken, Sweden.

Göran Westberg, b. 1957

Member of Group Executive Management since 1 October 2010 and Senior Vice President Human Resources.

Education and business experience: Also holds the position as Executive Vice President Human Resources within Sandvik Materials Technology and has a background within Outokumpu, Uddeholm, Ericsson, Spencer Stuart and Korn Ferry.

Shareholding in Sandvik (own and closely related persons): 2000

Committees of the board of directors

Remuneration Committee

According to the Board's work procedures, the Remuneration Committee based on the guidelines decided at the annual meeting of shareholders shall prepare matters pertaining to the remuneration of the President and other senior executives. The members of the Remuneration Committee during 2009 were the Board's chairman Clas Åke Hedström (also chairman of the Committee), Georg Ehrnrooth and Egil Myklebust. The committee's proposals to the Board cover the principles for remuneration, the distribution between fixed and variable salaries, pension terms, principles for termination benefits, and other benefits to the senior executive management. The Board, based on the proposal by the Remuneration Committee, decides the remuneration to the President and CEO. The President decides remuneration to the other senior executives after consultation with the Remuneration Committee. For additional information, see pages 60-62 of the Annual Report 2009. During 2009, the Remuneration Committee met two times. As from 4 May 2010 the remuneration committee comprises Anders Nyrén, chairman, Georg Ehrnrooth and Egil Myklebust.

Audit Committee

During 2009 the members of the Audit Committee were Anders Nyrén, chairman, Hanne de Mora and Fredrik Lundberg. The Audit Committee met five times during the year 2009. The external auditors and representatives of management attended these meetings. The President did not attend any meeting. Areas dealt with by the committee mainly covered the planning and scope of the internal as well as the external audit. The committee also dealt with the implementation of systematic processes for risk management, accounting procedures, taxation, finance operations, and insurance and pension issues. As from May 4 2010 the audit committee comprises Hanne de Mora, chairman, Anders Nyrén and Simon Thompson.

Nomination Committee

A Nomination Committee has been established in accordance with the decision reached at the Annual Meeting of Shareholders on 4 May 2009. The four largest shareholders known to Sandvik AB each appoint one member and together with the Chairman of the Board they make up the Nomination Committee. The committee shall submit a proposal for the election of the chairman at the Annual Meeting. It shall further propose how many board members shall be elected and how a nomination committee shall be formed to act at the next annual meeting and what its assignment shall be.

The composition of the Nomination Committee shall be published as soon as the committee is formed, however not later than six months before the annual meeting. The committee making the proposals to the Annual Meeting 2009 held seven meetings.

The committee had the following composition:

Carl-Olof By, Chairman (Industrivärden)

Håkan Sandberg (Handelsbanken's Pension Foundations)

Staffan Grefbäck (Alecta Pension Insurance)

Marianne Nilsson (Swedbank Robur Funds)

Clas Åke Hedström (Sandvik's Chairman)

CORPORATE GOVERNANCE

Corporate governance defines roles and responsibilities for shareholders, the Board of Directors and executive management. It also covers the Group's control and management system.

Corporate governance within Sandvik is based on applicable legislation, the rules and regulations of the OMX Nordic Exchange in Stockholm, Swedish Code of Corporate Governance Code (the "Code"), and internal guidelines. For additional information on the Swedish Code of Corporate Governance and information on the annual meeting of shareholders, refer to the website of The Swedish Corporate Governance Board, www.bolagsstyrningskollegiet.se.

President and CEO Lars Pettersson is employed by Sandvik and is accordingly, not independent in relation to the Company as defined in the Code.

Anders Nyrén is the president of Industrivärden. Fredrik Lundberg is a member of the board of Industrivärden. Industrivärden owns shares representing slightly more than 10 per cent. of the voting rights in Sandvik. Anders Nyrén and Fredrik Lundberg are thus not independent in relation to major shareholders as defined in the Code. The remaining four members elected at the Annual Meeting on 4 May 2009 are all independent in relation to Sandvik and major shareholders. The composition of the Board is, therefore, meeting the requirements laid down in the Code that a minimum of two of those members that are independent in relation to the company and its management shall also be independent in relation to major shareholders, and that the members that are independent in relation to the company and major shareholders have the required experience to serve public listed companies.

Sandvik is not aware of any potential conflicts of interest between the duties to Sandvik of the persons listed under "Members of the Board" and "President and Group Executive Management" above and their private interests or other duties.

Matters may come before the Board of Directors as to which one or more members of the Board of Directors has a potential conflict of interest. If such a matter arises, any member of the Board of Directors with a potential conflict of interest will not participate in the discussion or voting with respect to such matter in accordance with the rules and regulations of the Code.

MAJOR SHAREHOLDINGS

Sandvik is listed on the OMX Nordic Exchange in Stockholm and is one of the Exchange's oldest companies. Sandvik's is also listed on the Nordic exchanges in Helsinki and Copenhagen. The Sandvik shares can also be traded in the United States in the form of American Depositary Receipts. The Swedish Financial Supervisory Authority (the "Finansinspektionen") maintains a public register of senior executives in listed companies, and publishes changes in their shareholdings on a daily basis.

The Issuer's authorised and issued share capital is SEK 1,424 million and consists of 1,186 million shares. Each share carries one vote. As at 31 December 2009 the Issuer's ten largest shareholders hold 35 per cent. of the total number of shares. They are as follows: AB Industrivärden (11.4 per cent.), Swedbank Robur Funds (4.7 per cent.), Handelsbanken's Pension Foundation (4.0 per cent.), JP Morgan Chase Bank* (2.8 per cent.), Electa Pension Insurance (2.5 per cent.), Omnibus Account W FD OM80

* Administrates shares held in trust.

(2,5 per cent.), Handelsbanken Funds (1.9 per cent.), AMF Pension Insurance (1.8 per cent.), SEB Investment Management (1.7 per cent.), First Swedish National Pension Fund (1.7 per cent.).

As far as Sandvik is aware no shareholders agreements exists between above shareholders.

SELECTED FINANCIAL INFORMATION OF SANDVIK AB

The information set out in this Base Prospectus should be read in conjunction with Sandvik's audited consolidated financial statements for 2008 and 2009 and the consolidated unaudited interim financial statements for the nine months ending 30 September 2010.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) adopted by the International Accounting Standards Board (“**IASB**”) and interpretations of such standards by the International Financial Reporting Interpretations Committee (“**IFRIC**”), as endorsed by the EU Commission. In addition, the standard RFR 1:2, supplementary accounting standards for group accounts, issued by the Swedish Financial Accounting Standards Council has been applied. The financial reports are presented on pages 12–86 of the annual report 2009. The annual report 2009 and the consolidated financial statements were approved for issuance by the Board of Directors on 17 February 2010.

The quarterly financial statements are prepared under IFRS and are unaudited.

Changes in accounting policies

The following new standards and interpretations were adopted in the preparation of the 2009 financial reports. Revised IAS 1, *Presentation of Financial Statements*, IFRS 8, *Operating Segments*, which replaces IAS 14 Segment Reporting, amendments to IFRS 7, *Financial Instruments*, and revised IAS 23, *Borrowing Costs*. No new IFRSs have been adopted early.

TAXATION

The following is a general description of certain EU and Swedish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. The section on Swedish taxation does not address the rules regarding reporting obligations for, among others, payers of interest. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Swedish Taxation

Holders not resident in the Kingdom of Sweden

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

Holders resident in the Kingdom of Sweden

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in the Kingdom of 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. Further, specific tax consequences may be applicable if, and to the extent, a holder of Notes realises a capital loss on the Note and to any currency exchange gains or losses. If amounts that are considered to be interest for Swedish tax purposes are paid by Euroclear Sweden or by another legal entity domiciled in the Kingdom of Sweden, including a Swedish branch, to a private individual (or an estate of deceased individual) with residence in the Kingdom of Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by Euroclear Sweden or the legal entity on such payments.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in an amended and restated Dealer Agreement dated 5 November 2010 (the “**Dealer Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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.

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

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

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

Public Offer Selling Restriction Under the Prospectus Directive

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

- (a) *Authorised institutions:* at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) *Significant enterprises*: at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last (or in the Kingdom of Sweden, its last two) annual or consolidated accounts; or
- (c) *Fewer than 100 offerees*: at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

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

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

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

Selling Restrictions Addressing Additional Kingdom of Sweden Securities Laws

Each Dealer has represented, warranted and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Iag 1991:980), *om handel med finansiella instrument*.

Additional Selling Restrictions

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Dealer severally represents, warrants and undertakes to the Issuer that it has complied and will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense unless agreed otherwise. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

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

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

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by resolution of the board of directors of the Issuer passed on 28 and 29 October 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

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

Significant/Material Change

3. Since 31 December 2009 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and since 30 September 2010 there has not been any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

Auditors

4. The consolidated and unconsolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2009 and 31 December 2008 by KPMG, of Tegelbacken 4A, Box 16106, 103 23 Stockholm, Sweden, chartered accountants, who have given, and have not withdrawn, their consent to the inclusion of their report in this Base Prospectus in the form and context in which it is included.

Documents on Display

5. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Fiscal Agent at the Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom for 12 months from the date of this Base Prospectus:
 - (a) the constitutive documents of the Issuer;
 - (b) the audited consolidated and unconsolidated financial statements of the Issuer for the years ended 31 December 2009 and 31 December 2008 and the unaudited and unconsolidated financial statements of the Issuer for the nine months ended 30 September 2010;
 - (c) the Agency Agreement;
 - (d) the Deed of Covenant;
 - (e) the Dealer Agreement;
 - (f) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
 - (g) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

Clearing of the Notes

6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg or, in the case of Swedish Registered Notes, Euroclear Sweden. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be

specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

PRINCIPAL OFFICE OF THE ISSUER

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5 The North Colonnade
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Denmark

Deutsche Bank AG, London Branch
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United Kingdom

HSBC Bank plc
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United Kingdom

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United Kingdom

REGISTRAR

Citibank N.A., London Branch

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PAYING AGENT

Citibank N.A., London Branch

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