



## AKTIEBOLAGET SKF

(a public company incorporated with limited liability in Sweden)

### €300,000,000 0.875 per cent. Green Notes due 15 November 2029

Issue price: 99.848 per cent.

The €300,000,000 0.875 per cent. Green Notes due 15 November 2029 (the **Notes**) will be issued by Aktiebolaget SKF (the **Issuer**) on 15 November 2019 (the **Issue Date**).

The Notes are subject to redemption at the option of the Issuer, as further described in “*Conditions of the Notes – Redemption and Purchase – Redemption at the Option of the Issuer*”. Also, the Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described under the Conditions of the Notes. The Notes mature on 15 November 2029.

This Prospectus has been approved as a prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer.

Application has also been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for the admission to trading of the Notes on the regulated market of the Luxembourg Stock Exchange until the time when trading on such regulated market begins. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once the Notes are admitted to trading on the Luxembourg Stock Exchange.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**PRIIPs Regulation/Prohibition Of Sales To EEA Retail Investors** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The Notes will be rated Baa1 by Moody's Deutschland GmbH (**Moody's**) and BBB+ by Fitch Ratings Limited (**Fitch**). In accordance with Moody's ratings definitions available as at the date of this Prospectus on

<https://www.moodys.com/ratings-process/Ratings-Definitions/002002>, obligations rated 'Baa' are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. In accordance with Fitch's ratings definitions available as at the date of this Prospectus on [https://www.fitchratings.com/site/definitions?rd\\_file=ltr#str](https://www.fitchratings.com/site/definitions?rd_file=ltr#str), an obligation rated 'BBB' indicates that expectations of default risk are currently low; the capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. Moody's and Fitch are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such Moody's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about the Issue Date with a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 25 December 2019 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes in bearer form, serially numbered in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons attached on issue, only in certain limited circumstances - see "*Summary of Provisions relating to the Notes while represented by the Global Notes*". No Notes in definitive form will be issued with a denomination above €199,000.

**An investment in Notes involves certain risks. Prospective investors should have regard to the risk factors described under the heading "Risk Factors" on page 6.**

**Joint Lead Managers**

**Deutsche Bank**

**Nordea**

**SEB**

The date of this Prospectus is 13 November 2019

This Prospectus comprises a prospectus for the purposes of Article 8 of the Prospectus Regulation. When used in this Prospectus, **Prospectus Regulation** means Regulation (EU) 2017/1129.

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

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

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CSSF.

Save for the Issuer, no party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF NOTES GENERALLY

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

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

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Prospectus, see "*Subscription and Sale*" below.

## **PRESENTATION OF INFORMATION**

All references in this Prospectus to **U.S. dollars**, **U.S.\$** and **\$** refer to the currency of the United States of America, to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and to **Swedish Kronor**, **SEK** refer to the currency of the Kingdom of Sweden and **CNY** refer to the currency of the People's Republic of China (**PRC**) which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

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## CONTENTS

	<b>Page</b>
Risk Factors .....	6
Documents Incorporated by Reference .....	18
Conditions of the Notes .....	20
Summary of Provisions relating to the Notes while Represented by the Global Notes .....	34
Use of Proceeds .....	37
Description of the Issuer .....	38
Taxation .....	52
Subscription and Sale .....	55
General Information .....	57

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## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of risk factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such risk factors or to determine which risk factors are most likely to occur, as the Issuer may not be aware of all relevant risk factors and certain risk factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus the following risk factors which could materially adversely affect its business and ability to make payments due under the Notes. The Issuer's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In addition, risk factors which are material for the purpose of assessing the market risks associated with the Notes are described below. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus.*

*The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.*

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

### **RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES**

#### ***Litigation, arbitration, antitrust proceedings and unanticipated claims***

The Issuer is the parent company of the SKF group of companies (the **Group**). The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant. Many of these disputes relate to claims arising in the ordinary course of business including, but not limited to, intellectual property, product warranty and product liability. Unanticipated claims could have a material adverse effect on the Group's business and results of operations.

SKF is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. An enquiry has been initiated by the Competition Commission of India against several different companies, including SKF, regarding an alleged violation of antitrust rules in India. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers. Bosch AG has initiated a lawsuit against SKF with a claim for damages as a consequence of the settlement decision by the European Commission for violation of European competition rules..

There can be no assurance that the Group will not become subject to additional legal proceedings, which may have an adverse effect on the Group's business, financial position and results of operations.

#### ***Business risks in general***

##### ***IT Risks***

The Group faces risks relating to cyber intrusion by potential adversaries placing so-called ransomware on IT assets or gaining unauthorised access to the Group's information or computer systems, which could lead to loss, theft or manipulation of data, including intellectual property, manufacturing related data and financial data, infringement of personal data or violations of export control regulations. Under certain circumstances the risks identified above could have a material adverse effect on the Group's ability to operate and on its competitive and financial position and could also be accompanied by risk of loss of reputation, litigation, fines debarment and other actions by authorities.

The Group's operations are increasingly dependent on electronically stored and processed data, computer systems and solutions. The Group has initiated a programme to replace its enterprise resource planning systems in order to create a new common IT infrastructure. The implementation and roll-out process has started and will be carried out over a number of years. An unplanned interruption to the Group's computer systems with potential loss of production or delays in deliveries to customers or a major break-down of these systems with loss of information or delays or issues with the roll-out and implementation of the new IT infrastructure or any prolonged or severe disruptions to the Group's computer systems and solutions may have a material adverse effect on the Group's business which in turn could have a material adverse effect on the Group's financial position and results of operations. Further, any prolonged or severe disruptions to the Group's computer systems and solutions would have an adverse impact on the Group's business, financial position and results of operations.

#### *General economic conditions and transitional risks*

The Group operates in many different industrial and automotive segments, as well as in many geographical areas that are at different business cycles. A general economic downturn at a global level, or in one of the world's leading economies, or a change in the economic situation in any of the industry segments in which the Group operates, could affect customers' investment plans which in turn could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism, war, unrest and other hostilities, as well as potential impacts of climate change, water availability, natural disasters (including but not limited to earthquakes, tsunamis and ash clouds) and disturbances in the worldwide financial markets, could have a negative impact on the availability and cost of raw materials and components necessary for the Group's manufacturing process and/or the demand for the Group's products and services. Further, some of the Group's businesses are subject to transitional risks related to trends such as increased digitalisation, electrification or pressure to decarbonise industry sectors. Such developments may be driven by regulatory requirements, taxes, tariffs or other governmental policies. Under certain circumstances any of the risks identified above could have a material adverse effect on the Group's business, financial position and results of operations.

#### *Property and product liability insurance and product functionality*

The Group has the customary insurance programmes with respect to the Group's property and product liability risks. Measures to limit the effect of damages are continually taken and standards for desired safeguard levels are established in order to reduce the probability of material damages and to ensure deliveries to the customers. While the Group holds customary insurance programmes in the 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.

The risk of product failure in customer applications may lead to warranty claims and/or loss of business which could have a material adverse effect on the Group's business, financial position and results of operations.



### *Political and regulatory risks*

There are political and regulatory risks associated with the wide geographical presence of the Group. The global and diverse nature of the Group's business and operations means that the Group is required to adhere to numerous laws and regulations related to all aspects of its activities. Failure to meet these requirements could lead to legal and financial consequences as well as damage to the Group's reputation. The Group is exposed to compliance risks mainly related to competition law, fraud, export control, data privacy (including, but not limited to, in relation to Regulation (EU) No 2016/679 (the General Data Protection Legislation)), corruption and health and safety regulations. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit or otherwise negatively impact the Group's operations. Under certain circumstances any of the risks identified above could have a material adverse effect on the Group's business, financial position and results of operations.

### *Competition*

Competitors may find better and more cost-efficient ways to produce and distribute products and services. They may also find ways to produce better functioning products. The Group's may suffer losses as a result of new and disruptive technologies becoming available from companies which are not currently seen as competitors. Competitive factors, including changes in market penetration, increased price competition, the development and introduction of new products, product designs and technologies by significant existing and new competitors and to a lesser extent small regional companies as well as changes in customer demand on sales, product mix, prices and service quality could have a material adverse effect on the Group's business, financial position and results of operations.

Also, the Issuer cannot give any assurance that its competitors do not or will not seek to utilise the Group's patents, trademarks and logos when they market their products. Such unauthorised use of the Group's intellectual property rights is an infringement of the Group's legal rights and may have a material adverse effect on the Group's business, financial position, results of operations and brand image.

### *Changes in manufacturing costs as well as issues affecting manufacturing and production facilities of the Group or its suppliers and its ability to distribute its products*

Changes in the costs associated with the Group's various levels of operations including, but not limited to, the effects of unplanned work stoppages, severe interruptions in its production and damage to the equipment, the cost of labour, and the cost and availability of, for example, materials and energy supply from third party suppliers could have a material adverse effect on the Group's business, financial position and results of operations.

If critical equipment in the operating 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 position.

The Group's risk of production disruption is not only related to its own operations but also to disruption further upstream in the demand chain. External factors such as fires, extreme weather events, natural disasters, water scarcity, war, terrorism or pandemic illness might result in disruption of supply to SKF the Group and have a material adverse effect on the Group's business, financial position and results of operations.

### *Changes in costs for raw materials*

Energy and the cost of carbon can have an impact on the Group's in several ways, for example through the cost of energy and raw materials. The annual cost of raw materials and components is approximately SEK 26 billion of which steel-based products account for the majority. An increase/decrease of 1 per cent. in the cost of raw materials and components would reduce/increase the operating profit by approximately SEK 260 million. Steel scrap is a major ingredient in making bearing steel. An isolated 10 per cent. increase/decrease of market scrap prices would decrease/increase the Group's operating profit by approximately SEK 100 million. Calculations are based on the year-end figures for 2018 as well as on the assumption that everything else is equal. A significant increase in the cost of energy, raw materials and/or components would have a material negative effect on the Group's results of operations.

### *Retention of key employees*

The Group has, and is dependent on, highly knowledgeable and skilled people and it works actively on its ability to attract and retain its employees. Global processes have been developed for recruitment, employee performance and the overall skills of employees. These processes will enable the Group to further develop the skills within the Group to even higher levels. However, there can be no assurance that the Group will be able to retain and attract all of the key employees that it requires at a reasonable cost and a lack of highly qualified management and other skilled employees may have an adverse effect on the Group's business, financial position and results of operation.

### *Work stoppages or strikes*

Many of the Group's employees are covered by collective bargaining agreements and the Group holds collective bargaining agreements with trade unions in 20 countries. 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 collective bargaining 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 collective 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. 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 (an increase of 1 per cent. in wages and salaries (including social security charges) would reduce the operating profit by around SEK 250 million based on the position on 31 December 2018) or otherwise have a material adverse effect on the Group's business, financial position and results of operations.

### *Environmental matters*

As an industrial company, the Group is subject to numerous environmental laws and regulations governing, among other things, air emissions, waste water discharge and solid and hazardous waste disposal. The Group has a stringent process for preventing environmental pollution from its manufacturing processes. However, like other long-established industrial companies, the Group is involved in various action plans and remediation projects, resulting from historical activities. Because of stricter laws and regulations, some with retroactive effect, relating to landfill disposal, some of the Group companies are currently involved in the cleaning-up of old landfills, most of which have not been used for many years. The majority of these cases concern so-called superfund sites designated by the U.S. Environmental Protection Agency and U.S. state agencies and the authorities in several other countries. A superfund site is an old landfill or plant site in the

United States with soil or groundwater contamination, subject to a remediation programme according to federal law. In most of these cases the Group company was one of many companies contributing to waste disposal at landfill sites in the past and the Group's share is generally very low (a few per cent. or less). Other than this, a few on-going remedial activities are being carried out for soil and groundwater contamination. Although the Issuer believes that the ultimate resolution of these issues will not have a material impact on its financial position, it can give no assurance that it will not have a material adverse effect on the Group's business and results of operations. In addition, stricter environmental laws and regulations, sometimes with retroactive effect, may lead to increased expenditure to comply with these laws and regulations. Furthermore, accidental environmental pollution may also expose the Group to substantial liability that could have a material adverse effect on the Group's results of operations.

#### *Tax risks*

The Group's operations are global with a presence in 130 countries, manufacturing operations in 24 countries and direct sales channels in 70 countries and is thus subject to taxation and several tax laws and regulations worldwide. Its operations, including intra-group transactions, are conducted in accordance with the Group's interpretation of applicable tax law, tax treaties and regulations in those jurisdictions and the requirements of the relevant tax authorities. Even though the Group and its advisers have processes and a structure prepared for transfer pricing and other transactions that may have tax effects, the possibility that the Group's interpretation of applicable laws, tax treaties and regulations may not be entirely correct, or may be different from the relevant authorities' interpretation or administrative practice, or that such regulations may change, potentially with retroactive effect, cannot be universally ruled out. The occurrence of any of the foregoing may have an adverse effect on the Group's results of operations and financial position.

#### *Reputational risk*

The Issuer's brand name and reputation have significant commercial value and the Issuer relies on positive brand recognition as part of its overall business model. Any damage to the Issuer's brand image or reputation, whether owing to a single event or series of events, would typically have a negative impact on the Group's ability to market and sell its products and retain customers and employees. There are various events which risk causing damage to the Issuer's brand or reputation, such as non-compliance with laws and regulations, labour unrest, legal proceedings and investigations, poor working environments, operational disruptions and interruptions. Further, if the Group or one of the Group's suppliers, distributors or other partners take any action that is in conflict with its code of conduct or the values represented by its brands, the Group's reputation may be damaged. Accordingly, damage to the Issuer's brand image or reputation could have an adverse effect on the Group's business, financial position and results of operations.

#### *Difficulties integrating acquired businesses and achieving anticipated synergies*

The Issuer cannot provide any assurance that it will not experience problems in relation to the integration of acquired companies or that the expected synergies will be achieved within planned timeframes. In addition, the Group may bear expenses and liabilities undisclosed in its due diligence and acquisition processes. The Group cannot guarantee that the integration of acquired entities will occur within the planned timeframes. Moreover, integration costs could be higher than initially anticipated and expected synergies may not be fully achieved. The occurrence of any of the foregoing may have an adverse effect on the Group's business, financial position and results of operations.

#### *Financial risks*

The Group's operations are exposed to various types of financial risk. The Group's financial policy defines the main risks as currency, interest rate, credit and liquidity risks and defines responsibility and authority to manage them. The policy states that the objective is to eliminate or minimise risk and to contribute to a better

return through active risk management. The responsibility for risk management and treasury operations are largely centralised to the SKF Treasury Centre, the Group's internal bank.

#### *Currency risk*

The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and forecasted transactions and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's accounts are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure.

- Translation effects: Translation exposure is defined as the Group's exposure to currency risk arising when translating the results and net assets of foreign subsidiaries to SEK. Based on 2018 operating profits in local currencies, a weakening/strengthening of 5 per cent of SEK versus all other relevant currencies would have caused an increase/decrease of approximately SEK 600 million in the Group's operating profit in 2018. To reduce the translation exposure of net assets, the Group has hedged some of its net investment in foreign subsidiaries.
- Transaction effects: With regard to commercial flows, the Group is primarily exposed to U.S.\$, EUR and CNY against SEK. Based on 2018's currency flows, the operating profit in 2018 would have increased/decreased by approximately SEK 200 million with a strengthening/weakening of 5 per cent. of U.S.\$ versus SEK and by approximately SEK -280 million with a strengthening/weakening of 5 per cent. of EUR versus SEK. A strengthening/weakening of 5 per cent. of CNY versus SEK would have increased/decreased operating profit by approximately SEK 140 million.

#### *Liquidity risk*

Liquidity risk, also referred to as funding risk, is defined as the risk that the Group will encounter difficulties in raising funds to meet its commitments.

Group policy states that, in addition to current loan financing, the Group should have a payment capacity in the form of available liquidity and/or long-term committed credit facilities. As of 31 December 2018, in addition to its own liquidity, the Group had committed two credit facilities, one of EUR 500 million syndicated by ten banks that will expire in 2023, and one of EUR 250 million that will expire in 2020. Both of the committed credit facilities are currently unutilised.

#### *Credit risk*

Credit risk is defined as the Group's exposure to losses in the event that one party to a financial instrument fails to discharge an obligation. The Group is exposed to credit risk from its operating activities and certain financing activities. At operational level, the outstanding trade receivables are continuously monitored locally in each area. The Group's concentration of credit risk related to trade receivables is mitigated primarily due to its many geographically and industrially diverse customers. Trade receivables are subject to credit limit control and approval procedures in all subsidiaries. With regard to treasury related activities, the Group's policy states that only well-established financial institutions are approved as counterparties. The Group has signed ISDA (International Swaps and Derivatives Association, Inc.) agreements with nearly all of these approved counterparties. Transactions are made within fixed limits and credit exposure per counterparty is continuously monitored. As of 31 December 2018, the Group had derivative assets of around SEK 52 million and derivative liabilities of around SEK 993 million subject to enforceable master netting arrangements.

The maximum exposure to credit risk for the Group amounted to SEK 26,312 million as at 31 December 2018. The exposure is represented by total financial assets that are carried on the balance sheet with the

exception of equity securities. As at 31 December 2018, no granting of significant financial guarantees increasing the credit risk and no significant collateral agreements reducing the maximum exposure to credit risk existed.

#### *Interest rate risk*

The Group defines interest rate risk as the risk of negative fluctuations in the Group's cash flow caused by changes in the interest rates. Liquidity and borrowing are managed at Group level. By matching the maturity dates of investments made by subsidiaries with the borrowings of other subsidiaries, the interest rate exposure of the Group can be reduced. A decrease/increase of 1 per cent. in interest rates would have a positive/negative effect on the Group's profit before tax of around SEK 150 million, based on the position on 31 December 2018. The Group had a net debt of SEK 17,400 million on 31 December 2018.

#### *Holding company risk*

The financial position of the Issuer, being the parent company of the Group, is dependent on the financial position and development of its subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the Issuer, as well as a need for writing down the values of the shares in the subsidiaries.

#### *Price risks*

As of 31 December 2018, the Group held investments in equity securities with quoted stock prices, amounting to SEK 342 million, which are categorised as fair value through other comprehensive income and is subject to risks associated with changes in stock exchange prices and indexes. If the market share prices had been 5 per cent. higher/lower as at 31 December 2018, the available-for-sale reserve in equity would have been SEK 17 million higher/lower.

#### **General risks**

##### *Ratings downgrades may increase the Issuer's funding costs and substantially reduce the Issuer's earnings*

The long-term rating of the Group by each of Moody's and Fitch is Baa1 with a stable outlook and BBB+ with a stable outlook respectively.

The Issuer's credit rating depends on many factors, some of which are outside of the Issuer's control. If the Issuer were to receive downgrades in its credit rating, it may become necessary to offer increased interest rates in the capital markets in order to obtain financing, which would likely substantially lower the Issuer's profit margins and earnings and negatively affect the Issuer's business and results of operations.

## **RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

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

Set out below is a description of material risks relating to the Notes generally.

#### ***Meetings of Noteholders, Modification and Substitution***

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

The Conditions of the Notes also provide that the Fiscal Agent may, without the consent of the Noteholders, agree to any modification of any of the provisions of the Notes subject to what is described in the Conditions of the Notes.

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any Subsidiary of the Issuer as principal debtor, in the circumstances described in Condition 13.

#### ***Redemption prior to maturity***

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (Taxation)), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 13 November 2019 (as more fully set out in Condition 6.2 (Redemption for Taxation Reasons)), the Issuer may redeem all outstanding Notes in accordance with the terms and conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 6.3 (Redemption at the Option of the Issuer)) and the Issuer may choose to redeem the Notes at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

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

The Conditions of the Notes are based on English law in effect as at the date of this 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 Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

#### ***Enforceability of judgments***

On 23 June 2016, the United Kingdom (the **UK**) held a referendum on the UK's membership of the European Union (the **EU**), the outcome of which was a decision for the UK to leave the EU. As of the date of this Base Prospectus, although the UK and the EU have provisionally agreed the terms of a withdrawal agreement, this has not received political support in the UK Parliament, and therefore the terms of the UK's withdrawal from, and the terms of any continuing political and economic relationship between the UK and the EU, if any, following the UK's expected withdrawal remain uncertain.

The published text of the draft withdrawal agreement proposes a transitional period, from the date of the withdrawal of the UK from the EU to 31 December 2020 during which EU law would continue to apply to the UK. If no new reciprocal agreement on civil justice is agreed at the end of such a transition period (or if no such transition period is agreed), there will be a period of uncertainty concerning the enforcement of English court judgments in Sweden as the current regulation concerning the recognition and enforcement of judgments that apply between the UK and EU Member States, namely the Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012) would cease to apply to the UK (and UK judgments). Further the UK would no longer be a party to the Lugano Convention under which judgments from the courts of contracting states (currently the EU, plus Switzerland, Iceland and Norway) are recognised and enforced in other contracting states. As a result, a judgment entered against the Issuer in an English court may not be recognised or enforceable in Sweden as a matter of law without a re-trial on its merits (but will be of persuasive authority as a matter of evidence before the courts of law, arbitral tribunals or executive or other public authorities in Sweden).

The draft withdrawal agreement provides that judgments issued by English courts in proceedings instituted before the end of the transition period will continue to be recognised and enforced in the EU pursuant to the Recast Regulation. Further, in its White Paper from July 2018, the UK Government states that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would continue to be recognised and enforced in Sweden (and other contracting states). In the same White Paper, the UK Government also stated it will seek a new bilateral agreement with the EU27 concerning cooperation in the area of civil justice including arrangements for the continued mutual recognition and enforcement of judgments.

*Investors who purchase Notes in denominations that are not an integral multiple in excess of €100,000 may be adversely affected if definitive Notes are subsequently required to be issued*

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of €100,000 such that its holding amounts to a minimum of €100,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum €100,000 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 minimum of €100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

*There can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor*

It is the Issuer's intention to apply the proceeds from the Notes specifically for existing or planned projects and activities that promote climate-friendly and/or other environmental purposes (either in those words or otherwise) (**Green Projects**). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect

environmental, sustainability or social impact of any projects or uses, the subject of or related to, Green Projects). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the the Notes and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold the Notes. Any such opinion or certification is only current as of the date that such opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that the Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of the Notes for Green Projects, there can be no assurance that the relevant intended project(s) or use(s) the subject of, or related to, any Green Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally disbursed for the specified Green Projects. Nor can there be any assurance that such Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of the issue of the Notes for any Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other notes which are intended to finance Green Projects and/or result in adverse



consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

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

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

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

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

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

The Issuer will pay principal and interest on the Notes in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

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

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of them.

***Credit ratings assigned to the Notes may not reflect all the risks associated with an investment in the Notes***

Fitch and Moody's have assigned 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, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed

by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus. Fitch and Moody's are registered credit rating agencies under the CRA Regulation.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2017 appearing on pages 30, 68 to 107 and 144 to 147 of the Issuer's Annual Report 2017 (available at <https://investors.skf.com/afw/files/press/skf/201803059585-1.pdf>), including the information set out at the following pages:

Consolidated Balance Sheets.....	Pages 70
Consolidated Income Statements .....	Pages 68
Notes to the Consolidated Financial Statements .....	Pages 75-107
Auditor's Report .....	Pages 144-147

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**);

- the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2018 appearing on pages 4, 5, 30, 66 to 107, 148 to 151, 162 and 164 of the Issuer's Annual Report 2018 (available at <https://www.skf.com/irassets/afw/files/press/skf/201903065678-1.pdf>), including the information set out at the following pages:

Consolidated Balance Sheets.....	Pages 68
Consolidated Income Statements .....	Pages 66
Notes to the Consolidated Financial Statements .....	Pages 74-107
Auditor's Report .....	Pages 148-151

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Delegated Regulation.

- the unaudited interim consolidated financial statements of the Issuer for the nine months ended 30 September 2019 appearing on pages 4, 9 to 13 of the Press Release dated 22 October 2019 (available at <https://investors.skf.com/afw/files/press/skf/201910217326-1.pdf>), including the information set out at the following pages:

Condensed Consolidated Balance Sheets.....	Page 10
Condensed Consolidated Income Statements.....	Page 9

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Delegated Regulation.

- The green finance framework established by the Issuer on 23 October 2019 (the **Green Finance Framework**) (available at <https://www.skf.com/group/investors/green-finance-framework>).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

## **FINANCIAL INFORMATION**

The audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2018 and the unaudited interim consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**).

## CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:*

The €300,000,000 0.875 per cent. Notes due 15 November 2029 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 and forming a single series with the Notes of Aktiebolaget SKF (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 15 November 2019 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Citibank, N.A., London Branch as fiscal agent and principal paying agent (the **Fiscal Agent** and, together with any further or other paying agents appointed from time to time under the Agency Agreement, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons attached on issue. No Notes in definitive form will be issued with a denomination above €199,000.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS

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

### 3. **NEGATIVE PLEDGE**

#### 3.1 **Negative Pledge**

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness of the Issuer or any of its Subsidiaries (as defined below) will be secured by any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future property, assets or revenues of the Issuer or any of its Subsidiaries unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (i) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of the Noteholders;

provided that the Issuer shall not be required to take such action where (i) the aggregate outstanding principal amount of the Relevant Indebtedness secured by such Security Interests shall not exceed 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, as calculated by reference to the then latest audited consolidated accounts of the Issuer or (ii) the Security Interest is on the present or future property, assets or revenues of any company becoming a Subsidiary after the date of issue of the Notes which Security Interest exists at the time of such company becoming a Subsidiary (other than any Security Interest created in contemplation thereof).

#### 3.2 **Interpretation**

For the purposes of these Conditions:

- (a) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures or other securities which are for the time being quoted or listed on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness; and
- (b) **Subsidiary** means a subsidiary within the meaning of chapter 1, section 11 of the Swedish Companies Act (2005:551).

### 4. **INTEREST**

#### 4.1 **Interest Rate and Interest Payment Dates**

The Notes bear interest from and including 15 November 2019 at the rate of 0.875 per cent. per annum, payable annually in arrear on 15 November (each an **Interest Payment Date**). The first payment (for the period from and including 15 November 2019 to but excluding 15 November 2020 and amounting to €8.75 per €1,000 principal amount of Notes) shall be made on 15 November 2020.

## 4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption or purchase unless, upon due presentation, payment of the principal in respect of the Note or any purchase money due under Condition 6.4 is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

## 4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 0.875 per cent. per annum to each €1,000 principal amount of Notes (the **Calculation Amount**) and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

## 4.4 Change of Control Event

If there occurs (i) a Change of Control and within the Change of Control Period (if at the time that Change of Control occurs the Notes are rated by a Rating Agency) a Rating Downgrade in respect of that Change of Control occurs or (ii) a Change of Control (if at such time the Notes are not rated by a Rating Agency) (each a **Step-Up Event**), then from and including the date of the Step-Up Event the interest rate on the Notes shall be determined in Conditions 4.1, 4.2 and 4.3, except that the interest rate in Condition 4.1 shall instead be 5.875 per cent. per annum.

**Rating Agency** means Moody's Deutschland GmbH or Fitch Ratings Limited and their respective successors or any other rating agency or equivalent international standing specified by the Issuer.

A **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (a) withdrawn or (b) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (c) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Issuer) that any person or persons acting in concert or any person or persons acting on behalf of any such person(s) (the **Relevant Persons**), at any time acquire(s) (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person(s) are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) pro rata interest in the share capital of the Relevant Person(s) as such shareholders have, or as the case may be, had in the share capital of the Issuer.

**Change of Control Period** means the period ending 90 days after the public announcement of the Change of Control having occurred.

## **5. PAYMENTS**

### **5.1 Payments in respect of Notes**

Payments of principal, any purchase moneys due under Condition 6.4 and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **5.2 Method of Payment**

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

### **5.3 Missing Unmatured Coupons**

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

### **5.4 Payments subject to Applicable Laws**

Payments in respect of principal, purchase moneys due under Condition 6.4 and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.



## **5.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system is open.

## **5.6 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

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

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 11.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 15 November 2029.

### **6.2 Redemption for Taxation Reasons**

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7), or any change in the application or official

interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 13 November 2019, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) 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 the change or amendment.

### 6.3 Redemption at the Option of the Issuer

The Issuer may at any time on or after 15 August 2029, on giving not less than 10 nor more than 60 days' notice to Noteholders and the Fiscal Agent in accordance with Condition 11 (which notices shall be irrevocable and shall specify the date fixed for redemption and the applicable record date), redeem all (but not some only) of the Notes at their principal amount, together with interest accrued to the date fixed for redemption.

At any time prior to 15 August 2029, the Issuer may at its option having given not less than 10 nor more than 60 days' notice to the Noteholders and the Fiscal Agent in accordance with Condition 11 (which notices shall specify the date fixed for redemption (the **Make-Whole Redemption Date**) and the applicable record date), redeem all or, subject as provided in Condition 6.4 below, some only of the Notes at the Make-Whole Redemption Price together with interest accrued to the Make-Whole Redemption Date. Any such notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Make-Whole Redemption Date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Make-Whole Redemption Date, or by the Make-Whole Redemption Date so delayed. Any such redemption must be of a nominal amount not less than €100,000 and not more than €300,000,000.

The **Make-Whole Redemption Price** shall be either (i) par or, if higher (ii) the price per Note (as reported in writing to the Issuer and the Fiscal Agent by a financial adviser selected by the Issuer) at which the yield to 15 August 2029 of such Notes is equal to the sum of the prevailing yield of the Bundesrepublik Deutschland 0.000 per cent. due August 2029 (ISIN: DE0001102473) and 0.20 per cent. as determined by such financial adviser, in accordance with generally accepted market practice, at 11.00 a.m. (CET) on the date three TARGET2 Settlement Days prior to the date fixed for redemption, provided, however that if a financial adviser approved by the Issuer advises the Issuer and the Fiscal Agent that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other issue of government securities as such financial adviser may recommend.

#### **6.4 Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected individually by lot in such place and in such manner as the Fiscal Agent may decide not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 10 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

#### **6.5 Purchases**

The Issuer or any of its Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

#### **6.6 Cancellations**

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

#### **6.7 Notices Final**

Upon the expiry of any notice as is referred to in paragraph 6.2 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

### **7. TAXATION**

#### **7.1 Payment without Withholding**

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

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note or Coupon; or
- (b) presented for payment in Sweden; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5).

## 7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 11; and
- (b) **Relevant Jurisdiction** means Sweden or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

## 7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal and purchase moneys due under Condition 6.4) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7.2) in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

## 9. EVENTS OF DEFAULT

### 9.1 Events of Default

The holder of any Note may give written notice to the Issuer, effective upon the date of receipt thereof by the Issuer, that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

- (a) if default is made in the payment of any principal, purchase moneys due under Condition 6.4, or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) (other than under the Notes) of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (subject to any originally applicable grace period therefor); (iii) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer in making any payment due (subject to any originally applicable grace period therefor) under any guarantee and/or

indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that any such event shall not constitute an Event of Default unless the aggregate amount of the relevant Indebtedness for Borrowed Money and any liability under the guarantee or indemnity concerned in respect of which one or more of the events mentioned above in this paragraph have occurred during the immediately preceding 6 month period exceeds 0.6 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, as calculated by reference to the then latest audited consolidated accounts of the Issuer; or

- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer otherwise than for the purpose of a merger, reconstruction or amalgamation on terms approved by an Extraordinary Resolution of Noteholders; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a merger, reconstruction or amalgamation complying with the terms of Condition 9.1(d) above, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the Issuer, is not discharged within 45 days; or
- (g) if the Issuer (or its respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## 9.2 Interpretation

For the purposes of this Condition, **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money, including without limitation any notes, bonds, debentures, debenture stock, loan stock or other securities or any liability under or in respect of any acceptance or acceptance credit.

## 10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and

the Fiscal Agent or the Paying Agent, as the case may be, may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **11. NOTICES**

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

## **12. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **12.1 Meetings of Noteholders**

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

### **12.2 Modification**

The Fiscal Agent may agree with the Issuer, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes or the Coupons which, in the reasonable opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Coupons which, in the reasonable opinion of the Issuer, is not prejudicial to the interests of the Noteholders.

The parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provisions thereof.

Any modification shall be binding on the Noteholders and the Couponholders and any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11.

### 13. SUBSTITUTION

#### 13.1 Conditions Precedent to Substitution

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any Subsidiary of the Issuer as principal debtor (the **Substituted Debtor**) in respect of the Notes provided that:

- (a) a deed poll in or substantially in the form scheduled to the Agency Agreement and such other documents (if any) shall be executed by the Substituted Debtor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Conditions of the Notes and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and pursuant to which the Issuer shall irrevocably and unconditionally guarantee in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor substantially in the form of the guarantee contained in the deed poll;
- (b) without prejudice to the generality of subparagraph 13.1(a) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Sweden, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 with the substitution for the references to Sweden of references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;
- (c) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (i) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of a guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of its obligations under the Documents and that all such approvals and consents are in full force and effect and (ii) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all legal, valid and binding in accordance with their respective terms;

- (d) each stock exchange on which the Notes are listed shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed on such stock exchange;
- (e) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers in the jurisdiction of the Substituted Debtor to the effect that the documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent;
- (f) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Swedish lawyers to the effect that the Documents (including the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent;
- (g) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents (including the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent; and
- (h) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 15.3 or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

### **13.2 Assumption by Substitute Debtor**

Upon execution of the Documents as referred to in paragraph 13.1 above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

### **13.3 Deposit of Documents**

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder to production of the Documents for the enforcement of any of the Notes or the Documents.



#### **13.4 Notice of Substitution**

Not less than 15 days after execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 11.

#### **14. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

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

##### **15.1 Governing Law**

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

##### **15.2 Jurisdiction of English Courts**

- (a) Subject to Condition 14.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons (a **Dispute**) and each of the Issuer and any Noteholders and Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent permitted by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

##### **15.3 Appointment of Process Agent**

The Issuer hereby irrevocably and unconditionally appoints SKF (U.K.) Limited at its registered office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of SKF (U.K.) Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

##### **15.4 Other Documents**

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

## **16. RIGHTS OF THIRD PARTIES**

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

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes. The Notes will be issued in new global note (NGN) form.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if (each of the following being an **Exchange Event**):

- (a) an event of default (as set out in Condition 9) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will, as a result of legislative changes in the domicile of the Issuer, become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. Thereupon, in the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (c) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in London.

In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. No Notes in definitive form will be issued with a denomination above €199,000. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

In the event that (a) the Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer, or (b) following an Exchange Event, the Permanent Global Note is not duly exchanged for definitive Notes by the day provided in the Permanent Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms set out in the Global Note and the bearer will have no further rights under the Global Note (but without prejudice to the rights any person may have under Global Note).

## 2. Payments

On and after 25 December 2019, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, purchase moneys under Condition 6.4 and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer who is for the time being shown in the records of Euroclear or Clearstream Luxembourg as the holder of such Global Note on the Business Day prior to the date for payment (the **Record Date**) and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

## 3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 11, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notices shall also be published in accordance with the rules of the Luxembourg Stock Exchange. It is expected that publication will normally be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

## 4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall, save in the case of manifest error, be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9) other than with respect to the payment of principal, purchase moneys due under Condition 6.4 and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look

solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

**5. Prescription**

Claims against the Issuer in respect of principal, purchase moneys due under Condition 6.4 and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

**6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by instruction to Euroclear or Clearstream, Luxembourg to make appropriate entries in their records in respect of all Notes which are cancelled.

**7. Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes after deducting commissions, fees and other costs and expenses in connection with the issue and offering of the Notes are expected to amount to approximately EUR298,650,000 and will be applied by the Issuer for Green Projects as set out in the Green Finance Framework, incorporated by reference herein.

## DESCRIPTION OF THE ISSUER

All competitive statements made in this description of the Issuer in terms of SKF, are based on information included in publicly available financial statements, analyst reports, news media and certain internal SKF estimates.

### *History and Development of the Issuer*

Aktiebolaget SKF (the **Issuer**) was incorporated with registration number 556007-3495 under the laws of Sweden on 16 February 1907 and is a limited liability company with an indefinite duration operating under Swedish law. The Issuer is headquartered and has its registered office in Göteborg, Sweden and its principal offices are located at Hornsgatan 1, SE-415 50 Göteborg, Sweden. The Issuer's telephone number is +46 (0) 31 337 10 00.

The Issuer is the parent company of the global SKF group of companies (**SKF**, the **SKF Group** or the **Group**).

From the outset the Issuer has focused intensively on quality, technical development and marketing. The Group's investment in research and development (**R&D**) has resulted in numerous innovations, new standards, products, solutions and services.

### *Organisational Structure*

The Issuer is, directly or indirectly, the ultimate holding company of all companies in SKF, and its assets are substantially comprised of shares in such companies. The Issuer is the entrepreneur within the Group, entitled to the residual profit and taking costs for R&D and management services. The Issuer's revenues are comprised of residual profits from its subsidiaries.

The following operating subsidiaries have assets that exceed 10 per cent. of SKF's consolidated total assets or contribute more than 10 per cent. to SKF's net income.

<i>Company</i>	<i>Country</i>	<i>Holding per cent.</i>
SKF GmbH	Germany	100.0
SKF USA Inc.	USA	100.0

### *Business Overview*

#### **General Description**

The SKF Group is a leading global supplier of products, solutions and services within bearings, seals, services and lubrication systems. Services include technical support, maintenance and reliability services, engineering consulting and training.

SKF groups its core technologies into the following technology areas: bearings, seals, services, and lubrication systems. By utilising capabilities from all or some of these technology areas, SKF develops tailor-made offers for each industry, helping customers improve performance, reduce energy use and lower total costs. SKF works with its customers at every stage in the asset life cycle, providing solutions from design right through to maintenance and back to design upgrades.

SKF's operations are divided into the two segments, industrial and automotive.

SKF is present in nearly all industries, including light vehicles, trucks, marine, aerospace, energy, railway, heavy industries, agriculture and food and beverage.

SKF is represented in over 130 countries through its own sales companies and over 17,000 distributor locations. The Group has 94 manufacturing units and 15 technology centres.

The Group has global certification to ISO 14001 (environmental management system), ISO 50001 (energy management) and OHSAS 18001 (health and safety) standards. Its operations are also certified to either ISO 9001 or applicable customer industry standards, e.g. ISO/TS 16949 (automotive), AS9100 (aviation) or IRIS (railway) for quality management systems.

SKF is committed to sustainability which is defined by the Group as SKF Care including business care, environmental care, employee care and community care.

### **SKF's technology areas**

SKF offers bearings, seals, condition monitoring, lubrication systems and services, to provide reliable rotation to customers. The strength of the business lies in the ability to keep developing new technologies that are used to create value-adding solutions offering competitive advantages to customers.

SKF has defined about 40 customer industries in which it operates. Examples of these industries include light vehicles, trucks, vehicle aftermarket, aerospace, industrial drives, energy, heavy industries, railway, agriculture, food and beverage, marine, electrical other industrial and industrial distribution. Based on a strong understanding of current and future customer needs and challenges, SKF utilises the capabilities of all, some of or only one of its technologies to develop tailor-made offers for each of its customer industries. In this way, SKF can offer its customers specific products and solutions with improved performance, reduced energy use and reduced total cost, while giving SKF greater added value and better price quality.

*Bearings* The broad range of bearing types produced globally by SKF offers customers an assortment of high-quality, high-performance, low-friction, standard and customised solutions to critical and standard applications. Units are product combinations integrated into solutions with unique performance, used in specific applications requiring a compact design, combined performance and light weight.

*Seals* SKF provides innovative solutions in elastomers or engineered plastics to meet the needs of various industries for static, rotating, reciprocating and bearing seals.

*Services* SKF delivers value by addressing the entire life cycle of a particular asset. The design phase is covered by different aspects of engineering consultancy and R&D services. The operation stage, which is the main part of the asset's life cycle, is covered by a variety of solutions including services and service-related products focusing on maintenance strategy, predictive maintenance, maintenance and logistic services.

The last part of the life cycle is covered by services and service-related products focusing on upgrades, refurbishment, bearing dismounting and mounting, alignment, balancing and post maintenance testing. A wide range of training is available for customers, on- and off-site, around the globe.

*Lubrication systems* SKF offers products, solutions and vast support within areas such as industrial lubricants, lubrication consultancy, lubricator equipment, lubrication assessment, lubricant analysis, lubricant recommendations and automatic lubrication systems.

### **Global trends and industrial change drivers**

SKF's strategy is developed and refined through an understanding of the external drivers and trends which impact, or have the potential to impact, the many markets, regions and industries in which the Group



operates. SKF's business is highly diversified from a regional and industry perspective. Specific, detailed analysis of these drivers and SKF's approach is only possible at industry level.

## **Global trends**

*Population growth and increased wealth* The global population is growing, especially in Asia and Africa, and wealth is increasing in all regions. This puts pressure on scarce or finite resources such as materials, minerals, food, land, energy and water; thereby generating strong demand for efficiency and productivity.

*Urbanisation* More than half the world's population lives in cities with 1.5 million people added to the global urban population every week, with over 90 per cent. of this growth in urban population taking place in Asia and Africa. The rapid urbanisation places huge demands on infrastructure, services, job creation and the environment.

*Digitalisation* Digital transformation affects all parts of the value chain, from digital twins in design and manufacturing, through integrated planning, purchasing and customer use, to maintenance and condition monitoring. It also changes the way companies bring products to market. This means shorter lead times, faster development cycles, smaller inventories, and significant opportunity for resource efficiency.

*Environmental concerns lead to new business models* Increasing concern about the negative impacts of climate change and environmental degradation calls for action to reduce or avoid these impacts, through legal or other means. This calls for industries to adopt new efficient business models (enabled by digital technology) less dependent on physical resources.

*Globalisation calls for close-to-customer approach* Global trade of goods and services is under pressure while connectivity and information flows are increasing rapidly. Economic power continues to shift, particularly towards Asia. This calls for a region-by-region approach with manufacturing, sales and technical knowledge close to customers.

## **Industrial change drivers**

*Digitalisation and connectivity* The 'connectivity' of data can be used in many ways. At its simplest, it connects a sensor to a remote diagnostics centre. However, the data – on the health of a bearing, for instance – can be fed right back to the design stage, and be used to help redesign a better product.

*New manufacturing and technology* Digital technologies are contributing to revolutionise the speed and flexibility of manufacturing. Industry 4.0, or the 4th industrial revolution, is about reliability, productivity, safety and bottom-line maximisation. It enables the elimination of process silos and the possibility to connect the entire value chain.

*Electric and connected vehicles* The automotive industry is going through rapid transformation driven by electrification, autonomous drive, connectivity and shared mobility. SKF is developing solutions to support next-generation powertrain platforms in partnership with customers.

## ***Strategic priorities***

Driven by the vision of “A world of reliable rotation”, SKF strives to create value for its shareholders and other stakeholders by focusing on five strategic priorities. Sustainability is an integral part of the strategy, through the SKF Care framework.

### **Create and capture customer value**

Globalisation, climate change concerns and digitalisation are putting pressure on industrial companies to achieve greater productivity and efficiency along the entire value chain. Customers seek to maximise equipment performance. Within SKF's industries, demand is growing for customer-specific value propositions, that give reliability and uptime. This development fits well with SKF's existing engineering skills and asset management approach. With focus on new technology to provide best value for money and activities to digitalise the entire value chain, SKF offers two strategic value propositions: Products and Rotating Equipment Performance. The Products value proposition meets customers' product application needs, based on parameters such as speed, load and physical environment. This leads to a more segmented market and SKF sees great potential to increase its market share by offering solutions and components that are fit- for application. Product cost can be reduced by designing for what matters. The Rotating Equipment Performance value proposition meets the needs of customers who seek trouble-free machinery operation while cutting overall operating costs. Functionality and machine availability are more important to these customers than component price. SKF sees significant potential to grow the size of the market for the Rotating Equipment Performance offering across most of the industries in which the Group operates.

### **Application-driven innovation**

By developing innovative new solutions with the customer's needs in focus, SKF helps customers to be more competitive. SKF believes a more flexible, efficient and customer-focused approach results in a strong competitive advantage.

To deliver products that meet customer demands, innovation and development must start from the application and a deep understanding of what, exactly, is needed of the product and what can be taken away. This is “application-driven innovation”. Since 1907, SKF's organisation has been continuously adjusted to serve customers in the best way, with strong focus on the two main markets – the industrial and automotive markets. In the industrial market, the focus is on application-driven innovation. In some cases, SKF can meet these needs with catalogue products, while in other cases, solutions specifically targeted at the application need to be developed. This requires excellent application engineering and access to substantial amounts of field data, as well as cutting-edge engineering design tools. These are areas where SKF believes it is ahead of its competitors. Having an industrial customer base which spans the globe requires different solutions, to meet the needs of each industry and geographical area. To this end, SKF has created an application competence centre with highly specialised and digitalised know-how, assisting frontline engineering all over the world. This means that customers in every country can tap in to SKF's engineering knowledge and receive insights from all over the world.

The automotive industry is commencing the electrification of the powertrain in some countries, and new driver-assistance systems are pushing in the direction of autonomous driving, connectivity and shared mobility. SKF is developing new bearing and seal solutions to support this next generation of powertrain platforms in partnership with customers. With leading truck original equipment manufacturers (OEMs), SKF has developed the next generation of transmissions and hybrid powertrains. Other ongoing projects concern global car OEMs, working to meet new application needs and to develop integrated bearings and seals solutions to enable increased compactness and power density, weight reduction and lower friction. Light weighting remains important to improving the CO2 emissions of vehicles.

## **World-class manufacturing**

For SKF, world-class operations mean having the leanest, safest, most flexible and most cost-efficient manufacturing and logistics processes. The Group is moving towards an integrated system, capable of performing real-time analyses and assessments of future needs. This means that products are developed, produced and delivered exactly according to what, when, how and where the customer needs it.

## **Cost competitiveness**

Value for money and reliable processes are crucial factors for SKF's customers as they encounter increased competition and new needs in a changing market. Naturally, SKF ensures that its own processes meet the highest possible standards and continuously invests in measures to reduce costs and increase productivity. These investments encompass the entire value chain, from innovation, sourcing, manufacturing to sales and distribution, with the aim to create an optimum structure for each area.

## **Maximise cash flow over time**

A key aim of SKF's strategic priorities is to contribute to a strong balance sheet and the ability to generate a high cash flow over time. This will allow SKF to continue to reinvest in the core business and future growth, as well as delivering good returns to shareholders.

## ***SKF's markets***

SKF's operations are divided into the two segments, industrial and automotive.

### **Industrial**

*Offering* SKF supplies almost 40 global industries with products and services, both directly and indirectly, through a network of over 7,000 distributors. The broad product range includes development and manufacture of bearings, seals and lubrication systems, as well as rotating shaft services and solutions for machine health assessment, reliability engineering and remanufacturing.

*SKF's position* SKF has a leading position in certain industries, such as railway and energy. In other industries, SKF shares the leadership position with other companies. SKF also has a clear leading position in the industrial distribution market, which primarily serves the aftermarket.

*Drivers* The need for reliable rotation is a driver common to many industries; other drivers vary from application to application. Examples include low friction, low energy use, maintenance-free solutions and total cost of ownership. Digitalisation is a growth driver, enabling monitoring and predictive maintenance throughout the product life cycle.

*Market characteristics* The global industrial OEM market (Original Equipment Manufacturer) is fragmented, but in some industries, such as renewable energy and railway, a relatively small number of OEMs account for a large part of the market. The distributor channel is also globally fragmented but varies from country to country. Competitors are Schaeffler Group, Timken, NSK, NTN, JTEKT, Rothe Erde, Wafangdian Bearing Group, Minebea Mitsumi and C&U.

### **Automotive**

*Offering* SKF provides manufacturers of cars, light and heavy trucks, trailers, buses and two-wheeled vehicles with customised bearings, seals and related products for wheel-end, driveline, engine, e-powertrain, suspension and steering applications. The vehicle aftermarket is supplied with spare parts, both directly and indirectly, through a network of more than 10,000 distributors.

*SKF's position* SKF is a market leader in wheel-end solutions and has a strong position in application-driven powertrain solutions. SKF is leading the development of components for automotive electrification. In the aftermarket, SKF has built up a strong global position with its extensive distribution network.

*Drivers* The light vehicle market is driven by energy efficiency, reduction of emissions and electrification. The truck market is driven by total cost of ownership, connectivity and integrated systems. The aftermarket is influenced by changing buying patterns, new channels, product performance and cost optimisation.

*Market characteristics* The automotive OEM market is consolidated and is made up of a small number of large companies. By contrast, the vehicle aftermarket is fragmented. OEM manufacturers account for about 80 per cent. of the total bearings market, while the independent vehicle aftermarket accounts for the remainder. Competitors are Schaeffler Group, Timken, NSK, NTN, JTEKT, Iljin, C&U, Wanxiang Qianchao, and Luoyang.

The tables below show net sales by customer location and by operating segment for the years ended 31 December 2018 and 2017.

<i><b>Net sales by customer location</b></i>		
<i>(SEK million calculated at the accumulated monthly average rates)</i>		
<i><b>Geographical area</b></i>	<b>2018</b>	<b>2017</b>
Sweden	2,232	2,011
Europe excl. Sweden	32,320	29,359
North America (incl. Mexico)	20,666	18,544
Asia Pacific	24,080	21,249
Middle East/Africa	2,252	2,070
Latin America	4,163	4,705
<b>TOTAL</b>	<b>85,713</b>	<b>77,938</b>

<i>Segment</i>	<b>Net sales by operating segment</b> <i>(SEK million calculated at the accumulated monthly average rates)</i>	
	<b>2018</b>	<b>2017<sup>(1)</sup></b>
Industrial	60,593	53,875
Automotive	25,120	24,063
<b>TOTAL</b>	<b>85,713</b>	<b>77,938</b>

(1) The segment figures for 2017 have been restated in the audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2018

## **Customers**

SKF's customers can be found in various industries including material handling, mining and cement, pulp and paper, wind energy, food and beverage, medical and health care, aerospace, railway, construction, cars and trucks. Supplying and servicing so many different industries enables SKF to develop specific products and services for each industry, and also to take knowledge from one industry and apply it to others.

## ***Acquisitions and divestments***

In 2018, SKF had no net cash outflow related to acquisitions. In 2017, SKF had a total net cash outflow of SEK 27 million for the acquisition of a component business in Sweden.

During 2018, the Group divested businesses for a total cash flow of SEK 2,360 million resulting in a net gain of SEK 1,202 million. In December 2018, SKF completed the divestment of the L&AT business to Triton corporation. The total compensation of the divestment amounted to SEK 2,469 million. SKF has also completed divestments of smaller businesses during the year, two in the US and one in Europe, amounting to a total compensation of SEK 44 million. During 2017, the Group divested businesses generating a total cash flow of SEK 892 million resulting in a net gain of SEK 24 million. In June 2017, SKF completed the divestments of the Reelcraft business to Madison Industrial Solutions corporation. The total compensation of the divestment was around USD 107 million.

Regarding acquisitions and divestments in 2019, please see "*Major Events After the Year Ended 31 December 2018*" below.

## ***Capital Expenditures***

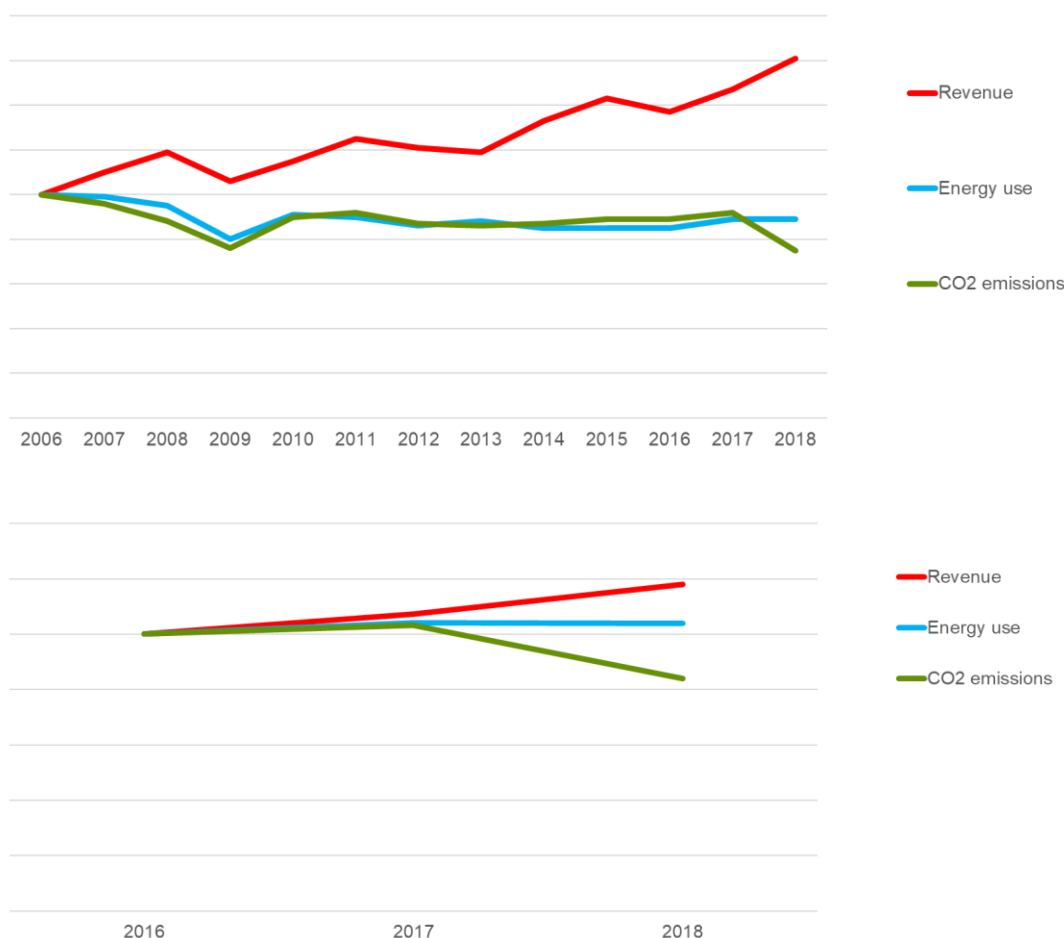
The Group's capital expenditures for property, plant and equipment amounted to SEK 2,647 million.

## ***Sustainability***

SKF Care is SKF's framework for sustainability, which has four areas of focus; business care, environmental care, employee care and community care. For long-term success, these perspectives need to be carefully balanced and integrated into the Group's decision making process.

Comparing 2018 to 2006, the Group's business has grown significantly, while at the same time both energy use and CO2 emissions have decreased as demonstrated in the charts below.

## Revenue, energy use and CO2 emissions<sup>1</sup>



## Climate objectives 2025

SKF's climate objectives for 2025 were determined in 2017 and are based on life-cycle thinking – to reduce impact over the entire value chain (including the below areas).

**Bearing manufacturing:** SKF's target is to have reduced the CO2 emissions from manufacturing per tonne of sold products by 40 per cent. by 2025 compared to 2015. By end of the 2018, CO2 emissions per tonne of bearings sold decreased by 24 per cent. compared to 2015.

**Goods transport:** SKF's target is to have reduced the CO2 emissions from goods transportation per tonne of shipped products to end customers by 40 per cent. by 2025 compared to 2015. By 2018, CO2 emission per tonne of shipped goods decreased by 8 per cent. compared to 2015.

**Customer solutions:** SKF's target is to support its customers to reduce their CO2 emissions. By 2018, revenues from renewable energy, electric vehicles, the recycling industry and bearings remanufacturing amounted to SEK 4.1 billion.

**Raw material and components:** SKF's target is to support its suppliers to reduce their CO2 emissions. By 2018, 76 per cent. of the energy intensive major suppliers have been certified by third

<sup>1</sup> Note to draft: One of the two below charts to be included in the prospectus (dependent on which one that are used in the final investor presentation).

parties according to the ISO 50001 energy management standard and 41 global suppliers are in scope.

### **Business Care**

The business care perspective is about customer focus, financial performance and shareholder returns with the highest standards of ethical behaviour.

### **Environmental Care**

The environmental care perspective is about continually reducing the environmental impact from the Group's operations, as well as actions to significantly improve customers' environmental performance through the products, solutions and services that SKF supplies.

### **Employee Care**

The employee care perspective is about ensuring a safe working environment and promoting health, personal development and well-being of employees at SKF as well as in the supply chain.

### **Community Care**

The community care perspective is about making positive contributions to the communities in which the Group operates.

### ***Directors and Senior Management***

The Board of directors of the Issuer shall, in addition to specially appointed members and deputies, according to the Articles of Association of the Issuer, comprise a minimum of five and a maximum of twelve Board members, with a maximum of five deputies. The Board members are elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting.

The board of directors currently comprises of eight board members, including the chairman. In addition, the employees have appointed two board members and two deputy board members. No board member, except for the president, is included in the management of the Issuer.

### **Directors elected by the Annual General Meeting 2019 and as at the date of this Prospectus**

#### ***Hans Stråberg***

Chairman, Board member since 2018

Born 1957

Positions/activities: Chairman of Atlas Copco AB, Roxtec AB, CTEK AB and Nikkarit AB. Vice Chairman of Stora Enso Oyj. Board member of Investor AB, N Holding AB, Mellby Gård AB and Hedson AB.

#### ***Lars Wedenborn***

Board member since 2008

Born 1958

Positions/activities: Board member of NASDAQ Group Inc., Höganäs AB, Nefab AB, IPCO AB and FAM AB.

*Hock Goh*

Board member since 2014

Born 1955

Positions/activities: Member of the Board of Stora Enso Oyj since 2012, Santos Australia since 2012 and Vesuvius PLC since 2015.

*Alrik Danielson*

Board member since 2015

Born 1962

Positions/activities: President and chief executive officer of AB SKF. Board member of the Association of Swedish Engineering Industries since 2015.

*Ronnie Leten*

Board member since 2017

Born 1956

Positions/activities: Chairman of Ericsson, Epiroc and Piab.

*Barb Samardzich*

Board member since 2017

Born 1958

Positions/activities: Board member of Adient plc, Velodyne LidAR and Bombardier Recreational Products. Board of Trustee member of Lawrence Technological University.

*Colleen Replier*

Board member since 2018

Born 1960

Positions/activities: Board member of Kimball Electronics and Triumph Group.

*Geert Follens*

Board member since 2019

Born 1959

Positions/activities: Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB.

*Employee representatives (not elected by the Annual General Meeting)*

*Jonny Hilbert*

Board member since 2015

Born 1981

Positions/activities: Chairman of Unionen, SKF, Gothenburg.

*Zarko Djurovic*

Board member since 2015

Born 1977

Positions/activities: Chairman of Metalworker's Union, SKF, Gothenburg.

*Kennet Carlsson*

Deputy board member since 2015

Born 1962

Positions/activities: Chairman of SKF World Union Council.



*Claes Palm*

Deputy board member since 2016

Born 1971

Positions/activities: Board member of Unionen at SKF in Gothenburg.

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Directors and their private interests or other duties.

### **Group Management as at the date of this Prospectus**

*Alrik Danielson*

President and chief executive officer of AB SKF

Born 1962

Employed since 2014 and 1987-2005

Previous positions within SKF: President SKF Industrial Division and several other positions within SKF

Board member: Association of Swedish Engineering Industries

*Niclas Rosenlew*

Chief Financial Officer and Senior Vice President

Born 1972

Employed since 2019

*Bernd Stephan*

President Automotive and Aerospace

Born 1956

Employed since 1994

Previous positions within SKF: Senior Vice President Group Technology and CTO and several other positions within SKF.

Board member: SKF India Ltd

*John Schmidt*

President, Industrial Sales Americas

Born 1969

Employed since 2001 and 1993 – 1998

Previous positions within SKF: President and chief executive officer of SKF USA Inc, Vice President Industrial Market NAM and several other positions within SKF.

*Erik Nelander*

President, Industrial Sales Europe and Middle East and Africa

Born 1963

Employed since 1987

Previous positions within SKF: Vice President SKF Industrial Market, President SKF China, Business Unit Director SKF Aerospace and several other positions within SKF.

*Patrick Tong*

President, Industrial Sales Asia

Born 1962

Employed since 1989

Previous positions within SKF: President Specialty Business, President of SKF Second Brands Bearings and several other positions within SKF.

*Kent Viitanen*

President Bearing Operations

Born 1965

Employed since 1988

Previous positions within SKF: Senior Vice President People, Communication and Quality, Director Renewable Energy and several other positions within SKF.

Board member: Chalmers University of Technology and Gothenburg University School of Executive Education

*Victoria Van Camp*

CTO and President, Innovation and Business Development

Born 1966

Employed since 1996

Previous positions within SKF: President Business and Product Development, Director Industrial Market Technology and Solutions, Director of Product Innovation Lubrication BU and several other positions within SKF.

Board member: BillerudKorsnäs AB and Amexci AB

*Carina Bergfelt*

General Counsel and Senior Vice President, Group People, Communication, Legal and Sustainability and Secretary to the Board

Born 1960

Employed since 1990

Previous position within SKF: Legal Counsel.

Board member: The Association of Exchange listed Companies

*Thomas Fröst*

President Industrial Technologies

Born 1962

Employed since 1988

Previous position within SKF: Head of Marketing, Head of Maine and Head of Industrial Seals.

Board member: The Association of Exchange listed Companies

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Issuer's Group Management and their private interests or other duties.

The business address of the Directors and Group Management is Hornsgatan 1, SE-415 50 Göteborg, Sweden.

***Auditors***

PricewaterhouseCoopers AB (**PwC**) authorised accountants and members of FAR SRS, have audited the Issuer's financial statements, without qualification, in accordance with IFRS for each of the financial years ended on 31 December 2017 and 31 December 2018. PwC's registered address is Torsgatan 21, 113 97 Stockholm, Sweden.

***Employees***

As at 31 December 2018, the Group had 44,428 registered employees

Temporary employees, if on the payroll of a SKF company, are included in the number of employees presented by the Group but are not significant in number. Temporary employees on subcontract from a temporary services firm are not included in the figures.

#### Geographic specification of average number of employees

	2018	2017
Sweden	2,705	3,233
France	2,267	2,448
Italy	3,139	3,189
Germany	5,680	5,941
Other Western Europe excluding Sweden	3,484	3,588
Central/Eastern Europe	4,241	4,609
USA	4,377	4,526
Canada	245	249
Mexico	1,651	1,545
Latin America	2,719	2,650
China	6,265	5,565
India	2,451	2,574
Other Asian countries/Pacific	2,850	3,198
Middle East and Africa	491	499
<b>Total</b>	<b>39,860</b>	<b>40,581</b>

#### Registered number of employees by business area\*

	2018	2017
Industrial	36,360	37,690
Automotive	7,245	7,165
<b>Total</b>	<b>43,605</b>	<b>44,855</b>

\* Previously published amounts have been restated to conform to the current Group structure. The structural changes include business units being moved between the business areas and between other operations/Group activities and business areas.

At the end of 2018, 95 per cent. of the Group's blue-collar workers were covered by trade union agreements. Most of SKF's employees are unionised. The right of all employees to form and join trade unions and to bargain collectively is expressed in the SKF Code of Conduct.

#### Major Shareholders

The following table sets forth, as of 31 August 2019, the largest shareholders known by SKF to be owners of any class of the Issuer's voting securities. The information in this table is based on information furnished to SKF by Modular Finance AB.

	The ten largest shareholders according to voting rights	Number of A shares	Number of B shares	In per cent. of voting rights	In per cent. of share capital
1	FAM AB	17,150,000	45,786,151	29.0	13.8

	<b>The ten largest shareholders according to voting rights</b>	<b>Number of A shares</b>	<b>Number of B shares</b>	<b>In per cent. of voting rights</b>	<b>In per cent. of share capital</b>
2	Harris Associates	0	32,205,745	4.3	7.1
3	Alecta Pension Insurance	2,192,404	2,913,148	2.5	1.1
4	Merian Global Investors	1,978,108	374,376	2.7	0.5
5	AFA Insurance	1,542,500	3,690,294	2.5	1.1
6	Life Insurance Skandia	1,690,979	1,501,989	2.5	0.7
7	Didner & Gerge Funds	0	14,799,711	2.0	3.3
8	Fidelity International		13,260,539	1.8	2.9
9	SEB-stiftelsen	1,250,000	250,000	1.7	0.3
10	Vanguard	94,070	10,757,671	1.6	2.4

Each A Share entitles the holder to one vote and each B Share to one-tenth of one vote. It was decided at SKF's annual general meeting on 18 April 2002 to insert a share conversion clause in the articles of association which allows owners of A Shares to convert A shares into B shares.

The total number of issued and outstanding A shares and B shares of the Issuer as of 31 August 2019 was 32,735,809 (7.2 per cent.) and 422,615,259 (92.8 per cent.) respectively. The total number of shares was 455,351,068.

#### ***Major Events After the Year Ended 31 December 2018***

- On 20 June 2019, SKF announced the acquisition of RecondOil Sweden AB, a Swedish cleantech start-up that has developed a chemical filtration and rejuvenation process for industrial lubrication fluid and slop oil. This will strengthen the Group's lubrication management business and rotating equipment performance offer.
- On 7 October 2019, SKF announced that it has signed an agreement to acquire Presenso Ltd., a company that develops and deploys artificial intelligence (AI)-based predictive maintenance software. Presenso's AI capability enables production plants to find and act on anomalies that were previously difficult to detect, automatically and without the need to employ data scientists. Presenso's competence will be used to strengthen SKF's Rotating Equipment Performance offer.

## TAXATION

*Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisors concerning the tax consequences to any particular Noteholder.*

*The following summary describes tax consequences of the ownership of the Notes but does not purport to be comprehensive. Except where expressly stated, the summary relates only to the position of those persons who are the absolute beneficial owners of their Notes and the interest thereon and may not apply to special situations, such as those of dealers in securities.*

### **A. SWEDISH TAXATION**

*The following summary outlines certain Swedish tax consequences of the acquisition, ownership and disposal of Notes. The summary is based on the laws of the Kingdom of Sweden as currently in effect and is intended to provide general information only. The summary is not exhaustive and does thus not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the Notes and is neither intended to be nor should be construed as legal or tax advice. In particular, the summary does not address the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies, not described below. In addition, the summary does not address Notes that are held on an "investment saving account" (Sw: investeringsparkonto) that are subject to a specific tax regime. Investors should consult their professional tax advisors regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.*

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

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of Notes should not be subject to Swedish income tax provided that such holder does not carry out business activities from a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of Notes.

Private individuals who are not resident in the Kingdom of Sweden for tax purposes may be liable to capital gains taxation in the Kingdom of Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in the Kingdom of Sweden or have lived permanently 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.

#### **(ii) Resident holders of Notes**

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

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

If the Notes are registered with Euroclear Sweden AB or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by Euroclear Sweden AB or by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) that is a resident holder of any Notes.

## **B. LUXEMBOURG TAXATION**

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

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

### **Withholding Tax**

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

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

#### **(ii) Resident holders of Notes**

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

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

## **C. THE PROPOSED FINANCIAL TRANSACTION TAX**

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

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

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

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

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

## SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Nordea Bank Abp and Skandinaviska Enskilda Banken AB (publ) (the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 13 November 2019, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.848 per cent. of the principal amount of Notes, less a combined selling concession and management and underwriting commission. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

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

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

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each distributor or dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes (or beneficial interest therein) within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.



## **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) 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 Financial Service and Market Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) 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.

## **The Kingdom of Sweden**

Each Joint Lead Manager has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive 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 Prospectus Regulation.

## **Belgium**

Each Joint Lead Manager has represented and agreed that the Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## **General**

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

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

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 22 October 2019.

### Listing and admission to trading

2. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The listing and admission to trading of the Notes is expected to be granted on 15 November 2019. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II. The estimated total expenses related to the admission to trading are €5,600.

### Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2079107830 and the Common Code is 207910783. The Issuer's Legal Entity Identifier (LEI) number is 549300B6HWYEE57O8J84

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

4. The Notes are not, at the date of this Prospectus, intended to be held in a manner which would allow Eurosystem eligibility. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Global Note by which the Notes are at such time represented may then be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper. This does not necessarily mean that the Notes represented by the Global Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life, such recognition depending upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

### No significant change

5. There has been no significant change in the financial performance or position of the Issuer or the Group since 30 September 2019 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2018.

### Litigation

6. The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant.

SKF is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. An enquiry has been initiated by the Competition Commission of India against several different companies, including SKF, regarding an alleged violation of antitrust rules in India. Moreover, SKF is subject to

related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers. Bosch AG has initiated a lawsuit against SKF with a claim for damages as a consequence of the settlement decision by the European Commission for violation of European competition rules..

Save as disclosed above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus with an outcome (or expected outcome) which is likely to have or has in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

## **U.S. tax**

7. The Notes and Coupons will contain the following legend: "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."

## **Documents Available**

8. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the websites indicated below:
  - (a) the constitutional documents (with an English translation thereof) of the Issuer (<https://www.skf.com/group/investors/articles-of-association>);
  - (b) a copy of this Prospectus (<https://www.skf.com/group/investors/debt>); and
  - (c) the Agency Agreement (<https://www.skf.com/group/investors/debt>).

## **Yield**

9. The yield relating to the Notes is 0.891 per cent. per annum based on the issue price of the Notes and the rate of interest applicable at the Issue Date.

## **Conflicts**

10. In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

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