



Vattenfall AB (publ)

(incorporated with limited liability under the laws of Sweden)

SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077

Issue Price: 100 per cent.

and

SEK3,000,000,000 Subordinated Floating Rate 7 year Non-Call Capital Securities due 2077

Issue Price: 100 per cent.

and

€1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077

Issue Price: 100 per cent.

The SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077 (the "**NC7 Fixed Rate Reset Capital Securities**"), the SEK3,000,000,000 Subordinated Floating Rate 7 year Non-Call Capital Securities due 2077 (the "**NC7 Floating Rate Capital Securities**") and the €1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077 (the "**NC12 Capital Securities**") and, together with the NC7 Fixed Rate Reset Capital Securities and the NC7 Floating Rate Capital Securities, the "**Capital Securities**" are issued by Vattenfall AB (publ) (the "**Issuer**").

References herein to the "**Conditions**" shall be construed as references to the Terms and Conditions of the NC7 Fixed Rate Reset Capital Securities and/or the Terms and Conditions of the NC7 Floating Rate Capital Securities and/or the Terms and Conditions of the NC12 Capital Securities, as the context admits, and references to a numbered "**Condition**" shall be construed accordingly.

Interest will accrue on the NC7 Fixed Rate Reset Capital Securities from (and including) 19 March 2015 (the "**Issue Date**") to (but excluding) 19 March 2022 (the "**NC7 Fixed Rate Reset First Reset Date**") at a rate of 3.125 per cent. per annum, and thereafter at the relevant Reset Interest Rate (as defined in Condition 4(d) of the NC7 Fixed Rate Reset Capital Securities). Interest on the NC7 Fixed Rate Reset Capital Securities will (subject to deferral, as provided below) be payable annually in arrear on 19 March in each year from (and including) 19 March 2016.

Interest will accrue on the NC7 Floating Rate Capital Securities from (and including) the Issue Date to (but excluding) the Interest Payment Date falling in March 2027 (the "**NC7 Floating Rate 2027 Step-up Date**") at a rate of 2.35 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Interest Period, and thereafter at the relevant Step-up Interest Rate (as defined in Condition 4(d) of the NC7 Floating Rate Capital Securities). Interest on the NC7 Floating Rate Capital Securities will (subject to deferral, as provided below) be payable quarterly in arrear on the interest payment dates falling in March, June, September and December in each year from (and including) the Interest Payment Date falling in June 2015.

Interest will accrue on the NC12 Capital Securities from (and including) the Issue Date to (but excluding) 19 March 2027 (the "**NC12 First Reset and Step-up Date**") at a rate of 3.00 per cent. per annum, and thereafter at the relevant Reset Interest Rate (as defined in Condition 4(d) of the NC12 Capital Securities). Interest on the NC12 Capital Securities will (subject to deferral, as provided below) be payable annually in arrear on 19 March in each year from (and including) 19 March 2016.

Payments of interest on the Capital Securities may, at the option of the Issuer, be deferred, as set out in the Condition 5 of the relevant Capital Securities. Deferred interest, which shall itself bear interest, may be paid at any time at the option of the Issuer (upon notice to the holders of the relevant Capital Securities), and must be paid in the circumstances provided in Condition 5(b) of the relevant Capital Securities.

Unless earlier redeemed or repurchased and cancelled, the Issuer shall redeem the NC7 Fixed Rate Reset Capital Securities on 19 March 2077, the NC7 Floating Rate Capital Securities on the Interest Payment Date falling in March 2077 and the NC12 Capital Securities on 19 March 2077. The Issuer will have the right to redeem (i) the NC7 Fixed Rate Reset Capital Securities in whole, but not in part, on the NC7 Fixed Rate Reset First Reset Date or on any Interest Payment Date thereafter, (ii) the NC7 Floating Rate Capital Securities in whole, but not in part, on the NC7 Floating Rate First Call Date or on any Interest Payment Date thereafter, and (iii) the NC12 Capital Securities in whole, but not in part, on the NC12 First Reset and Step-up Date or on any Interest Payment Date thereafter. The Issuer may also redeem the Capital Securities upon the occurrence of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event or a Withholding Tax Event, and may in certain circumstances vary the terms of, or substitute, the Capital Securities, all as set out in the Conditions.

Prospective investors should have regard to the factors described in the section headed "Risk Factors" herein.

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") for Capital Securities to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Capital Securities to be admitted to trading on the London Stock Exchange plc's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Capital Securities are expected to be rated "Baa2" by Moody's Investors Service Limited ("**Moody's**") and "BBB-" by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of S&P and Moody's is established in the European Union and is registered under Regulation (EC) No 1060/2009 as amended (the "**CRA Regulation**") and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority.

The Capital Securities will be issued in bearer form and initially represented by global capital securities which will be deposited on or about the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg (each as defined herein). See "*Summary of Provisions relating to the Capital Securities in Global Form*".

Structuring Advisers and Joint Bookrunners

Barclays Bank PLC

BNP PARIBAS

Joint Bookrunners

**Citigroup
ING**

**Danske Bank
Skandinaviska Enskilda Banken AB (publ)**

IMPORTANT INFORMATION

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (the “Prospectus Directive”).

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

Save for the Issuer, no other party has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Joint Bookrunners (as defined herein) or The Law Debenture Trust Corporation p.l.c. (the “Trustee”) as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer. Neither the Joint Bookrunners nor the Trustee accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer and/or the in connection with the Capital Securities.

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

Neither this Prospectus nor any other information supplied in connection with the Capital Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Joint Bookrunners or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities 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 Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Bookrunners to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities 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 Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Capital Securities. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer when deciding whether or not to purchase any Capital Securities.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF CAPITAL SECURITIES GENERALLY

The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer, the Joint Bookrunners and the Trustee do not represent that this document may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Bookrunners or the Trustee

which would permit a public offering of the Capital Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Capital Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Joint Bookrunners have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Capital Securities come must inform themselves about, and observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Capital Securities in the United States, the United Kingdom and Sweden (see “Subscription and Sale” below).

PRESENTATION OF INFORMATION

References in this document to “SEK” refer to Swedish krona and references to “euro”, “EUR” 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.

References in this document to the “Group” are to the Issuer and its Subsidiaries taken as a whole.

STABILISATION

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

RESPONSIBILITY STATEMENT

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 contains no omission likely to affect its import.

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Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Capital Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Capital Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Capital Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the issuer's ability to fulfil its obligations under the Capital Securities

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

The economy in the Group's principal markets has been adversely affected since 2009 by a significant slowdown, with a direct impact on electricity demand. At the same time new production capacity - in particular from renewable energy sources - has been added. This has led to an oversupply resulting in falling wholesale electricity prices and pressure on production margins, especially for gas fired plants. This could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Financial risk

Electricity price risk

Electricity prices are affected by fundamental factors such as supply (including water levels and available generation and transmission capacity), demand (electricity use, which in turn is affected by the weather and the economy), fuel prices and the price of CO₂ emission allowances.

The Group hedges its electricity generation and electricity sales through the use of physical and financial forward contracts and long-term customer contracts. Sensitivity analysis reflects the impact that variations in market prices can have on the Group's operating profit. The Group continuously hedges its exposure against the price of electricity and other commodities in the various markets. These exposures are monitored daily. The long-term customer contracts pertain to time horizons in which there is no possibility to hedge prices in the liquid part of the futures market and stretch as far as to 2024. The total hedged volume for the period of 2017-2024 is 57 TWh, where most is hedged in the beginning of the period, with volumes falling over time. The amount of future electricity generation that is to be hedged within the given mandates is decided by the Group's risk committee and is confirmed by the Group's board. To measure electricity price risk, the Group uses methods such as "Value at Risk" and "Gross Margin at Risk" along with various stress tests. If the Group incorrectly hedges its electricity price risk or if the Group fails to hedge its electricity price and electricity sales adequately, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Fuel Price Risk

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

Volume risk

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

Credit risk

Credit risk arises in the Group's commodities trading, sales, treasury operations and investments. The Group's credit risk management involves analyses of the Group's counterparties, reporting of credit risk exposure and proposals for risk mitigation measures (such as by obtaining collateral). If the Group's credit analysis proves to be incorrect or if its system to mitigate credit risk proves inadequate, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Liquidity risk

Liquidity risk refers to the risk of not being able to pursue the price hedging strategy, for example, due to insufficient liquidity in the electricity and fuel markets. This risk is managed through so-called proxy hedging and by securing an optimal number of trading counterparties. Liquidity risk also pertains to the risk of the Group not being able to finance its capital needs. Liquidity risk is mitigated by having several types of debt issuance programmes and credit facilities, which ensure access to capital and flexibility. The Group is committed to maintaining financial stability. If the Group were unable to execute its strategy to mitigate liquidity risk, for example if there were a lack of trading counterparties or a lack of diversified sources of financing, this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Interest rate risk

The Group quantifies interest rate risk in its debt portfolio in terms of duration, which describes the average term of fixed interest rates. The norm is to have a duration of three years with a permissible variation of +/- one year. The norm duration is based on the Group's current financing needs and the desired interest rate sensitivity in net interest income/expense. The duration of the Group's debt portfolio as at 31 December 2014 was 2.8 years (in comparison to 2.9 years as at 31 December 2013) including hybrid capital. If the Group fails to successfully implement its strategy to mitigate its interest rate risk, it may be particularly sensitive to any interest rate volatility or have a less efficient financing structure in place and this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Currency risk

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

Operational risk

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

Operational asset risk

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

Nuclear power safety and dam safety are also areas entailing operational asset risks and are special focus areas for the Group's Safety and Risk Committee. The Group's Chief Nuclear Safety Officer is responsible for overseeing nuclear power safety at the Group level.

Risks associated with operational assets concern not only electricity generation but also damage to machinery, such as at the Group's open cast lignite mines, and damage to distribution networks.

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

Security risks

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

Supplier risk

Supplier risk refers to the risk of interruptions in delivery by suppliers or deficiencies in codes of conduct for suppliers. To mitigate this risk the Group applies its code of conduct for suppliers and performs risk assessments and audits of suppliers. Interruptions in supply could adversely affect the Group's business,

earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Personnel risk

There are certain higher risks involved in certain aspects of work in the energy sector both as to personnel but also possible consequent effect in the wider society. As such, the Group ensures that it has preventive measures in place and adopts best health and safety practices. The Group's production sites maintain a high level of safety procedures to ensure the safety of both employees and society in general. If the Group fails to mitigate such personnel risk adequately this could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Legal risk

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

Tax Risk

Management of tax-related risk is part of the Group's risk management process. The Group has a policy for tax risks, which has been adopted by the Risk Committee and describes the ethical framework for handling tax issues. The Group's Head of Tax reports on the Group's tax position on a regular basis and quarterly to the CFO as well as bi-annually in a compiled report to the Audit Committee. If the Group fails to mitigate such tax risk adequately, the Group may become exposed to tax liabilities which could adversely affect the Group's business, earnings and financial position and may impact the Issuer's ability to make payments in respect of the Capital Securities.

Strategic risk

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

Political risk

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

Investment risk

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

Factors which are material for the purpose of assessing the market risks associated with the Capital Securities

The Capital Securities may not be a suitable investment for all investors

The Capital Securities are complex financial instruments. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should 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 relevant Capital Securities, the merits and risks of investing in the relevant Capital Securities 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 relevant Capital Securities and the impact such investment 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 relevant Capital Securities, including where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Capital Securities and be familiar with the behaviour of any relevant 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.

Prospective investors should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Capital Securities.

Risks related to the Capital Securities generally

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

The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Holders and without regard to the individual interests of particular Holders

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

The Conditions also provide that the Trustee may, without the consent of Holders and without regard to the interests of particular Holders agree to any modification of, or to the waiver or authorisation of any breach or

proposed breach of, any of the Conditions or any of the provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders. In addition, the Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer as the principal debtor under the Capital Securities of certain entities described in Condition 15, subject to, *inter alia*, the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and certain other conditions set out in the Trust Deed being complied with, all as more fully described in Condition 15 and the Trust Deed.

Withholding under the EU Directive on the Taxation of Savings Income

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

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply the new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, (or secured) for, certain other entities and legal arrangements. They also expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, such directive, neither the Issuer, any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to such directive. However, prospective holders should be aware that any custodians or intermediaries through which they hold their interest in the Capital Securities may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the prospective holder meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

U.S. Foreign Account Tax Compliance Act Withholding

In certain circumstances payments made on or with respect to the Capital Securities after 31 December 2016 (at the earliest) may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal

Revenue Code (commonly referred to as “**FATCA**”). Whilst the Capital Securities are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Capital Securities are discharged once it has paid the common depository for the clearing systems (as bearer of the Capital Securities) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States pursuant to FATCA (an “**IGA**”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make on securities such as the Capital Securities. For more information, see “*Taxation - Foreign Account Tax Compliance Act*”.

Investors who purchase Capital Securities in denominations that are not an integral multiple in excess of €100,000 or SEK1,000,000 (as applicable) may be adversely affected if definitive Capital Securities are subsequently required to be issued

It is possible that the Capital Securities may be traded in amounts that are not integral multiples in excess of the €100,000 or SEK1,000,000 (as applicable) minimum denomination (the “**Minimum Denomination**”). In such a case a Holder who, as a result of trading such amounts, holds an amount which is less than the Minimum Denomination in his/her account with the relevant clearing system at the relevant time may not receive a definitive Capital Security in respect of such holding (should definitive Capital Securities be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to the relevant Minimum Denomination.

If definitive Capital Securities are issued, Holders should be aware that definitive Capital Securities which have a denomination that is not an integral multiple in excess of the Minimum Denomination may be illiquid and difficult to trade.

Risks related to the market generally

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

An active secondary market in respect of the Capital Securities may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Capital Securities

The Capital Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Capital Securities in the secondary market (in which case the market or trading price and liquidity may be adversely affected) or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The value of the Capital Securities depends on a number of economic, financial and political factors

The value of the Capital Securities depends on a number of interrelated factors, including economic, financial and political events in Sweden or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Capital Securities are traded. The price at which a Holder will be able to sell the Capital Securities prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

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

The Issuer will pay principal and interest on the NC7 Fixed Rate Reset Capital Securities and the NC7 Floating Rate Capital Securities in Swedish krona and on the NC12 Capital Securities 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 or, as the case may be, Swedish krona. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or Swedish krona 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 or Swedish krona, as the case may be, would decrease (1) the Investor's Currency-equivalent yield on the Capital Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (3) the Investor's Currency-equivalent market value of the Capital Securities.

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

Legal investment considerations may restrict certain investments

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

Credit ratings assigned to the Issuer or the Capital Securities may affect the market value of the Capital Securities and may not reflect all the risks associated with an investment in the Capital Securities

The Capital Securities have been assigned a rating by S&P and Moody's. The rating granted by each of S&P and Moody's or any other rating assigned to the Capital Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Capital Securities. 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 addition, each of S&P and Moody's or any other rating agency may change its methodologies or their application for rating securities with features similar to the Capital Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If the rating agencies were to change

their practices or their application for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities.

CRA Regulation

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the 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.

The value of the Capital Securities could be adversely affected by a change in English or Swedish law or administrative practice

The Conditions are based on and governed by English law (other than the Conditions relating to subordination of the Capital Securities, which are based on and governed by Swedish law). No assurance can be given as to the impact of any possible judicial decision or change to the laws of England and Wales or Sweden or administrative practice after the date of this Prospectus. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in Sweden and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Prospectus.

Risks related to the structure of the Capital Securities

The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up

The Capital Securities are direct, unsecured and subordinated obligations of the Issuer, ranking behind claims of unsubordinated creditors of the Issuer and creditors of the Issuer in respect of all Subordinated Indebtedness (as defined in the Conditions), *pari passu* without any preference among themselves and with any present and future outstanding Parity Securities of the Issuer (as defined in the Conditions) and in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders.

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer (each an “**Issuer Winding-up**”), Holders will only be eligible to recover any amounts in respect of their Capital Securities if all claims in respect of more senior-ranking obligations of the Issuer have first been paid in full. If, on an Issuer Winding-up, the assets of the Issuer are insufficient to repay the claims of all senior-ranking creditors in full, the Holders will lose their entire investment in the Capital Securities. If there are sufficient assets to repay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of the Capital Securities and all other obligations of the Issuer ranking *pari passu* with the Capital Securities, Holders will lose some (which may be substantially all) of their investment in the Capital Securities.

Furthermore, subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of his/her holding, be deemed to have waived all such rights of set-off, compensation or retention.

In addition, if the financial condition of the Issuer deteriorates such that Issuer Winding-up may be anticipated, the market price of the Capital Securities can be expected to fall, and such fall may be significant. A Holder that sells its Capital Securities in such an event may lose some or substantially all of its initial investment in the Capital Securities (whether or not an Issuer Winding-up subsequently occurs).

The Capital Securities are long-term securities and therefore an investment in Capital Securities constitutes a financial risk for a long period

Unless the same have been earlier redeemed or purchased and cancelled, the NC7 Fixed Rate Reset Capital Securities will be redeemed on 19 March 2077, the NC7 Floating Rate Capital Securities will be redeemed on the Interest Payment Date falling in March 2077 and the NC12 Capital Securities will be redeemed on 19 March 2077. The Issuer is under no obligation to redeem the Capital Securities at any time before these dates and Holders have no right to call for redemption of the Capital Securities.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for a long period and may not recover their investment before the end of this period.

The Issuer may defer interest payments at its discretion

The Issuer may, at any time and in its sole discretion, elect to defer payment of all (but not some only) of the interest which would otherwise be paid on any Interest Payment Date (as defined in the Conditions), and the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose.

Any interest not paid on an applicable Interest Payment Date and deferred shall constitute Deferred Interest and shall be paid in whole, but not in part, at any time, at the option of the Issuer or on the occurrence of a Deferred Interest Payment Event, as defined in the Conditions.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of such interest deferral provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The Issuer may redeem the Capital Securities early; investors should consider reinvestment risk

The Issuer will have the right to redeem the NC7 Fixed Rate Reset Capital Securities in whole, but not in part, on the NC7 Fixed Rate Reset First Reset Date or any Interest Payment Date thereafter, will have the right to redeem the NC7 Floating Rate Capital Securities in whole, but not in part, on the NC7 Floating Rate First Call Date or any Interest Payment Date thereafter, and will have the right to redeem the NC12 Capital Securities on the NC12 First Reset and Step-up Date or any Interest Payment Date thereafter, in each case at their principal amount together with any Deferred Interest and any other accrued and unpaid interest to (but excluding) the date of redemption.

The Issuer may also, at its option, redeem the NC7 Fixed Rate Reset Capital Securities in whole, but not in part, the NC7 Floating Rate Capital Securities in whole, but not in part, and/or the NC12 Capital Securities in whole, but not in part, upon the occurrence of a Tax Deductibility Event, a Rating Event, a Withholding Tax

Event or a Substantial Repurchase Event with respect to the relevant Capital Securities, as further described in the Conditions.

In the case of a Tax Deductibility Event or a Rating Event, such redemption will be at (i) 101 per cent. of the principal amount of the relevant Capital Securities, where such redemption occurs (in the case of the NC7 Fixed Rate Reset Capital Securities) before the NC7 Fixed Rate Reset First Reset Date, (in the case of the NC7 Floating Rate Capital Securities) before the NC7 Floating Rate First Call Date or (in the case of the NC12 Capital Securities) before the NC12 First Reset and Step-up Date, or (ii) 100 per cent. of the principal amount of the relevant Capital Securities, where such redemption occurs on or after the relevant date specified in (i) above, together in each case with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

In the case of a Withholding Tax Event or a Substantial Repurchase Event, such redemption will be at 100 per cent. of the principal amount of the relevant Capital Securities, together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

During any period when the Issuer may elect to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer might redeem the Capital Securities when its cost of borrowing is lower than the interest rate on the Capital Securities. There can be no assurance that, at the relevant time, Holders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Capital Securities. Potential investors should consider reinvestment risk in light of other investments available at that time.

Substitution or variation of the Capital Securities

There is a risk that, after the issue of the Capital Securities, a Tax Deductibility Event, a Rating Event or a Withholding Tax Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute the relevant Capital Securities for, or vary the terms of the relevant Capital Securities so that they become or remain, Qualifying Capital Securities (as defined in the Conditions).

Whilst Qualifying Capital Securities are required to have terms which are not materially less favourable to Holders than the terms of the relevant Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing), there can be no assurance that the Qualifying Capital Securities will not have a significant adverse impact on the price of, and/or the market for, the Capital Securities.

Fixed rate securities have a market risk

The NC7 Fixed Rate Reset Capital Securities and the NC12 Capital Securities will bear interest at a fixed rate, each reset by reference to a mid-swap rate plus a margin on the first reset date for the relevant Capital Securities and on each fifth anniversary of such first reset date. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate cause the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Capital Securities and can lead to losses for the Holders if they sell the Capital Securities.

Each reset interest rate may be different from the initial interest rate of the relevant Capital Securities and may adversely affect the yield of such Capital Securities.

Floating rate securities may suffer a decline in interest rate

The NC7 Floating Rate Capital Securities will bear interest at a floating rate, set by reference to a 3-month interbank offered rate plus a margin. A holder of a security with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

Each reset interest rate may be different from the initial interest rate of the NC7 Floating Rate Capital Securities and may adversely affect the yield of the NC7 Floating Rate Capital Securities.

Holder's of the Perpetual Capital Securities have very limited rights in relation to the enforcement of payments on the Capital Securities

If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, the rights of the Trustee (failing which, the Holders) in respect of the Capital Securities are limited to instituting proceedings for an Issuer Winding-up, and the Trustee (failing which, the Holders) may prove and/or claim in respect of the Capital Securities in an Issuer Winding-up.

Whilst the claims of the Holders in an Issuer Winding-up are for the principal amount of their Capital Securities together with any Deferred Interest and any other accrued and unpaid interest, such claims will be subordinated as provided above under "*The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up*". Neither the Trustee nor the Holders shall be entitled to accelerate payments of interest or principal under the Capital Securities in any circumstances outside an Issuer Winding-up. Furthermore, whilst the Trustee may institute other proceedings against the Issuer to enforce the terms of the Capital Securities, the Issuer shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Trustee shall not be bound to take any enforcement action in respect of the Capital Securities unless so instructed by defined majorities of the Holders and subject to certain Trustee protections. Furthermore, Holders will not be entitled to take enforcement action directly against the Issuer in respect of the Capital Securities unless the Trustee has become bound to act and fails to do so within a reasonable time.

Accordingly, the Holders' rights of enforcement in respect of payments under the Capital Securities are very limited.

No limitation on issuing or guaranteeing debt ranking senior to or pari passu with the Capital Securities

There is no restriction in the Conditions on the amount of debt which the Issuer may issue or guarantee. The Issuer and its Subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness or guarantees of third parties, including indebtedness that ranks *pari passu* with or senior to the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on an Issuer Winding-up and/or may increase the likelihood of a deferral of interest payments under the relevant Capital Securities.

General Description of the Capital Securities

This overview is a general description of the Capital Securities and does not purport to be complete. It is taken from, and is qualified in its entirety by, the remainder of this Prospectus. For a more complete description of the Capital Securities, including definitions of capitalised terms used but not defined in this section, please see the relevant Conditions.

Capitalised terms used and not defined in this section shall have the meaning given in the Terms and Conditions of the NC7 Fixed Rate Reset Capital Securities (in respect of the NC7 Fixed Rate Reset Capital Securities), the NC7 Floating Rate Capital Securities (in respect of the NC7 Floating Rate Capital Securities) or of the NC12 Capital Securities (in respect of the NC12 Capital Securities), as the context admits, and references to a numbered Condition shall be construed accordingly.

Issuer:	Vattenfall AB (publ)
Structuring Advisers:	BNP Paribas Barclays Bank PLC
Joint Bookrunners:	BNP Paribas Barclays Bank PLC Citigroup Global Markets Limited Danske Bank A/S ING Bank N.V. Skandinaviska Enskilda Banken AB (publ)
Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent and Calculation Agent:	Citibank, N.A., London Branch
Securities:	SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077 (the “ NC7 Fixed Rate Reset Capital Securities ”), SEK3,000,000,000 Subordinated Floating Rate 7 year Non-Call Capital Securities due 2077 (the “ NC7 Floating Rate Capital Securities ”) and €1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077 (the “ NC12 Capital Securities ” and together with the NC7 Fixed Rate Reset Capital Securities and the NC7 Floating Rate Capital Securities, the “ Capital Securities ”).
Issue Price:	NC7 Fixed Rate Reset Capital Securities: 100 per cent. NC7 Floating Rate Capital Securities: 100 per cent. NC12 Capital Securities: 100 per cent.
Issue Date:	19 March 2015
Maturity Dates:	NC7 Fixed Rate Reset Capital Securities: 19 March 2077 NC7 Floating Rate Capital Securities: Interest Payment Date falling in March 2077 NC12 Capital Securities: 19 March 2077
Use of Proceeds:	The net proceeds from the issue of the Capital Securities will be used for the general corporate purposes of the Issuer, including

(without limitation) to fund the purchase of the 2005 Perpetual Capital Securities (as defined in the Conditions) pursuant to an any and all cash tender offer announced on 3 March 2015.

Interest on NC7 Fixed Rate Reset Capital Securities:

The NC7 Fixed Rate Reset Capital Securities will bear interest on their principal amount at the following rates of interests:

- (i) from (and including) the Issue Date to (but excluding) 19 March 2022 (the “**NC7 Fixed Rate Reset First Reset Date**”), 3.125 per cent. per annum; and
- (ii) thereafter, at a rate (to be reset on the NC7 Fixed Rate Reset First Reset Date and each fifth anniversary of such date) equal to the 5 Year SEK Mid-Swap Rate plus the applicable Margin.

For the purposes of the NC7 Fixed Rate Reset Capital Securities, the “**Margin**” means:

- (a) in respect of the period from (and including) the NC7 Fixed Rate Reset First Reset Date to (but excluding) 19 March 2027 (the “**NC7 Fixed Rate Reset 2027 Step-up Date**”), 2.345 per cent.;
- (b) in respect of the period from (and including) the NC7 Fixed Rate Reset 2027 Step-up Date to (but excluding) 19 March 2042 (the “**NC7 Fixed Rate Reset 2042 Step-up Date**”), 2.595 per cent.; and
- (c) in respect of the period from (and including) the NC7 Fixed Rate Reset 2042 Step-up Date to (but excluding) the Maturity Date, 3.345 per cent.

Interest shall be payable (subject to deferral as provided below) annually in arrear on 19 March of each year, commencing 19 March 2016.

Interest on NC7 Floating Rate Capital Securities:

The NC7 Floating Rate Capital Securities will bear interest on their principal amount at the following rates of interests:

- (i) from (and including) the Issue Date to (but excluding) the Interest Payment Date falling in March 2027 (the “**NC7 Floating Rate 2027 Step-up Date**”), 2.35 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Interest Period; and
- (ii) in respect of the period from (and including) the NC7 Floating Rate 2027 Step-up Date to (but excluding) the Interest Payment Date falling in March 2042 (the “**NC7 Floating Rate 2042 Step-up Date**”), 2.60 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Interest Period; and
- (iii) in respect of the period from (and including) the NC7 Floating Rate 2042 Step-up Date to (but excluding) the Maturity Date, 3.35 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Interest Period.

Interest shall be payable (subject to deferral as provided below)

quarterly in arrear on the Interest Payment Dates falling in March, June, September and December of each year, commencing in June 2015.

Interest on NC12 Capital Securities:

The NC12 Capital Securities will bear interest on their principal amount at the following rates of interests:

- (i) from (and including) the Issue Date to (but excluding) 19 March 2027 (the “**NC12 First Reset and Step-up Date**”), 3.00 per cent. per annum; and
- (ii) thereafter, at a rate (to be reset on the NC12 First Reset and Step-up Date and each fifth anniversary of such date) equal to the 5 Year Euro Mid-Swap Rate plus the applicable Margin.

For the purposes of the NC12 Securities, the “**Margin**” means:

- (a) in respect of the period from (and including) the NC12 First Reset and Step-up Date to (but excluding) 19 March 2047 (the “**2047 Step-up Date**”), 2.511 per cent.; and
- (b) in respect of the period from (and including) the 2047 Step-up Date to (but excluding) the Maturity Date, 3.261 per cent.

Interest shall be payable (subject to deferral as provided below) annually in arrear on 19 March of each year, commencing 19 March 2016.

Optional Interest Deferral:

Interest deferral

The Issuer may, at any time and at its sole discretion, by giving notice to the Holders not less than seven Business Days before the relevant Interest Payment Date, elect to defer any interest, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except for interest payable upon maturity or redemption of the Capital Securities).

No default

If the Issuer makes such an election to defer interest, the Issuer shall have no obligation to make such payment on the relevant Interest Payment Date and any such non-payment of interest on such date shall not constitute a default by the Issuer or any other breach of obligations under the Capital Securities or the Trust Deed.

Deferred Interest

Any interest in respect of the Capital Securities which has not been paid at the election of the Issuer in accordance with this paragraph will be deferred and such deferred interest shall itself bear interest at the rate of interest prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (including interest accrued thereon) shall constitute “**Deferred Interest**”.

Settlement of Deferred Interest:

Optional settlement

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer upon not less than seven Business Days’ notice to the Holders.

Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (ii) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant interest period; and
- (iii) the date on which the Capital Securities are redeemed or repaid.

A “**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or by the Issuer or any subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any subsidiary of the Issuer of any shares of the Issuer;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in the case of (b) above only, the redemption, repurchase, repayment, cancellation, reduction or other acquisition is executed in connection with, or for the purpose of (1) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders’ general meeting of the Issuer or the relevant subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer or the relevant subsidiary of the Issuer or any associated hedging transaction; and
- (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value.

“**Parity Securities**” and “**2005 Perpetual Capital Securities**” have

Status/Ranking:	<p>the meanings given in the Conditions.</p> <p>The Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer.</p> <p>In the event of the voluntary or involuntary liquidation (<i>likvidation</i>), bankruptcy (<i>konkurs</i>) or company re-construction (<i>företagsrekonstruktion</i>) of the Issuer (each an “Issuer Winding-up”), the Holders (or the Trustee on their behalf) shall, in respect of their Capital Securities, have a claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:</p> <ul style="list-style-type: none"> (i) <i>pari passu</i> without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities; (ii) in priority to all present or future claims in respect of (A) any share capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.
No Set-off:	<p>“Subordinated Indebtedness” means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities.</p> <p>Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of its holding, be deemed to have waived all such rights of set-off, compensation or retention.</p>
Form and Denomination:	<p>The NC7 Fixed Rate Reset Capital Securities and the NC7 Floating Rate Capital Securities will be issued in bearer form in the denomination of SEK1,000,000 and integral multiples of SEK10,000 in excess thereof up to and including denominations of SEK1,990,000.</p> <p>The NC12 Capital Securities will be issued in bearer form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including denominations of €199,000.</p>
Final Redemption:	<p>Unless earlier redeemed or purchased and cancelled, the NC7 Fixed Rate Reset Capital Securities will be redeemed on 19 March 2077 (the “NC7 Fixed Rate Reset Maturity Date”), the NC7 Floating Rate Capital Securities will be redeemed on the Interest Payment Date falling in March 2077 (the “NC7 Floating Rate Maturity”).</p>

Date) and the NC12 Capital Securities will be redeemed on 19 March 2077 (the “**NC12 Maturity Date**”), in each case at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Early Redemption at the option of the Issuer:

The Issuer may, upon not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of:

- (i) the NC7 Fixed Rate Reset Capital Securities on the NC7 Fixed Rate Reset First Reset Date or on any Interest Payment Date for the NC7 Fixed Rate Reset Capital Securities thereafter;
- (ii) the NC7 Floating Rate Capital Securities on the Interest Payment Date falling in March 2022 (the “**NC7 Floating Rate First Call Date**”) or on any Interest Payment Date for the NC7 Floating Rate Capital Securities thereafter; and
- (iii) the NC12 Capital Securities on the NC12 First Reset and Step-up Date or on any Interest Payment Date for the NC12 Capital Securities thereafter,

in each case at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Early Redemption upon a Tax Deductibility Event or a Rating Event:

If a Tax Deductibility Event or a Rating Event (each as defined in the Conditions) has occurred and is continuing, the Issuer may, upon not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to certain preconditions as specified in the Conditions of the Capital Securities, redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs (A) in the case of the NC7 Fixed Rate Reset Capital Securities, before the NC7 Fixed Rate Reset First Reset Date, (B) in the case of the NC7 Floating Rate Capital Securities, before the NC7 Floating Rate First Call Date, or (C) in the case of the NC12 Capital Securities, before the NC12 First Reset and Step-up Date; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the relevant date specified in (i) above,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Early Redemption upon a Withholding Tax Event or a Substantial Repurchase Event:

If a Withholding Tax Event (as defined in the Conditions) has occurred and is continuing, or if a Substantial Repurchase Event (as defined in the Conditions) has occurred, the Issuer may, upon not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable and shall specify the date fixed for

redemption) and subject to certain preconditions as specified in the Conditions of the Capital Securities, redeem all, but not some only, of the Capital Securities at any time at an amount equal to 100 per cent. of their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Substitution or Variation:

If at any time a Tax Deductibility Event, Rating Event or a Withholding Tax Event has occurred and is continuing on or after the Issue Date, then the Issuer may, subject to certain preconditions as specified in the Conditions of the Capital Securities (and without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that certain provisions of the Conditions have been complied with, upon not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Capital Securities for;
or
- (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be,

Qualifying Capital Securities (as defined in the Conditions).

Purchase:

The Issuer or any of its Subsidiaries (as defined in the Conditions) may at any time purchase or procure others to purchase beneficially for its account any or all Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

Taxation:

All payments of principal, premium and interest in respect of the Capital Securities and the Coupons 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 (“**Taxes**”) of whatever nature imposed or levied by or on behalf of Sweden or any political subdivision of, or any authority in, or of, Sweden having power to tax, unless the withholding or deduction of the Taxes is required by law. If such a withholding or deduction is required by law, the Issuer will be required to gross-up payments to the Holders, subject as provided in Condition 12.

Default:

If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest or principal in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee (subject to Condition 11(c)) at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up (whether instituted by the Trustee as aforesaid or otherwise) the Trustee (subject to Condition 11(c)) at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall, prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under “Status/Ranking” above.

Rating:	The Capital Securities are expected to be rated “Baa2” by Moody’s and “BBB-” by S&P.
Governing Law:	The Trust Deed, the Capital Securities, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, the laws of England and Wales, other than the provisions of Condition 3(a) and any non-contractual obligations arising out of or in connection with them which will be governed by, and construed in accordance with, the laws of Sweden.
Listing and Trading:	Application has been made for the Capital Securities to be listed on the Official List of the London Stock Exchange and admitted to trading on the London Stock Exchange’s regulated market. Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter.
Clearing Systems:	Euroclear Bank SA/NV (“ Euroclear ”) and Clearstream Banking, <i>société anonyme</i> (“ Clearstream, Luxembourg ”).
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Capital Securities in the United States (Reg S, Category 2) and the European Economic Area (including the United Kingdom and Sweden).

Documents Incorporated by Reference

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

- (a) the auditors' report (which can be found at page 111), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 51-110) and the administration report (including risk management) (which can be found at pages 4, 7-8 and 19-50) set out in the annual report of the Issuer for the financial year ended 31 December 2012 (the "**2012 Annual Report**");
- (b) the auditors' report (which can be found at page 121), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 56-120) and the administration report (including risk management) (which can be found at pages 5, 8-9 and 50-55) set out in the annual report of the Issuer for the financial year ended 31 December 2013 (the "**2013 Annual Report**"); and
- (c) the unaudited interim report for the twelve month period ended 31 December 2014 (the "**2014 Year-End Report**").

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

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

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at SE-169 92 Stockholm, Sweden and the offices of Citibank, N.A., London Branch at 21 floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. All documents incorporated by reference in this Prospectus can be viewed on the website of the Issuer at <http://corporate.vattenfall.com/investors/>.

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

Terms and Conditions of the NC7 Fixed Rate Reset Capital Securities

The following, except for paragraphs in italics, are the terms and conditions of the NC7 Fixed Rate Reset Capital Securities which will be endorsed on each NC7 Fixed Rate Reset Capital Security in definitive form (if issued).

The issue of the SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077 (the “**Capital Securities**”, which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 19 and forming a single series with the Capital Securities) of Vattenfall AB (publ) (the “**Issuer**”) was authorised by a resolution of the Board of Directors of the Issuer passed on 29 October 2014. The Capital Securities are constituted by a trust deed (the “**Trust Deed**”) dated 19 March 2015 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Capital Securities (the “**Holders**”, and references to a “**holder**” of Capital Securities shall be construed accordingly). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Capital Securities, the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”)) and the Talons appertaining to Capital Securities in definitive form. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the “**Paying Agency Agreement**”) dated 19 March 2015 relating to the Capital Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Paying Agency Agreement from time to time, the “**Paying Agents**”, and each a “**Paying Agent**”) and the Trustee are available for inspection during usual business hours at the registered office for the time being of the Trustee, being, as of the Issue Date, at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the Paying Agents, being at the date of these Conditions at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Holders and the holders of the Coupons (whether or not attached to the relevant Capital Securities) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions of the Paying Agency Agreement applicable to them.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Capital Securities are serially numbered and in bearer form in the denominations of SEK1,000,000 and integral multiples of SEK10,000 in excess thereof up to and including SEK1,990,000, each with Coupons and a Talon attached on issue. No definitive Capital Securities will be issued with a denomination above SEK1,990,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

(b) *Title*

Title to the Capital Securities, Coupons and Talons passes by delivery. The holder of any Capital Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Capital Securities and the Coupons

The Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a).

3 Subordination and rights on a winding-up

(a) *Rights on a winding-up*

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer (each an “**Issuer Winding-up**”), the Holders (or the Trustee on their behalf) shall, in respect of their Capital Securities, have a claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
- (ii) in priority to all present or future claims in respect of (A) any share capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and
- (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

(b) *Set-off*

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities or the Coupons and each Holder and Couponholder shall, by virtue of its holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) *Interest Payment Dates*

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 19 March 2015 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Capital Securities annually in arrear on 19 March in each year (each an “**Interest Payment Date**”) from (and including) 19 March 2016.

(b) *Interest Accrual*

The Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Capital Securities, both before and after judgment, and shall be payable as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period other than a full year, such interest shall be calculated on the basis of the Day-Count Fraction (as defined in Condition 23).

Interest in respect of any Capital Security shall be calculated per SEK10,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the Day-Count Fraction for the relevant period and rounding the resulting figure to the nearest öre (half an öre being rounded upwards). The amount of interest payable in respect of a Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Capital Security without any further rounding.

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period commencing prior to the First Reset Date is 3.125 per cent. per annum (the “**Initial Interest Rate**”).

The Interest Payment in respect of each such Interest Period will amount to SEK312.50 per Calculation Amount (and any such Interest Payment may be deferred in accordance with Condition 5).

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year SEK Mid-Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a “**Reset Interest Rate**”).

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent shall, at or as soon as practicable after 12.00 p.m. (London time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the Reset Period commencing immediately following such Reset Interest Determination Date and shall calculate the amount of interest which will (subject to deferral in accordance with Condition 5) be payable per Calculation Amount in respect of each such Interest Period (the “**Interest Amount**”).

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the Capital Securities are to be redeemed, the Issuer shall cause notice of each Reset Interest Rate and the related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 18, the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Reset Period.

(g) ***Calculation Agent***

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent approved by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Issuer and the Trustee shall approve.

(h) *Determinations of Calculation Agent Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Optional Interest Deferral

(a) *Deferral of Interest Payments*

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date or any other Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

Any Interest Payment so deferred pursuant to this Condition 5(a) shall, from (and including) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (but excluding) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute “**Deferred Interest**”.

The deferral of an Interest Payment in accordance with this Condition 5(a) shall not constitute a default by the Issuer under the Capital Securities or the Trust Deed or for any other purpose.

(b) *Settlement of Deferred Interest*

Optional Settlement

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (ii) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 or Condition 11.

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent within three Business Days of such event.

6 Redemption

(a) Final Redemption Date

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the Capital Securities will be redeemed on the Maturity Date at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the Maturity Date.

(b) Issuer's Call Option

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities on the First Reset Date or on any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(c) Redemption upon a Tax Deductibility Event or a Rating Event

If a Tax Deductibility Event or a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before the First Reset Date; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the First Reset Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(d) Redemption upon a Withholding Tax Event or a Substantial Repurchase Event

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

7 Substitution or Variation

If at any time a Tax Deductibility Event, a Rating Event or a Withholding Tax Event has occurred on or after the Issue Date and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Capital Securities for; or
- (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate by two authorised signatories of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 7.

The Trustee shall (at the expense of the Issuer) use reasonable endeavours to assist the Issuer in the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they remain or, as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would expose the Trustee to any liability or impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Capital Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

8 Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating:

- (i) that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Capital Securities is satisfied;
- (ii) in the case of a Withholding Tax Event, that the Issuer is unable to avoid paying additional amounts by taking measures reasonably available to it; and
- (iii) in the case of a substitution or variation pursuant to Condition 7, that:
 - (a) the Issuer has determined that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the Capital Securities and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;

- (b) the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue; and
- (c) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Special Event.

The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Capital Securities in accordance with Condition 6 shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Condition 5(b)(iii) on or prior to the date of such redemption.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9 Purchases and Cancellation

(a) Purchases

Each of the Issuer and any of its Subsidiaries may at any time purchase beneficially for its account any or all Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

All Capital Securities purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent.

(b) Cancellation

All Capital Securities redeemed or substituted by the Issuer pursuant to Condition 6 or Condition 7, as the case may be, and all Capital Securities purchased and surrendered for cancellation pursuant to Condition 9(a), (in each case, together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled.

Capital Securities held by the Issuer and/or any of its Subsidiaries shall not entitle the Holder to vote at any meeting of Holders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 14.

10 Payments

(a) Method of Payment

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a Swedish krona account maintained by the payee with a bank in Stockholm.

- (ii) Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) *Payments Subject to Fiscal Laws*

Payments will be subject in all cases to any (i) fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 and (ii) withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”).

(c) *Days for Payments*

A Capital Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and Stockholm (a “**Payment Day**”). If a due date for payment falls on a day which is not a Payment Day, then the payment shall be available to Holders from the first Payment Day following such due date. No further interest or other payment will be made as a consequence of the day on which the Capital Security or Coupon may be presented for payment under this paragraph falling after the due date.

(d) *Interpretation of principal, premium and interest*

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 12 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11 Default and Enforcement

(a) *Proceedings*

Without prejudice to the Issuer’s right to defer the payment of interest under Condition 5(a), if a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up (whether instituted by the Trustee as aforesaid or otherwise), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary

Resolution shall (subject to Condition 11(c)), prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Condition 3(a).

(b) Enforcement

The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or Condition 11(b) above to enforce the terms of the Trust Deed, the Capital Securities or the Coupons or any other action or step under or pursuant to the Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or being able to prove and/or claim in such Issuer Winding-up, fails to do so within a reasonable period and such failure shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 11.

(e) Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities, the Coupons or the Trust Deed.

12 Taxation

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

- (a) to, or to a third party on behalf of, a Holder or Couponholder who is liable for the Taxes in respect of such Capital Security or Coupon by reason of such holder having some connection with Sweden other than (i) the mere holding of such Capital Security or Coupon or (ii) the receipt of principal, premium or interest in respect of such Capital Security or Coupon; or
- (b) to a Holder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been an Interest Payment Date; or
- (d) presented for payment in Sweden; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) where such withholding or deduction is required by reason of FATCA Withholding; or
- (g) presented for payment by or on behalf of the holder who would be able to avoid such withholding or deduction by presenting the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union (provided such a Paying Agent had been appointed at such time).

13 Prescription

Claims against the Issuer in respect of the Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Capital Securities (in respect of claims relating to principal and premium) and five years in the case of Coupons (in respect of claims relating to interest, including Deferred Interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14 Meetings of Holders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Holders holding not less than five per cent. in nominal amount of the Capital Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or Coupons (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, premium or interest (including Deferred Interest) in respect of the Capital Securities and reducing or cancelling the principal amount of any Capital Securities, any premium or any Interest Rate) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Capital Securities

for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through relevant clearing systems (in a form satisfactory to the Trustee) by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Capital Securities so that they remain or become Qualifying Capital Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for an Issuer Winding-up in circumstances which are more extensive than those set out in Condition 11). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 18, as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution pursuant to Condition 15), the Trustee shall have regard to the interests of the Holders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Holders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

15 Substitution

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer (or, if applicable, its successor in business, as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of:

- (a) the successor in business of the Issuer; or
- (b) another company being a wholly-owned direct or indirect finance Subsidiary of the Issuer (or its successor in business as aforesaid),

subject to:

- (i) in the case of (b) above, the Capital Securities being unconditionally and irrevocably guaranteed by the Issuer (or its successor in business) on the same subordinated basis as the Capital Securities under Condition 3;
- (ii) in each case, the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution; and
- (iii) certain other conditions set out in the Trust Deed being complied with.

Any substitution effected in accordance with this Condition 15 shall be binding on the Holders and the Couponholders.

The Issuer will (unless the Trustee otherwise agrees) give notice of any substitution pursuant to this Condition 15 to the Holders in accordance with Condition 18 as soon as reasonably practicable (and in any event within 10 days) following such substitution.

16 Replacement of the Capital Securities, Coupons and Talons

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 18, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may reasonably require.

Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before any replacement Capital Securities, Coupons or Talons will be issued.

17 Indemnification of the Trustee

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

18 Notices

All notices regarding the Capital Securities shall be validly given if published in the *Financial Times* (or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe). Any such notice will be deemed to have been given on the date of the first publication in the required newspaper.

For so long as the Capital Securities are listed and/or admitted to trading on any market or stock exchange, notices shall also be published in such manner as may be required or permitted by the rules of such market or stock exchange.

19 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further securities (“**Further Capital Securities**”) having terms and conditions the same as the Capital Securities or the same in all respects save for the amount and date of the first payment of interest on such Further Capital Securities and so that such Further Capital Securities shall be consolidated and form a single series with the outstanding Capital Securities. Any such Further Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

20 Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Trustee, 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 Principal Paying Agent;
- (b) there will at all times be a Paying Agent outside Sweden; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 18.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

21 Governing Law and Submission to Jurisdiction

The Trust Deed, the Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England and Wales, other than the provisions of Condition 3(a) and any non-contractual obligations arising out of or in connection with them which are governed by, and shall be construed in accordance with, the laws of Sweden.

The Issuer has irrevocably agreed in the Trust Deed and the Paying Agency Agreement for the exclusive benefit of the Trustee, the Principal Paying Agent, the Calculation Agent, the Holders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Capital Securities and the Coupons (including any disputes relating to any non-contractual obligations arising out of, or in connection with them) and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the Issuer in any other court of competent

jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

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

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Capital Securities and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

22 **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

23 **Definitions**

In these Conditions:

“**5 Year SEK Mid-Swap Rate**” means, with respect to a Reset Period:

- (a) the mid swap rate for Swedish krona swap transactions with a maturity of 5 years (“**5 Year SEK Mid-Swap**”), as published on Reuters screen “TGM42287” under “FIXED VS. 3M STIBOR” (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in Swedish krona) (the “**Mid-Swap Page**”), as at approximately 12.00 p.m. (London time) on the Reset Interest Determination Date applicable to such Reset Period; or
- (b) if, on the Reset Interest Determination Date applicable to such Reset Period, no rate is calculated and published on the Mid-Swap Page, the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the quotations offered by the Reset Reference Banks at approximately 12.00 p.m. (London time) on such Reset Interest Determination Date, to prime banks in the European market for 5 Year SEK Mid-Swap in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time; provided that if fewer than two rates are so quoted, the 5 Year SEK Mid-Swap Rate shall be the 5 Year SEK Mid-Swap Rate determined by the Calculation Agent for the previous Reset Period or, in the case of the first Reset Interest Determination Date, 0.78 per cent.

“**2005 Perpetual Capital Securities**” means the €1,000,000,000 Capital Securities originally issued by Vattenfall Treasury AB (publ) and unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer, and in respect of which the Issuer was substituted as issuer with effect from 26 April 2010 (ISIN: XS0223129445).

“**2027 Step-up Date**” means 19 March 2027;

“**2042 Step-up Date**” means 19 March 2042;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and Stockholm;

“**Calculation Agent**” means Citibank, N.A., London Branch, or any successor appointed in accordance with the Paying Agency Agreement;

“**Calculation Amount**” has the meaning given to it in Condition 4(b);

“**Capital Securities**” has the meaning given in the preamble to these Conditions;

“**Conditions**” means these terms and conditions of the Capital Securities, as amended from time to time;

“**Coupon**” has the meaning given in the preamble to these Conditions;

“**Couponholder**” has the meaning given in the preamble to these Conditions;

“**Day-Count Fraction**” means “**30E/360**”, calculated on a formula basis as follows:

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

where:

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

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

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

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

“**D1**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

“**Deferral Notice**” has the meaning given in Condition 5(a);

“**Deferred Interest**” has the meaning given in Condition 5(a);

A “**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer; and/or
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in the case of (b) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in connection with, or for the purpose of (1) any reduction of the quota value of

the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and

- (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value;

“**FATCA Withholding**” has the meaning given in Condition 10(b);

“**First Reset Date**” means 19 March 2022;

“**Further Capital Securities**” has the meaning given in Condition 19;

“**Holder**” has the meaning given in the preamble to these Conditions;

“**Initial Interest Rate**” has the meaning given in Condition 4(c);

“**Interest Amount**” has the meaning given in Condition 4(e);

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” has the meaning given in Condition 4(a);

“**Interest Period**” means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 4(a);

“**Issuer**” means Vattenfall AB (publ);

“**Issuer Winding-up**” has the meaning given in Condition 3(a);

“**Margin**” means:

- (a) in respect of the period from (and including) the First Reset Date to (but excluding) the 2027 Step-up Date, 2.345 per cent.;
- (b) in respect of the period from (and including) the 2027 Step-up Date to (but excluding) the 2042 Step-up Date, 2.595 per cent.; and
- (c) in respect of the period from (and including) the 2042 Step-up Date to (but excluding) the Maturity Date, 3.345 per cent.;

“**Maturity Date**” means 19 March 2077;

“**Moody's**” means Moody's Investors Service Limited and/or its affiliates and/or successors in business;

“**NC7 Floating Rate Capital Securities**” means the Issuer's SEK3,000,000,000 Subordinated Floating Rate 7 year Non-Call Capital Securities due 2077 (ISIN: XS1205625251);

“**NC12 Capital Securities**” means the Issuer’s €1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077 (ISIN: XS1205618470);

“**Parity Securities**” means any obligations of:

- (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities (and which shall include, for so long as any of the same remain outstanding, the NC7 Floating Rate Capital Securities, the NC12 Capital Securities and the 2005 Perpetual Capital Securities); and
- (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Payment Day**” has the meaning given to it in Condition 10(c);

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Capital Securities**” means securities that contain terms not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Capital Securities), provided that:

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and
- (c) they shall contain terms which provide for the same interest rate from time to time applying to the Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under the Capital Securities to any accrued interest, any Deferred Interest and any other amounts payable under the Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Rating Event or, as the case may be, a Withholding Tax Event; and

- (i) they shall be (A) listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's regulated market or (B) admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC as selected by the Issuer and approved by the Trustee;

"Rating Agency" means Moody's, Standard and Poor's and any other rating agency of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer and, in each case, their successors or affiliates;

a **"Rating Downgrade"** shall be deemed to have occurred if the rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating ("Baa3", "BBB-" or better) to a non-investment grade rating ("Ba1", "BB+" or worse);

a **"Rating Event"** shall be deemed to occur if the Issuer has received confirmation from any Rating Agency either directly or via a publication by such Rating Agency, that either:

- (i) an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable); or
- (ii) a Rating Downgrade has occurred,

and, in either case, this has resulted in lower equity credit for the Capital Securities than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

"Relevant Date" means:

- (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders by or on behalf of the Issuer or the Trustee in accordance with Condition 18; and
- (ii) in respect of any sum to be paid by or on behalf of the Issuer in an Issuer Winding-up, the date which is one day prior to the date on which an order is made or a resolution is passed for such Issuer Winding-up;

"Reset Date" means the First Reset Date and each fifth anniversary thereof up to and including 19 March 2072;

"Reset Interest Determination Date" means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

"Reset Interest Rate" has the meaning given in Condition 4(d);

"Reset Period" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter;

"Reset Reference Banks" means four major banks in the European inter-bank market selected by the Issuer or the Calculation Agent (in consultation with the Issuer);

"Special Event" means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event, a Withholding Tax Event, or any combination of the foregoing;

“**Standard and Poor’s**” means Standard & Poor’s Credit Market Services Europe Limited and/or its affiliates and/or successors in business;

“**Subordinated Indebtedness**” means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities;

“**Subsidiary**” has the meaning provided in the Swedish Companies Act and “**Subsidiaries**” shall be construed accordingly;

a “**Substantial Repurchase Event**” shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 80 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

“**Swedish Companies Act**” means The Companies Act (*Aktiebolagslagen (2005:551)*);

“**Swedish krona**” or “**SEK**” means the lawful currency of Sweden;

“**Talons**” has the meaning given in the preamble to these Conditions;

“**Tax Deductibility Event**” means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any interest payments under the Capital Securities were, but are no longer, tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer;

“**Tax Law Change**” means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in, the laws or treaties (or any regulations thereunder) of Sweden affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

“**Taxes**” has the meaning given in Condition 12;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions; and

a “**Withholding Tax Event**” shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 12 and the Issuer cannot avoid the foregoing by taking reasonable measures available to it.

The following text in italics does not form part of the Conditions:

In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to the Conditions, the Issuer intends (though does not have an obligation to do so) to raise proceeds at least equal

to the amount payable on redemption or repurchase, within the 12 months preceding the redemption or repurchase becoming effective, by the issue of securities ranking junior to, or pari passu with, the Capital Securities and/or by the issue of ordinary shares or sale of existing ordinary shares (save for shares purchased against cash within a period of 12 months prior to the relevant sales date of the respective existing ordinary shares) in each case with an aggregate “equity credit” from Standard and Poor’s (“S&P”) that is at least equal to the aggregate “equity credit” then assigned to the Capital Securities, unless:

- (a) the issuer rating assigned by S&P to the Issuer is at least “A-” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such a rating would not fall below this level as a result of such redemption or repurchase, or
- (b) the stand-alone credit profile assigned by S&P to the Issuer is at least “bbb+” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such stand-alone credit profile would not fall below this level as a result of such redemption or repurchase; or
- (c) the Capital Securities do not receive an “equity credit” from S&P at the time of such redemption or purchase, or
- (d) in the case of a repurchase only, such repurchase is in an aggregate principal amount not greater than (x) 10 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 10 consecutive years; or
- (e) such redemption or repurchase occurs on or after the 2042 Step-up Date, or
- (f) such redemption is pursuant to a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event (to the extent it is triggered by a change of methodology by S&P) or a Withholding Tax Event.

Terms and Conditions of the NC7 Floating Rate Capital Securities

The following, except for paragraphs in italics, are the terms and conditions of the NC7 Floating Rate Capital Securities which will be endorsed on each NC7 Floating Rate Capital Security in definitive form (if issued).

The issue of the SEK3,000,000,000 Subordinated Floating Rate Reset 7 year Non-Call Capital Securities due 2077 (the “**Capital Securities**”, which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 19 and forming a single series with the Capital Securities) of Vattenfall AB (publ) (the “**Issuer**”) was authorised by a resolution of the Board of Directors of the Issuer passed on 29 October 2014. The Capital Securities are constituted by a trust deed (the “**Trust Deed**”) dated 19 March 2015 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Capital Securities (the “**Holders**”, and references to a “**holder**” of Capital Securities shall be construed accordingly). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Capital Securities, the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”) and the Talons appertaining to Capital Securities in definitive form. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the “**Paying Agency Agreement**”) dated 19 March 2015 relating to the Capital Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Paying Agency Agreement from time to time, the “**Paying Agents**”, and each a “**Paying Agent**”) and the Trustee are available for inspection during usual business hours at the registered office for the time being of the Trustee, being, as of the Issue Date, at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the Paying Agents, being at the date of these Conditions at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Holders and the holders of the Coupons (whether or not attached to the relevant Capital Securities) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions of the Paying Agency Agreement applicable to them.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Capital Securities are serially numbered and in bearer form in the denominations of SEK1,000,000 and integral multiples of SEK10,000 in excess thereof up to and including SEK1,990,000, each with Coupons and a Talon attached on issue. No definitive Capital Securities will be issued with a denomination above SEK1,990,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

(b) *Title*

Title to the Capital Securities, Coupons and Talons passes by delivery. The holder of any Capital Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Capital Securities and the Coupons

The Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a).

3 Subordination and rights on a winding-up

(a) *Rights on a winding-up*

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer (each an “**Issuer Winding-up**”), the Holders (or the Trustee on their behalf) shall, in respect of their Capital Securities, have a claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
- (ii) in priority to all present or future claims in respect of (A) any share capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and
- (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

(b) *Set-off*

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities or the Coupons and each Holder and Couponholder shall, by virtue of its holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) *Interest Payment Dates*

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 19 March 2015 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest will be payable on each date (each an “**Interest Payment Date**”) which (save as mentioned below) falls three months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date. If there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur, such Interest Payment Date shall be the last day that is a Business Day (as defined below) in the relevant month. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. If an Interest Payment Date falls on the last Business Day of a month, each subsequent Interest Payment Date shall be the last Business Day of the third month after the month in which that Interest Payment Date fell. The period from and including the Issue Date to but excluding

the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date, is called an “**Interest Period**”.

(b) Interest Accrual

The Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Capital Securities, both before and after judgment, and shall be payable as provided in these Conditions up to (but excluding) the Relevant Date.

(c) Initial Interest Rate

The Interest Rate in respect of each Interest Period commencing prior to the 2027 Step-up Date (the “**Initial Interest Rate**”) will be at a rate of 2.35 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Interest Period payable quarterly in arrear on the Interest Payment Date for each Interest Period, and will be determined by the Calculation Agent on the basis of the following provisions:

- (i) the Calculation Agent or its duly appointed successor (in such capacity, the Calculation Agent) will determine the rate for 3 month deposits in SEK which appears on the display page designated SIOR on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (Stockholm time) on the second Business Day (as defined below) before the first day of the relevant Interest Period (the “**Interest Determination Date**”);
- (ii) if such rate does not appear on that page, the Calculation Agent will:
 - (A) request the principal Stockholm office of each of four major banks in the Stockholm interbank market to provide a quotation of the rate at which deposits in SEK are offered by it in the Stockholm interbank market at approximately 11.00 a.m. (Stockholm time) on the Interest Determination Date to prime banks in the Stockholm interbank market for 3 months and in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundredthousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in Stockholm, selected by the Calculation Agent, at approximately 11.00 a.m. (Stockholm time) on the first day of the relevant Interest Period for loans in SEK to leading European banks for 3 months and in an amount that is representative for a single transaction in that market at that time.

The Interest Payment in respect of each such Interest Period may be deferred in accordance with Condition 5.

(d) Calculation of Initial Interest Amount

The Calculation Agent will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the “**Initial Interest Amount**”) payable in respect of each Capital Security for such Interest Period. The Initial Interest Amount will be calculated by applying the Initial Interest Rate for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction (as defined below), rounding the resulting figure to the nearest öre, half an öre being rounded upwards.

(e) Publication of Initial Interest Rates and Initial Interest Amounts

Unless the Capital Securities are to be redeemed, the Issuer shall cause notice of each Initial Interest Rate and the related Initial Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 18, the Holders, in each case as soon as practicable after its determination (by no later than the first Business Day of each Interest Period). The Initial Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) Step-up Interest Rates

The Interest Rate in respect of the period from (and including) the 2027 Step-up Date to (but excluding) the 2042 Step-up Date will be at a rate of 2.60 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits, and the Interest Rate in respect of the period from (and including) the 2042 Step-up Date to (but excluding) the Maturity Date will be at a rate of 3.35 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits (each a “**Step-up Interest Rate**”). Each Step-up Interest Rate shall be determined, calculated and published in accordance with Conditions 4(c), 4(d) and 4(e).

(g) Calculation Agent

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent approved by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Issuer and the Trustee shall approve.

(h) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Optional Interest Deferral

(a) *Deferral of Interest Payments*

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date or any other Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

Any Interest Payment so deferred pursuant to this Condition 5(a) shall, from (and including) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (but excluding) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute “**Deferred Interest**”.

The deferral of an Interest Payment in accordance with this Condition 5(a) shall not constitute a default by the Issuer under the Capital Securities or the Trust Deed or for any other purpose.

(b) *Settlement of Deferred Interest*

Optional Settlement

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (ii) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 or Condition 11.

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent within three Business Days of such event.

6 Redemption

(a) *Final Redemption Date*

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the Capital Securities will be redeemed on the Maturity Date at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the Maturity Date.

(b) Issuer's Call Option

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(c) Redemption upon a Tax Deductibility Event or a Rating Event

If a Tax Deductibility Event or a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but not some only, of the Capital Securities on any Interest Payment Date at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before the First Call Date; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(d) Redemption upon a Withholding Tax Event or a Substantial Repurchase Event

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

7 Substitution or Variation

If at any time a Tax Deductibility Event, a Rating Event or a Withholding Tax Event has occurred on or after the Issue Date and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Capital Securities for; or
- (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be,

Qualifying Capital Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate by two authorised signatories of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 7.

The Trustee shall (at the expense of the Issuer) use reasonable endeavours to assist the Issuer in the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they remain or, as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would expose the Trustee to any liability or impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Capital Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

8 Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating:

- (i) that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Capital Securities is satisfied;
- (ii) in the case of a Withholding Tax Event, that the Issuer is unable to avoid paying additional amounts by taking measures reasonably available to it; and
- (iii) in the case of a substitution or variation pursuant to Condition 7, that:
 - (a) the Issuer has determined that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the Capital Securities and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;
 - (b) the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue; and
 - (c) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Special Event.

The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Capital Securities in accordance with Condition 6 shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Condition 5(b)(iii) on or prior to the date of such redemption.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9 Purchases and Cancellation

(a) Purchases

Each of the Issuer and any of its Subsidiaries may at any time purchase beneficially for its account any or all Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

All Capital Securities purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent.

(b) Cancellation

All Capital Securities redeemed or substituted by the Issuer pursuant to Condition 6 or Condition 7, as the case may be, and all Capital Securities purchased and surrendered for cancellation pursuant to Condition 9(a), (in each case, together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled.

Capital Securities held by the Issuer and/or any of its Subsidiaries shall not entitle the Holder to vote at any meeting of Holders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 14.

10 Payments

(a) Method of Payment

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a Swedish krona account maintained by the payee with a bank in Stockholm.
- (ii) Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) *Payments Subject to Fiscal Laws*

Payments will be subject in all cases to any (i) fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 and (ii) withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”).

(c) *Days for Payments*

A Capital Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and Stockholm (a “**Payment Day**”). If a due date for payment falls on a day which is not a Payment Day, then the payment shall be available to Holders from the first Payment Day following such due date. No further interest or other payment will be made as a consequence of the day on which the Capital Security or Coupon may be presented for payment under this paragraph falling after the due date.

(d) *Interpretation of principal, premium and interest*

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 12 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11 Default and Enforcement

(a) *Proceedings*

Without prejudice to the Issuer’s right to defer the payment of interest under Condition 5(a), if a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up (whether instituted by the Trustee as aforesaid or otherwise), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Condition 3(a).

(b) *Enforcement*

The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or Condition 11(b) above to enforce the terms of the Trust Deed, the Capital Securities or the Coupons or any other action or step under or pursuant to the Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) ***Right of Holders***

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or being able to prove and/or claim in such Issuer Winding-up, fails to do so within a reasonable period and such failure shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 11.

(e) ***Extent of Holders' Remedy***

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities, the Coupons or the Trust Deed.

12 Taxation

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

- (a) to, or to a third party on behalf of, a Holder or Couponholder who is liable for the Taxes in respect of such Capital Security or Coupon by reason of such holder having some connection with Sweden other than (i) the mere holding of such Capital Security or Coupon or (ii) the receipt of principal, premium or interest in respect of such Capital Security or Coupon; or
- (b) to a Holder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been an Interest Payment Date; or
- (d) presented for payment in Sweden; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) where such withholding or deduction is required by reason of FATCA Withholding; or
- (g) presented for payment by or on behalf of the holder who would be able to avoid such withholding or deduction by presenting the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union (provided such a Paying Agent had been appointed at such time).

13 Prescription

Claims against the Issuer in respect of the Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Capital Securities (in respect of claims relating to principal and premium) and five years in the case of Coupons (in respect of claims relating to interest, including Deferred Interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14 Meetings of Holders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Holders holding not less than five per cent. in nominal amount of the Capital Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or Coupons (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, premium or interest (including Deferred Interest) in respect of the Capital Securities and reducing or cancelling the principal amount of any Capital Securities, any premium or any Interest Rate) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through relevant clearing systems (in a form satisfactory to the Trustee) by or on behalf of the Holders representing 75 per cent. or more in

nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Capital Securities so that they remain or become Qualifying Capital Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for an Issuer Winding-up in circumstances which are more extensive than those set out in Condition 11). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 18, as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution pursuant to Condition 15), the Trustee shall have regard to the interests of the Holders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Holders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

15 Substitution

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer (or, if applicable, its successor in business, as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of:

- (a) the successor in business of the Issuer; or
- (b) another company being a wholly-owned direct or indirect finance Subsidiary of the Issuer (or its successor in business as aforesaid),

subject to:

- (i) in the case of (b) above, the Capital Securities being unconditionally and irrevocably guaranteed by the Issuer (or its successor in business) on the same subordinated basis as the Capital Securities under Condition 3;
- (ii) in each case, the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution; and

(iii) certain other conditions set out in the Trust Deed being complied with.

Any substitution effected in accordance with this Condition 15 shall be binding on the Holders and the Couponholders.

The Issuer will (unless the Trustee otherwise agrees) give notice of any substitution pursuant to this Condition 15 to the Holders in accordance with Condition 18 as soon as reasonably practicable (and in any event within 10 days) following such substitution.

16 Replacement of the Capital Securities, Coupons and Talons

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 18, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may reasonably require.

Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before any replacement Capital Securities, Coupons or Talons will be issued.

17 Indemnification of the Trustee

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

18 Notices

All notices regarding the Capital Securities shall be validly given if published in the *Financial Times* (or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe). Any such notice will be deemed to have been given on the date of the first publication in the required newspaper.

For so long as the Capital Securities are listed and/or admitted to trading on any market or stock exchange, notices shall also be published in such manner as may be required or permitted by the rules of such market or stock exchange.

19 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further securities (“**Further Capital Securities**”) having terms and conditions the same as the Capital Securities or the same in all respects save for the amount and date of the first payment of interest on such Further Capital Securities and so that such Further Capital Securities shall be consolidated and form a single series with the outstanding Capital Securities. Any such Further Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

20 Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Trustee, 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 Principal Paying Agent;
- (b) there will at all times be a Paying Agent outside Sweden; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 18.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

21 Governing Law and Submission to Jurisdiction

The Trust Deed, the Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England and Wales, other than the provisions of Condition 3(a) and any non-contractual obligations arising out of or in connection with them which are governed by, and shall be construed in accordance with, the laws of Sweden.

The Issuer has irrevocably agreed in the Trust Deed and the Paying Agency Agreement for the exclusive benefit of the Trustee, the Principal Paying Agent, the Calculation Agent, the Holders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Capital Securities and the Coupons (including any disputes relating to any non-contractual obligations arising out of, or in connection with them) and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

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

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Capital Securities and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

22 **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

23 **Definitions**

In these Conditions:

“**2005 Perpetual Capital Securities**” means the €1,000,000,000 Capital Securities originally issued by Vattenfall Treasury AB (publ) and unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer, and in respect of which the Issuer was substituted as issuer with effect from 26 April 2010 (ISIN: XS0223129445).

“**2027 Step-up Date**” means the Interest Payment Date falling in March 2027;

“**2042 Step-up Date**” means the Interest Payment Date falling in March 2042;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and Stockholm;

“**Calculation Agent**” means Citibank, N.A., London Branch, or any successor appointed in accordance with the Paying Agency Agreement;

“**Calculation Amount**” means SEK10,000;

“**Capital Securities**” has the meaning given in the preamble to these Conditions;

“**Conditions**” means these terms and conditions of the Capital Securities, as amended from time to time;

“**Coupon**” has the meaning given in the preamble to these Conditions;

“**Couponholder**” has the meaning given in the preamble to these Conditions;

“**Day Count Fraction**” means “Actual/360”, the actual number of days in the Interest Period divided by 360;

“**Deferral Notice**” has the meaning given in Condition 5(a);

“**Deferred Interest**” has the meaning given in Condition 5(a);

A “**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer; and/or

- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in the case of (b) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in connection with, or for the purpose of (1) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and
- (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value;

“**FATCA Withholding**” has the meaning given in Condition 10(b);

“**First Call Date**” means the Interest Payment Date falling in March 2022;

“**Further Capital Securities**” has the meaning given in Condition 19;

“**Holder**” has the meaning given in the preamble to these Conditions;

“**Initial Interest Rate**” has the meaning given in Condition 4(c);

“**Interest Amount**” has the meaning given in Condition 4(e);

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” has the meaning given in Condition 4(a);

“**Interest Period**” means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the Initial Interest Rate or the relevant Step-up Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 4(a);

“**Issuer**” means Vattenfall AB (publ);

“**Issuer Winding-up**” has the meaning given in Condition 3(a);

“**Maturity Date**” means the Interest Payment Date falling in March 2077;

“**Moody's**” means Moody's Investors Service Limited and/or its affiliates and/or successors in business;

“**NC7 Fixed Rate Reset Capital Securities**” means the Issuer’s SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077 (ISIN: XS1205627547);

“**NC12 Capital Securities**” means the Issuer’s €1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077 (ISIN: XS1205618470);

“**Parity Securities**” means any obligations of:

- (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities (and which shall include, for so long as any of the same remain outstanding, the NC7 Fixed Rate Reset Capital Securities and the NC12 Capital Securities and the 2005 Perpetual Capital Securities); and
- (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Payment Day**” has the meaning given to it in Condition 10(c);

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Capital Securities**” means securities that contain terms not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Capital Securities), provided that:

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and
- (c) they shall contain terms which provide for the same interest rate from time to time applying to the Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under the Capital Securities to any accrued interest, any Deferred Interest and any other amounts payable under the Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Capital Securities immediately prior to such exchange or variation (if any); and

- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Rating Event or, as the case may be, a Withholding Tax Event; and
- (i) they shall be (A) listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's regulated market or (B) admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC as selected by the Issuer and approved by the Trustee;

"Rating Agency" means Moody's, Standard and Poor's and any other rating agency of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer and, in each case, their successors or affiliates;

a **"Rating Downgrade"** shall be deemed to have occurred if the rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating ("Baa3", "BBB-" or better) to a non-investment grade rating ("Ba1", "BB+" or worse);

a **"Rating Event"** shall be deemed to occur if the Issuer has received confirmation from any Rating Agency either directly or via a publication by such Rating Agency, that either:

- (i) an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable); or
- (ii) a Rating Downgrade has occurred,

and, in either case, this has resulted in lower equity credit for the Capital Securities than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

"Relevant Date" means:

- (a) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders by or on behalf of the Issuer or the Trustee in accordance with Condition 18; and
- (b) in respect of any sum to be paid by or on behalf of the Issuer in an Issuer Winding-up, the date which is one day prior to the date on which an order is made or a resolution is passed for such Issuer Winding-up;

"Special Event" means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event, a Withholding Tax Event, or any combination of the foregoing;

"Standard and Poor's" means Standard & Poor's Credit Market Services Europe Limited and/or its affiliates and/or successors in business;

"Step-up Interest Rate" has the meaning given to it in Condition 4(f);

“**Subordinated Indebtedness**” means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities;

“**Subsidiary**” has the meaning provided in the Swedish Companies Act and “**Subsidiaries**” shall be construed accordingly;

a “**Substantial Repurchase Event**” shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 80 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

“**Swedish Companies Act**” means The Companies Act (*Aktiebolagslagen (2005:551)*);

“**Swedish krona**” or “**SEK**” means the lawful currency of Sweden;

“**Talons**” has the meaning given in the preamble to these Conditions;

“**Tax Deductibility Event**” means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any interest payments under the Capital Securities were, but are no longer, tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer; “**Tax Law Change**” means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in, the laws or treaties (or any regulations thereunder) of Sweden affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

“**Taxes**” has the meaning given in Condition 12;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions; and

a “**Withholding Tax Event**” shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 12 and the Issuer cannot avoid the foregoing by taking reasonable measures available to it.

The following text in italics does not form part of the Conditions:

In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to the Conditions, the Issuer intends (though does not have an obligation to do so) to raise proceeds at least equal to the amount payable on redemption or repurchase, within the 12 months preceding the redemption or repurchase becoming effective, by the issue of securities ranking junior to, or pari passu with, the Capital

Securities and/or by the issue of ordinary shares or sale of existing ordinary shares (save for shares purchased against cash within a period of 12 months prior to the relevant sales date of the respective existing ordinary shares) in each case with an aggregate “equity credit” from Standard and Poor’s (“S&P”) that is at least equal to the aggregate “equity credit” then assigned to the Capital Securities, unless:

- (a) the issuer rating assigned by S&P to the Issuer is at least “A-” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such a rating would not fall below this level as a result of such redemption or repurchase, or*
- (b) the stand-alone credit profile assigned by S&P to the Issuer is at least “bbb+” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such stand-alone credit profile would not fall below this level as a result of such redemption or repurchase; or*
- (c) the Capital Securities do not receive an “equity credit” from S&P at the time of such redemption or purchase, or*
- (d) in the case of a repurchase only, such repurchase is in an aggregate principal amount not greater than (x) 10 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 10 consecutive years; or*
- (e) such redemption or repurchase occurs on or after the 2042 Step-up Date, or*
- (f) such redemption is pursuant to a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event (to the extent it is triggered by a change of methodology by S&P) or a Withholding Tax Event.*

Terms and Conditions of the NC12 Capital Securities

The following, except for paragraphs in italics, are the terms and conditions of the NC12 Capital Securities which will be endorsed on each NC12 Capital Security in definitive form (if issued).

The issue of the €1,000,000,000 Subordinated Fixed Rate Reset 12 year Non-Call Capital Securities due 2077 (the “**Capital Securities**”, which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 19 and forming a single series with the Capital Securities) of Vattenfall AB (publ) (the “**Issuer**”) was authorised by a resolution of the Board of Directors of the Issuer passed on 29 October 2014. The Capital Securities are constituted by a trust deed (the “**Trust Deed**”) dated 19 March 2015 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Capital Securities (the “**Holders**”, and references to a “holder” of Capital Securities shall be construed accordingly). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Capital Securities, the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”) and the Talons appertaining to Capital Securities in definitive form. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the “**Paying Agency Agreement**”) dated 19 March 2015 relating to the Capital Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Paying Agency Agreement from time to time, the “**Paying Agents**”, and each a “**Paying Agent**”) and the Trustee are available for inspection during usual business hours at the registered office for the time being of the Trustee, being, as of the Issue Date, at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the Paying Agents, being at the date of these Conditions at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Holders and the holders of the Coupons (whether or not attached to the relevant Capital Securities) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions of the Paying Agency Agreement applicable to them.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Capital Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and a Talon attached on issue. No definitive Capital Securities will be issued with a denomination above €199,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

(b) *Title*

Title to the Capital Securities, Coupons and Talons passes by delivery. The holder of any Capital Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Capital Securities and the Coupons

The Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a).

3 Subordination and rights on a winding-up

(a) *Rights on a winding-up*

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer (each an “**Issuer Winding-up**”), the Holders (or the Trustee on their behalf) shall, in respect of their Capital Securities, have a claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
- (ii) in priority to all present or future claims in respect of (A) any share capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and
- (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

(b) *Set-off*

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities or the Coupons and each Holder and Couponholder shall, by virtue of its holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) *Interest Payment Dates*

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 19 March 2015 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Capital Securities annually in arrear on 19 March in each year (each an “**Interest Payment Date**”) from (and including) 19 March 2016.

(b) *Interest Accrual*

The Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Capital Securities, both before and after judgment, and shall be payable as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or, as the case may be, the first) scheduled Interest Payment Date (the “**day-count fraction**”). Where it is necessary to compute an amount of interest in respect of any Capital Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the period exceeding the full year calculated in the manner as aforesaid.

Interest in respect of any Capital Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of a Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Capital Security without any further rounding.

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period commencing prior to the First Reset and Step-up Date is 3.00 per cent. per annum (the “**Initial Interest Rate**”).

The Interest Payment in respect of each such Interest Period will amount to €30 per Calculation Amount (and any such Interest Payment may be deferred in accordance with Condition 5).

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year Euro Mid-Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a “**Reset Interest Rate**”).

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent shall, at or as soon as practicable after 11.00 a.m. (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the Reset Period commencing immediately following such Reset Interest Determination Date and shall calculate the amount of interest which will (subject to deferral in accordance with Condition 5) be payable per Calculation Amount in respect of each such Interest Period (the “**Interest Amount**”).

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the Capital Securities are to be redeemed, the Issuer shall cause notice of each Reset Interest Rate and the related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 18, the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Reset Period.

(g) ***Calculation Agent***

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required

pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent approved by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Issuer and the Trustee shall approve.

(h) *Determinations of Calculation Agent Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Optional Interest Deferral

(a) *Deferral of Interest Payments*

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date or any other Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

Any Interest Payment so deferred pursuant to this Condition 5(a) shall, from (and including) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (but excluding) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute “**Deferred Interest**”.

The deferral of an Interest Payment in accordance with this Condition 5(a) shall not constitute a default by the Issuer under the Capital Securities or the Trust Deed or for any other purpose.

(b) *Settlement of Deferred Interest*

Optional Settlement

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;

- (ii) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 or Condition 11.

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent within three Business Days of such event.

6 Redemption

(a) *Final Redemption Date*

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the Capital Securities will be redeemed on the Maturity Date at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the Maturity Date.

(b) *Issuer's Call Option*

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities on the First Reset and Step-up Date or on any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(c) *Redemption upon a Tax Deductibility Event or a Rating Event*

If a Tax Deductibility Event or a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before the First Reset and Step-up Date; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the First Reset and Step-up Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(d) *Redemption upon a Withholding Tax Event or a Substantial Repurchase Event*

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8, redeem all, but

not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

7 Substitution or Variation

If at any time a Tax Deductibility Event, a Rating Event or a Withholding Tax Event has occurred on or after the Issue Date and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Capital Securities for; or
- (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be,

Qualifying Capital Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate by two authorised signatories of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 7.

The Trustee shall (at the expense of the Issuer) use reasonable endeavours to assist the Issuer in the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they remain or, as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would expose the Trustee to any liability or impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Capital Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

8 Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating:

- (i) that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Capital Securities is satisfied;
- (ii) in the case of a Withholding Tax Event, that the Issuer is unable to avoid paying additional amounts by taking measures reasonably available to it; and

- (iii) in the case of a substitution or variation pursuant to Condition 7, that:
 - (a) the Issuer has determined that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the Capital Securities and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;
 - (b) the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue; and
 - (c) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Special Event.

The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Capital Securities in accordance with Condition 6 shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Condition 5(b)(iii) on or prior to the date of such redemption.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9 Purchases and Cancellation

(a) Purchases

Each of the Issuer and any of its Subsidiaries may at any time purchase beneficially for its account any or all Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

All Capital Securities purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent.

(b) Cancellation

All Capital Securities redeemed or substituted by the Issuer pursuant to Condition 6 or Condition 7, as the case may be, and all Capital Securities purchased and surrendered for cancellation pursuant to Condition 9(a), (in each case, together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled.

Capital Securities held by the Issuer and/or any of its Subsidiaries shall not entitle the Holder to vote at any meeting of Holders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 14.

10 Payments

(a) Method of Payment

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any

of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

- (ii) Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) *Payments Subject to Fiscal Laws*

Payments will be subject in all cases to any (i) fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 and (ii) withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”).

(c) *Days for Payments*

A Capital Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and Stockholm (and, in the case of payment by transfer to a euro account, a day on which the TARGET System is operating) (a “**Payment Day**”). If a due date for payment falls on a day which is not a Payment Day, then the payment shall be available to Holders from the first Payment Day following such due date. No further interest or other payment will be made as a consequence of the day on which the Capital Security or Coupon may be presented for payment under this paragraph falling after the due date.

(d) *Interpretation of principal, premium and interest*

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 12 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11 Default and Enforcement

(a) *Proceedings*

Without prejudice to the Issuer’s right to defer the payment of interest under Condition 5(a), if a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may, and if so requested in writing by the

holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up (whether instituted by the Trustee as aforesaid or otherwise), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Condition 3(a).

(b) *Enforcement*

The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or Condition 11(b) above to enforce the terms of the Trust Deed, the Capital Securities or the Coupons or any other action or step under or pursuant to the Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Right of Holders*

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or being able to prove and/or claim in such Issuer Winding-up, fails to do so within a reasonable period and such failure shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 11.

(e) *Extent of Holders' Remedy*

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities, the Coupons or the Trust Deed.

12 Taxation

All payments of principal, premium and interest (including Deferred Interest) in respect of the Capital Securities and the Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges ("**Taxes**") of whatever nature imposed or levied by or on behalf of Sweden or any political subdivision of, or any authority in, or of, Sweden having power to tax, unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer will pay

such additional amounts as shall be necessary in order that the net amounts received by the Holders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal, premium and interest (including Deferred Interest) which would have been receivable in respect of the Capital Securities or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Capital Security or Coupon:

- (a) to, or to a third party on behalf of, a Holder or Couponholder who is liable for the Taxes in respect of such Capital Security or Coupon by reason of such holder having some connection with Sweden other than (i) the mere holding of such Capital Security or Coupon or (ii) the receipt of principal, premium or interest in respect of such Capital Security or Coupon; or
- (b) to a Holder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been an Interest Payment Date; or
- (d) presented for payment in Sweden; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) where such withholding or deduction is required by reason of FATCA Withholding; or
- (g) presented for payment by or on behalf of the holder who would be able to avoid such withholding or deduction by presenting the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union (provided such a Paying Agent had been appointed at such time).

13 Prescription

Claims against the Issuer in respect of the Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Capital Securities (in respect of claims relating to principal and premium) and five years in the case of Coupons (in respect of claims relating to interest, including Deferred Interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14 Meetings of Holders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Holders holding not less than five per cent. in nominal amount of the Capital Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the

business of which includes the modification of certain provisions of the Capital Securities or Coupons (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, premium or interest (including Deferred Interest) in respect of the Capital Securities and reducing or cancelling the principal amount of any Capital Securities, any premium or any Interest Rate) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through relevant clearing systems (in a form satisfactory to the Trustee) by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Capital Securities so that they remain or become Qualifying Capital Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for an Issuer Winding-up in circumstances which are more extensive than those set out in Condition 11). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 18, as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution pursuant to Condition 15), the Trustee shall have regard to the interests of the Holders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Holders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

15 Substitution

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer (or, if applicable, its successor in business, as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of:

- (a) the successor in business of the Issuer; or
- (b) another company being a wholly-owned direct or indirect finance Subsidiary of the Issuer (or its successor in business as aforesaid),

subject to:

- (i) in the case of (b) above, the Capital Securities being unconditionally and irrevocably guaranteed by the Issuer (or its successor in business) on the same subordinated basis as the Capital Securities under Condition 3;
- (ii) in each case, the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution; and
- (iii) certain other conditions set out in the Trust Deed being complied with.

Any substitution effected in accordance with this Condition 15 shall be binding on the Holders and the Couponholders.

The Issuer will (unless the Trustee otherwise agrees) give notice of any substitution pursuant to this Condition 15 to the Holders in accordance with Condition 18 as soon as reasonably practicable (and in any event within 10 days) following such substitution.

16 Replacement of the Capital Securities, Coupons and Talons

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 18, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may reasonably require.

Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before any replacement Capital Securities, Coupons or Talons will be issued.

17 Indemnification of the Trustee

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

18 Notices

All notices regarding the Capital Securities shall be validly given if published in the *Financial Times* (or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe). Any such notice will be deemed to have been given on the date of the first publication in the required newspaper.

For so long as the Capital Securities are listed and/or admitted to trading on any market or stock exchange, notices shall also be published in such manner as may be required or permitted by the rules of such market or stock exchange.

19 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further securities (“**Further Capital Securities**”) having terms and conditions the same as the Capital Securities or the same in all respects save for the amount and date of the first payment of interest on such Further Capital Securities and so that such Further Capital Securities shall be consolidated and form a single series with the outstanding Capital Securities. Any such Further Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

20 Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Trustee, 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 Principal Paying Agent;
- (b) there will at all times be a Paying Agent outside Sweden; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 18.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

21 Governing Law and Submission to Jurisdiction

The Trust Deed, the Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England and Wales, other than the provisions of Condition 3(a) and any non-contractual obligations arising out of or in connection with them which are governed by, and shall be construed in accordance with, the laws of Sweden.

The Issuer has irrevocably agreed in the Trust Deed and the Paying Agency Agreement for the exclusive benefit of the Trustee, the Principal Paying Agent, the Calculation Agent, the Holders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in

connection with the Trust Deed, the Capital Securities and the Coupons (including any disputes relating to any non-contractual obligations arising out of, or in connection with them) and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

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

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Capital Securities and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

22 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

23 Definitions

In these Conditions:

“**5 Year Euro Mid-Swap Rate**” means, with respect to a Reset Period:

- (a) the mid swap rate for euro swap transactions with a maturity of 5 years (“**5 Year Euro Mid-Swap**”), as published on Reuters screen “**ISDAFIX2**” under “**Euribor Basis EUR**” (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in euro) (the “**Mid-Swap Page**”), as at approximately 11.00 a.m. (Central European time) on the Reset Interest Determination Date applicable to such Reset Period; or
- (b) if, on the Reset Interest Determination Date applicable to such Reset Period, no rate is calculated and published on the Mid-Swap Page, the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the quotations offered by the Reset Reference Banks at approximately 11.00 a.m. (Central European time) on such Reset Interest Determination Date, to prime banks in the European market for 5 Year Euro Mid-Swap in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time; provided that if fewer than two rates are so quoted, the 5 Year Euro Mid-Swap Rate shall be the 5 Year Euro Mid-Swap Rate determined by the Calculation Agent for the previous Reset Period or, in the case of the first Reset Interest Determination Date, 0.739 per cent.

“**2005 Perpetual Capital Securities**” means the €1,000,000,000 Capital Securities originally issued by Vattenfall Treasury AB (publ) and unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer, and in respect of which the Issuer was substituted as issuer with effect from 26 April 2010 (ISIN: XS0223129445).

“**2047 Step-up Date**” means 19 March 2047;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and Stockholm and on which the TARGET System is operating;

“**Calculation Agent**” means Citibank, N.A., London Branch, or any successor appointed in accordance with the Paying Agency Agreement;

“**Calculation Amount**” has the meaning given to it in Condition 4(b);

“**Capital Securities**” has the meaning given in the preamble to these Conditions;

“**Conditions**” means these terms and conditions of the Capital Securities, as amended from time to time;

“**Coupon**” has the meaning given in the preamble to these Conditions;

“**Couponholder**” has the meaning given in the preamble to these Conditions;

“**Deferral Notice**” has the meaning given in Condition 5(a);

“**Deferred Interest**” has the meaning given in Condition 5(a);

A “**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer; and/or
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in the case of (b) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in connection with, or for the purpose of (1) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders’ general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and

(iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value;

“**euro**” or “**€**” means the lawful 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;

“**FATCA Withholding**” has the meaning given in Condition 10(b);

“**First Reset and Step-up Date**” means 19 March 2027;

“**Further Capital Securities**” has the meaning given in Condition 19;

“**Holder**” has the meaning given in the preamble to these Conditions;

“**Initial Interest Rate**” has the meaning given in Condition 4(c);

“**Interest Amount**” has the meaning given in Condition 4(e);

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” has the meaning given in Condition 4(a);

“**Interest Period**” means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 4(a);

“**Issuer**” means Vattenfall AB (publ);

“**Issuer Winding-up**” has the meaning given in Condition 3(a);

“**Margin**” means:

(a) in respect of the period from (and including) the First Reset and Step-up Date to (but excluding) the 2047 Step-up Date, 2.511 per cent.; and

(b) in respect of the period from (and including) the 2047 Step-up Date to (but excluding) the Maturity Date, 3.261 per cent.;

“**Maturity Date**” means 19 March 2077;

“**Moody’s**” means Moody’s Investors Service Limited and/or its affiliates and/or successors in business;

“**NC7 Fixed Rate Reset Capital Securities**” means the Issuer’s SEK3,000,000,000 Subordinated Fixed Rate Reset 7 year Non-Call Capital Securities due 2077 (ISIN: XS1205627547);

“**NC7 Floating Rate Capital Securities**” means the Issuer’s SEK3,000,000,000 Subordinated Floating Rate 7 year Non-Call Capital Securities due 2077 (ISIN: XS1205625251);

“**Parity Securities**” means any obligations of:

- (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities (and which shall include, for so long as any of the same remain outstanding, the NC7 Fixed Rate Reset Capital Securities, the NC7 Floating Rate Capital Securities and the 2005 Perpetual Capital Securities); and
- (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Payment Day**” has the meaning given to it in Condition 10(c);

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Capital Securities**” means securities that contain terms not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Capital Securities), provided that:

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and
- (c) they shall contain terms which provide for the same interest rate from time to time applying to the Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under the Capital Securities to any accrued interest, any Deferred Interest and any other amounts payable under the Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Rating Event or, as the case may be, a Withholding Tax Event; and

- (i) they shall be (A) listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's regulated market or (B) admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC as selected by the Issuer and approved by the Trustee;

"Rating Agency" means Moody's, Standard and Poor's and any other rating agency of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer and, in each case, their successors or affiliates;

a **"Rating Downgrade"** shall be deemed to have occurred if the rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating ("Baa3", "BBB-" or better) to a non-investment grade rating ("Ba1", "BB+" or worse);

a **"Rating Event"** shall be deemed to occur if the Issuer has received confirmation from any Rating Agency either directly or via a publication by such Rating Agency, that either:

- (i) an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable); or
- (ii) a Rating Downgrade has occurred,

and, in either case, this has resulted in lower equity credit for the Capital Securities than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

"Relevant Date" means:

- (a) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders by or on behalf of the Issuer or the Trustee in accordance with Condition 18; and
- (b) in respect of any sum to be paid by or on behalf of the Issuer in an Issuer Winding-up, the date which is one day prior to the date on which an order is made or a resolution is passed for such Issuer Winding-up;

"Reset Date" means the First Reset and Step-up Date and each fifth anniversary thereof up to and including 19 March 2072;

"Reset Interest Determination Date" means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

"Reset Interest Rate" has the meaning given in Condition 4(d);

"Reset Period" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter;

"Reset Reference Banks" means four major banks in the European inter-bank market selected by the Issuer or the Calculation Agent (in consultation with the Issuer);

"Special Event" means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event, a Withholding Tax Event, or any combination of the foregoing;

“**Standard and Poor’s**” means Standard & Poor’s Credit Market Services Europe Limited and/or its affiliates and/or successors in business;

“**Subordinated Indebtedness**” means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities;

“**Subsidiary**” has the meaning provided in the Swedish Companies Act and “**Subsidiaries**” shall be construed accordingly;

a “**Substantial Repurchase Event**” shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 80 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

“**Swedish Companies Act**” means The Companies Act (*Aktiebolagslagen (2005:551)*);

“**Talons**” has the meaning given in the preamble to these Conditions;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“**Tax Deductibility Event**” means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any interest payments under the Capital Securities were, but are no longer, tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer; “**Tax Law Change**” means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in, the laws or treaties (or any regulations thereunder) of Sweden affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

“**Taxes**” has the meaning given in Condition 12;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions; and

a “**Withholding Tax Event**” shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 12 and the Issuer cannot avoid the foregoing by taking reasonable measures available to it.

The following text in italics does not form part of the Conditions:

In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to the Conditions, the Issuer intends (though does not have an obligation to do so) to raise proceeds at least equal to the amount payable on redemption or repurchase, within the 12 months preceding the redemption or repurchase becoming effective, by the issue of securities ranking junior to, or pari passu with, the Capital Securities and/or by the issue of ordinary shares or sale of existing ordinary shares (save for shares purchased against cash within a period of 12 months prior to the relevant sales date of the respective existing ordinary shares) in each case with an aggregate “equity credit” from Standard and Poor’s (“S&P”) that is at least equal to the aggregate “equity credit” then assigned to the Capital Securities, unless:

- (a) the issuer rating assigned by S&P to the Issuer is at least “A-” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such a rating would not fall below this level as a result of such redemption or repurchase, or*
- (b) the stand-alone credit profile assigned by S&P to the Issuer is at least “bbb+” (or such equivalent nomenclature then used by S&P) and the Issuer is comfortable that such stand-alone credit profile would not fall below this level as a result of such redemption or repurchase; or*
- (c) the Capital Securities do not receive an “equity credit” from S&P at the time of such redemption or purchase, or*
- (d) in the case of a repurchase only, such repurchase is in an aggregate principal amount not greater than (x) 10 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Capital Securities originally issued (including any Further Capital Securities) in any period of 10 consecutive years; or*
- (e) such redemption or repurchase occurs on or after the 2047 Step-up Date, or*
- (f) such redemption is pursuant to a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event (to the extent it is triggered by a change of methodology by S&P) or a Withholding Tax Event.*

Summary of provisions relating to the Capital Securities in Global Form

Part A - Provisions relating to the NC7 Fixed Rate Reset Capital Securities whilst in global form

Global Capital Securities and Definitive Capital Securities

The NC7 Fixed Rate Reset Capital Securities will initially be represented by a temporary global capital security (the “**NC7 Fixed Rate Reset Temporary Global Capital Security**”) which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The NC7 Fixed Rate Reset Temporary Global Capital Security will be exchangeable in whole or in part for interests in a permanent global capital security (the “**NC7 Fixed Rate Reset Permanent Global Capital Security**”) not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the NC7 Fixed Rate Reset Temporary Global Capital Security unless exchange for interests in the NC7 Fixed Rate Reset Permanent Global Capital Security is improperly withheld or refused. In addition, interest payments in respect of the NC7 Fixed Rate Reset Temporary Global Capital Security cannot be collected without such certification of non-U.S. beneficial ownership.

The NC7 Fixed Rate Reset Permanent Global Capital Security will become exchangeable in whole, but not in part, for NC7 Fixed Rate Reset Capital Securities in definitive form (the “**NC7 Fixed Rate Reset Definitive Capital Securities**”) in the denominations of SEK1,000,000 and integral multiples of SEK10,000 in excess thereof up to and including SEK1,990,000, at the request of the bearer of the NC7 Fixed Rate Reset Permanent Global Capital Security against presentation and surrender of the NC7 Fixed Rate Reset Permanent Global Capital Security to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11(a) occurs.

Whenever the NC7 Fixed Rate Reset Permanent Global Capital Security is to be exchanged for NC7 Fixed Rate Reset Definitive Capital Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such NC7 Fixed Rate Reset Definitive Capital Securities, duly authenticated and with Coupons (and, if applicable a Talon) attached, in an aggregate principal amount equal to the principal amount of the NC7 Fixed Rate Reset Permanent Global Capital Security to the bearer of the NC7 Fixed Rate Reset Permanent Global Capital Security against the surrender of the NC7 Fixed Rate Reset Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

Modifications to the terms of the NC7 Fixed Rate Reset Capital Securities whilst in global form

In addition, the NC7 Fixed Rate Reset Temporary Global Capital Security and the NC7 Fixed Rate Reset Permanent Global Capital Security will contain provisions which modify the Conditions as they apply to the NC7 Fixed Rate Reset Capital Securities for so long as they are represented by the NC7 Fixed Rate Reset Temporary Global Capital Security and/or the NC7 Fixed Rate Reset Permanent Global Capital Security. The following is a summary of certain of those provisions:

Payments

All payments in respect of the NC7 Fixed Rate Reset Temporary Global Capital Security and the NC7 Fixed Rate Reset Permanent Global Capital Security will be made to, or to the order of, the bearer of the same against presentation and (in the case of payment of principal in full with all Deferred Interest and any other interest accrued thereon) surrender of the NC7 Fixed Rate Reset Temporary Global Capital Security or (as the

case may be) the NC7 Fixed Rate Reset Permanent Global Capital Security to any Paying Agent, and each payment so made will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant amount so paid on the NC7 Fixed Rate Reset Capital Securities.

On each occasion on which a payment of principal or interest is made in respect of the NC7 Fixed Rate Reset Temporary Global Capital Security or the NC7 Fixed Rate Reset Permanent Global Capital Security, the Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of interest

For so long as all of the NC7 Fixed Rate Reset Capital Securities are represented by the NC7 Fixed Rate Reset Temporary Global Capital Security and/or the NC7 Fixed Rate Reset Permanent Global Capital Security (as the case may be), interest shall be calculated in respect of the entire principal amount of NC7 Fixed Rate Reset Capital Securities represented by the NC7 Fixed Rate Reset Temporary Global Capital Security and/or the NC7 Fixed Rate Reset Permanent Global Capital Security (as the case may be) and not per Calculation Amount as provided in Condition 4(b).

Transfers

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Redemption and cancellation

Any redemption or purchase and cancellation of any NC7 Fixed Rate Reset Capital Securities will be effected by a corresponding reduction in the nominal amount of the NC7 Fixed Rate Reset Temporary Global Capital Security or NC7 Fixed Rate Reset Permanent Global Capital Security representing such NC7 Fixed Rate Reset Capital Securities.

Notices

For so long as all of the NC7 Fixed Rate Reset Capital Securities are represented by the NC7 Fixed Rate Reset Temporary Global Capital Security and/or the NC7 Fixed Rate Reset Permanent Global Capital Security (as the case may be) and the same are deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given, in lieu of publication as provided in Condition 18, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for onwards transmission to the Holders and, in any case, such notice shall be deemed to have been given to the Holders on the date of delivery of the notice to Euroclear and Clearstream, Luxembourg.

For so long as such NC7 Fixed Rate Reset Capital Securities are admitted to listing and/or trading on any market or stock exchange, notice shall also be given in such manner as may be required or permitted by the rules of such market or stock exchange.

Clearing Systems

References herein to Euroclear and Clearstream, Luxembourg shall include any successor or other clearing system approved by the Trustee in which the NC7 Fixed Rate Reset Capital Securities may be cleared and/or traded from time to time.

Part B - Provisions relating to the NC7 Floating Rate Capital Securities whilst in global form

Global Capital Securities and Definitive Capital Securities

The NC7 Floating Rate Capital Securities will initially be represented by a temporary global capital security (the “**NC7 Floating Rate Temporary Global Capital Security**”) which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The NC7 Floating Rate Temporary Global Capital Security will be exchangeable in whole or in part for interests in a permanent global capital security (the “**NC7 Floating Rate Permanent Global Capital Security**”) not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the NC7 Floating Rate Temporary Global Capital Security unless exchange for interests in the NC7 Floating Rate Permanent Global Capital Security is improperly withheld or refused. In addition, interest payments in respect of the NC7 Floating Rate Temporary Global Capital Security cannot be collected without such certification of non-U.S. beneficial ownership.

The NC7 Floating Rate Permanent Global Capital Security will become exchangeable in whole, but not in part, for NC7 Floating Rate Capital Securities in definitive form (the “**NC7 Floating Rate Definitive Capital Securities**”) in the denominations of SEK1,000,000 and integral multiples of SEK10,000 in excess thereof up to and including SEK1,990,000, at the request of the bearer of the NC7 Floating Rate Permanent Global Capital Security against presentation and surrender of the NC7 Floating Rate Permanent Global Capital Security to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11(a) occurs.

Whenever the NC7 Floating Rate Permanent Global Capital Security is to be exchanged for NC7 Floating Rate Definitive Capital Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such NC7 Floating Rate Definitive Capital Securities, duly authenticated and with Coupons (and, if applicable a Talon) attached, in an aggregate principal amount equal to the principal amount of the NC7 Floating Rate Permanent Global Capital Security to the bearer of the NC7 Floating Rate Permanent Global Capital Security against the surrender of the NC7 Floating Rate Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

Modifications to the terms of the NC7 Floating Rate Capital Securities whilst in global form

In addition, the NC7 Floating Rate Temporary Global Capital Security and the NC7 Floating Rate Permanent Global Capital Security will contain provisions which modify the Conditions as they apply to the NC7 Floating Rate Capital Securities for so long as they are represented by the NC7 Floating Rate Temporary Global Capital Security and/or the NC7 Floating Rate Permanent Global Capital Security. The following is a summary of certain of those provisions:

Payments

All payments in respect of the NC7 Floating Rate Temporary Global Capital Security and the NC7 Floating Rate Permanent Global Capital Security will be made to, or to the order of, the bearer of the same against presentation and (in the case of payment of principal in full with all Deferred Interest and any other interest accrued thereon) surrender of the NC7 Floating Rate Temporary Global Capital Security or (as the case may be) the NC7 Floating Rate Permanent Global Capital Security to any Paying Agent, and each payment so made will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant amount so paid on the NC7 Floating Rate Capital Securities.

On each occasion on which a payment of principal or interest is made in respect of the NC7 Floating Rate Temporary Global Capital Security or the NC7 Floating Rate Permanent Global Capital Security, the Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of interest

For so long as all of the NC7 Floating Rate Capital Securities are represented by the NC7 Floating Rate Temporary Global Capital Security and/or the NC7 Floating Rate Permanent Global Capital Security (as the case may be), interest shall be calculated in respect of the entire principal amount of NC7 Floating Rate Capital Securities represented by the NC7 Floating Rate Temporary Global Capital Security and/or the NC7 Floating Rate Permanent Global Capital Security (as the case may be) and not per Calculation Amount as provided in the Conditions.

Transfers

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Redemption and cancellation

Any redemption or purchase and cancellation of any NC7 Floating Rate Capital Securities will be effected by a corresponding reduction in the nominal amount of the NC7 Floating Rate Temporary Global Capital Security or NC7 Floating Rate Permanent Global Capital Security representing such NC7 Floating Rate Capital Securities.

Notices

For so long as all of the NC7 Floating Rate Capital Securities are represented by the NC7 Floating Rate Temporary Global Capital Security and/or the NC7 Floating Rate Permanent Global Capital Security (as the case may be) and the same are deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given, in lieu of publication as provided in Condition 18, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for onwards transmission to the Holders and, in any case, such notice shall be deemed to have been given to the Holders on the date of delivery of the notice to Euroclear and Clearstream, Luxembourg.

For so long as such NC7 Floating Rate Capital Securities are admitted to listing and/or trading on any market or stock exchange, notice shall also be given in such manner as may be required or permitted by the rules of such market or stock exchange.

Clearing Systems

References herein to Euroclear and Clearstream, Luxembourg shall include any successor or other clearing system approved by the Trustee in which the NC7 Floating Rate Capital Securities may be cleared and/or traded from time to time.

Part C - Provisions relating to the NC12 Capital Securities whilst in global form

Global Capital Securities and Definitive Capital Securities

The NC12 Capital Securities will initially be represented by a temporary global capital security (the “**NC12 Temporary Global Capital Security**”) which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The NC12 Temporary Global Capital Security will be exchangeable in whole or in part for interests in a permanent global capital security (the “**NC12 Permanent Global Capital Security**”) not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the NC12 Temporary Global Capital Security unless exchange for interests in the NC12 Permanent Global Capital Security is improperly withheld or refused. In addition, interest payments in respect of the NC12 Temporary Global Capital Security cannot be collected without such certification of non-U.S. beneficial ownership.

The NC12 Permanent Global Capital Security will become exchangeable in whole, but not in part, for NC12 Capital Securities in definitive form (the “**NC12 Definitive Capital Securities**”) in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, at the request of the bearer of the NC12 Permanent Global Capital Security against presentation and surrender of the NC12 Permanent Global Capital Security to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11(a) occurs.

Whenever the NC12 Permanent Global Capital Security is to be exchanged for NC12 Definitive Capital Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such NC12 Definitive Capital Securities, duly authenticated and with Coupons (and, if applicable a Talon) attached, in an aggregate principal amount equal to the principal amount of the NC12 Permanent Global Capital Security to the bearer of the NC12 Permanent Global Capital Security against the surrender of the NC12 Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

Modifications to the terms of the NC12 Capital Securities whilst in global form

In addition, the NC12 Temporary Global Capital Security and the NC12 Permanent Global Capital Security will contain provisions which modify the Conditions as they apply to the NC12 Capital Securities for so long as they are represented by the NC12 Temporary Global Capital Security and/or the NC12 Permanent Global Capital Security. The following is a summary of certain of those provisions:

Payments

All payments in respect of the NC12 Temporary Global Capital Security and the NC12 Permanent Global Capital Security will be made to, or to the order of, the bearer of the same against presentation and (in the case of payment of principal in full with all Deferred Interest and any other interest accrued thereon) surrender of the NC12 Temporary Global Capital Security or (as the case may be) the NC12 Permanent Global Capital Security to any Paying Agent, and each payment so made will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant amount so paid on the NC12 Capital Securities.

On each occasion on which a payment of principal or interest is made in respect of the NC12 Temporary Global Capital Security or the NC12 Permanent Global Capital Security, the Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of interest

For so long as all of the NC12 Capital Securities are represented by the NC12 Temporary Global Capital Security and/or the NC12 Permanent Global Capital Security (as the case may be), interest shall be calculated in respect of the entire principal amount of NC12 Capital Securities represented by the NC12 Temporary Global Capital Security and/or the NC12 Permanent Global Capital Security (as the case may be) and not per Calculation Amount as provided in Condition 4(b).

Transfers

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Redemption and cancellation

Any redemption or purchase and cancellation of any NC12 Capital Securities will be effected by a corresponding reduction in the nominal amount of the NC12 Temporary Global Capital Security or NC12 Permanent Global Capital Security representing such NC12 Capital Securities.

Notices

For so long as all of the NC12 Capital Securities are represented by the NC12 Temporary Global Capital Security and/or the NC12 Permanent Global Capital Security (as the case may be) and the same are deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given, in lieu of publication as provided in Condition 18, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for onwards transmission to the Holders and, in any case, such notice shall be deemed to have been given to the Holders on the date of delivery of the notice to Euroclear and Clearstream, Luxembourg.

For so long as such NC12 Capital Securities are admitted to listing and/or trading on any market or stock exchange, notice shall also be given in such manner as may be required or permitted by the rules of such market or stock exchange.

Clearing Systems

References herein to Euroclear and Clearstream, Luxembourg shall include any successor or other clearing system approved by the Trustee in which the NC12 Capital Securities may be cleared and/or traded from time to time.

Use of Proceeds

The net proceeds of the issue of the Capital Securities will be used by the Issuer for general corporate purposes, including (without limitation) to fund the purchase of the 2005 Perpetual Capital Securities (as defined in the Conditions) pursuant to an any and all cash tender offer announced on 3 March 2015.

Description of The Group

Overview

General and History

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

Group vision and operations

The Issuer's mission, from its owner, is to generate a market rate of return by operating an energy business that enables the Issuer to be among the leaders in developing environmentally sustainable energy production. The Group's main products are electricity, heat and gas. In electricity and heat, the Group works in all parts of the value chain: generation, distribution and sales. In gas, the Group is active in sales, trading and gas-storage. The Group is also engaged in energy trading and lignite mining. The Group has approximately 30,180 employees. The Issuer is the parent company of the Group and is 100 per cent. owned by the Swedish state. The Issuer's activities are conducted on a commercial basis with the Swedish state's involvement limited to the role of a shareholder. Operations in 2014 were conducted in Sweden, Germany, the Netherlands, Denmark, Finland, France, and the United Kingdom (the "UK").

The Group's operations consist largely of production of electricity and heat; lignite mining; distribution of electricity and heat; and sales of electricity, gas and heat, each of which involves slightly varying business models.

Production of electricity and heat is conducted with various types of energy sources as input. Electricity and heat production are competitive businesses, and the marginal cost per produced unit is the most important competitive factor.

Distribution of electricity is a regulated and legally unbundled business where revenue frameworks are set by the regulators, which are intended to cover investment costs and allow a reasonable return on invested capital. Distribution of heat (district heating) is not a regulated business but has characteristics similar to electricity distribution.

Sales of electricity, gas and heat are competitive business, where price and product are the key competitive factors. Add-on services, such as energy efficiency solutions and other advice on sustainable energy, are becoming an increasingly important competitive factor. The new energy landscape is opening a new market for customer-centric services, as many customers are seeking to become more active as consumers and increasingly also want to become electricity producers themselves.

Electricity generation

Electricity generation decreased by 4.8 per cent. to 172.9 TWh in 2014 (181.7 TWh in 2013). Hydro power generation also decreased slightly during the year. Nordic reservoirs were filled slightly below normal levels at the end of 2014. Electricity generation from the Group's nuclear power plants and coal- and gas-fired power plants decreased as well. Nuclear power generation decreased slightly by 3.9 per cent. due to a higher number of outage days in 2014 compared to 2013. Fossil-based power generation (lignite, coal and gas) decreased by 5.7 per cent. in 2014 mainly due to the sale of the Amager combined heat and power station in

Denmark and lower production from combined heat and power plants as a result of warmer weather. The Group's electricity generation from wind power increased by 5.1 per cent in 2014.

Sales of electricity, heat and gas

Total sales of electricity to end customers decreased slightly in 2014 to 199.0 TWh from 203.3 TWh in 2013. Sales of heat decreased in 2014 by 20.5 per cent from 30.3 TWh in 2013 to 24.1 TWh. Sales of gas decreased by 10.3 TWh to 45.5 TWh in 2014. Sales of electricity, heat and gas decreased as a result of warmer weather.

Strategy

The Group's overarching strategy is focused on shifting its portfolio towards more sustainable energy production and strengthening its customer focus. At the same time, the Group should be able to generate a market rate of return for the owner and be a long-term financially stable company. The Group - like many other major European power utilities - is currently facing major challenges and is in the process of adapting to changed market conditions. Its large-scale electricity generation must be adapted to a market characterised by weak demand and considerably lower electricity prices than before. The energy mix must be restructured towards more renewable energy, and costs must be lowered along the entire value chain. The Group must find new financing solutions to be able to increase its investments in renewable energy - mainly wind power. Rising demand from customers and society for new, sustainable products and services must also be met.

The Group's strategy for the years ahead is focused on the following points:

- strengthening customer focus and developing new customer-centric models;
- accelerating the transformation towards more sustainable and flexible generation models; and
- continuing to focus on financial discipline and increased capital efficiency.

A review of the Group's strategic direction is currently ongoing.

New organisational structure

The Group plans to adopt a new organisational structure with effect as of 1 April 2015. In this new structure six cross-borders business areas will replace the existing regional structure. These six business areas are Heat, Wind, Customers & Solutions, Generation, Markets and Distribution. German lignite operations will be governed in a separate unit, Mining & Generation. See "Group Governance, Organisation and Business Structure – Organisation and Business Structure" for further details.

Investment plan for 2015-2016

The Group plans to invest a total of SEK 41 billion during 2015 and 2016, of which SEK 30.8 billion (or 75 per cent.), pertains to investments in electricity and heat production. The Group plans to invest the remainder, SEK 10.2 billion, primarily in electricity and heating networks. Of the investments in electricity and heat production, SEK 11.1 billion or 36 per cent. will be directed to growth investments, i.e., expansion of production capacity. The biggest share of growth investments, SEK 9.1 billion or 82 per cent., is planned for investment in renewable energy generation, mainly wind power.

Group Governance, Organisation and Business Structure

Corporate Governance

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

External rules and regulations:

- Swedish and foreign legal rules, particularly the Swedish Companies Act and the Swedish Annual Accounts Act;
- The Swedish state's ownership policy;
- The Swedish Code of Corporate Governance (the “Code”). Any deviations that the Issuer makes from the Code are mainly due to the fact that the Issuer is 100 per cent. owned by the Swedish state, while the Code is written primarily for listed companies with broad ownership;
- Stock exchange rules. The Issuer adheres to the stock exchange rules that apply for companies that have fixed-income securities registered on Nasdaq OMX Stockholm and rules that apply for other marketplaces in which the Issuer has securities registered;
- International Financial Reporting Standards (IFRS) and other accounting rules; and
- Global Reporting Initiatives (GRI) guidelines G4.

Internal rules and regulations:

- The Articles of Association;
- The Board's Rules of Procedure, including the Chief Executive Officer's (“CEO”) instructions on reporting to the Board; and
- Internal documents, particularly the Vattenfall Management System (“VMS”), which includes the Issuer's Code of Conduct and instructions on roles and responsibilities, and on the delegation of duties.

General on the Corporate Governance; the AGM:

The Issuer is the parent company of the Group, and is a Swedish public limited liability company with its registered office in Solna. The Swedish Companies Act therefore applies to the Issuer, which entails that a company must have a board of directors that is elected by the owner at the Annual General Meeting (“AGM”). The AGM decides the content of the Issuer's Articles of Association and elects auditors (based on the proposal of the owner), adopts the income statement and balance sheet, grants discharge from liability and deals with other matters of business that are incumbent upon the AGM pursuant to the Swedish Companies Act or the Issuer's Articles of Association. Under Swedish law, the AGM will be held within six months after the end of each financial year. The Board, in turn, appoints the President and CEO, who is responsible for the day-to-day administration of the Issuer in accordance with the Board's guidelines and instructions. Large parts of the Group's operations are conducted in wholly and partly owned subsidiaries.

The Board of Directors:

For enterprises that are wholly owned by the Swedish state and that are not listed on a stock market, uniform and joint principles for a structured nomination process are applied to the members of the board. These principles take the place of the Code's rules on proposal decisions for the nomination of board members and auditors. The principles state that the process for nominating directors is co-ordinated by the Ministry of Enterprise and Innovation.

The Issuer's Articles of Association stipulate that the Board shall have a minimum of five and a maximum of ten AGM-elected directors without deputies. The Chairman of the Board shall be elected by the AGM. In accordance with the Swedish state's ownership policy, the Group's CEO is not a director on the Board. The matters reserved for the Board are prescribed primarily by the Swedish Companies Act and the Board's Rules of Procedure. Each year the Board adopts its Rules of Procedure and a number of instructions. The Rules of Procedure and instructions regulate matters such as reporting to the Board, the delegation of duties between

the Board, the CEO and the Board's committees, the Chairman's duties, the form of board meetings, and evaluation of the work of the Board and the CEO. The Board's Rules of Procedure stipulate, among other things, that the Board shall approve major investments, acquisitions and divestments, and adopt central policies and instructions. The Board shall also approve certain important contracts, including contracts between the Group and the CEO, and between the Group and the Deputy CEO and such other persons in the Group who are defined as senior executives by the AGM. The Board's duties pertain to the Issuer as well as the Group. The Chairman leads the work of the Board in accordance with the Swedish Companies Act and the Code, and is responsible for - among other things - ensuring that the board members receive relevant information, making contact with the owner on ownership matters, and conveying views from the owner to the Board.

Directors' compensation and fees for committee work are set by the owner at the AGM, in accordance with the Swedish state's ownership policy.

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

- Strategic plan, business plan, investment plan and communication plan;
- Risk mandate and risk policy;
- Strategic personnel issues; and
- Annual report and quarterly reports.

In addition, a report is presented at every regular meeting on important business events since the previous meeting, the financing situation, reports from board committees and matters that are not handled by the CEO in the day-to-day administration. The Board evaluates its own work and the CEO's work once a year in the aim of improving the Board's processes and effectiveness.

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

Board committees:

The Board has established an Audit Committee, a Remuneration Committee, a Safety and Risk Committee and a Committee on External Relations and Ethics, and has drawn up rules of procedure for each of them. At the statutory board meeting, the Board appointed three directors elected at a general meeting for each committee, one of whom serves as committee chair. In addition, the Board can, where necessary, establish other board committees or temporary work groups to address matters in more defined areas.

The committees report on their work to the Board at the next regular board meeting, where the committee chair presents the report accompanied by minutes of the committee meeting. Except for minor issues considered by the Audit Committee, the committees are only drafting bodies. The Board's legal responsibility under company law for the Issuer's organisation and administration of the Issuer's affairs is not constrained by the committees' work.

The Audit Committee is amongst other things, responsible for meeting with the Group's external and internal auditors on a regular basis in order to stay informed about the planning, focus and scope of the Issuer's audit. The Audit Committee is also responsible for discussing coordination of the external and internal audit work and views of the Issuer's risks. The Audit Committee has the right, on behalf of the Board, to decide on

guidelines for services other than auditing that the Group may procure from the Group's auditors. The internal audit's budget, the Internal Audit Charter and the internal audit plan are decided on by the Board. The Chief Financial Officer ("CFO") and the Head of Internal Audit serve in a reporting role on the Audit Committee.

Internal governance, auditors:

The President of the Issuer, who is also CEO of the Group, is responsible for the day-to-day administration of the Issuer in accordance with the Swedish Companies Act. The CEO has appointed decision-making bodies for governance of the Group and makes decisions independently or with the support of these decision-making bodies. The most important of these decision-making bodies is the Executive Group Management ("EGM") and the Vattenfall Risk Committee ("VRC"). The EGM focuses on the Group's overall direction and decides - within the framework of the CEO's mandate from the Board of Directors - on matters of importance for the Group, such as certain investments. The VRC makes decisions pertaining to, among other things, the risk mandate and credit limits, and exercises oversight of the risk management framework. Both the EGM and the VRC conduct preparatory drafting work on matters that are to be decided by the Board of Directors. No member of the EGM is also a director of the Board.

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

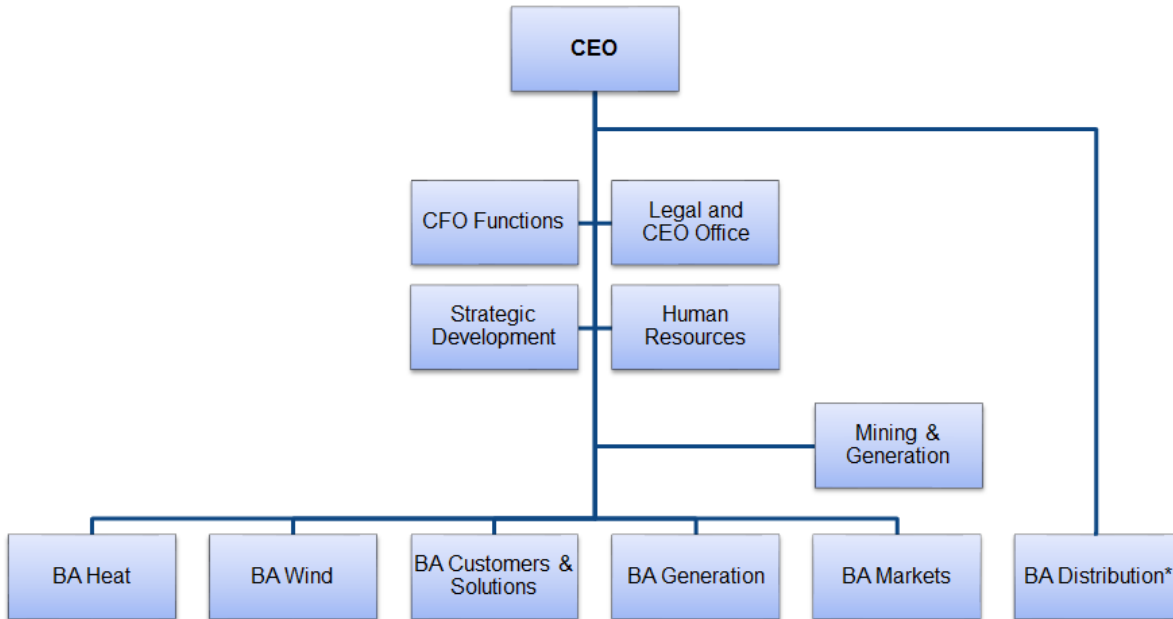
The Issuer's Code of Conduct outlines eight principles in the areas of Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources and the Environment. Information about the Code of Conduct is provided on the Issuer's intranet, through articles in the Group's employee news magazine, and in connection with new hiring and training. These measures have helped make employees more familiar with the Code of Conduct. It also includes clear references to the VMS, which more clearly elaborates on the stipulations of the Code of Conduct. The VMS is the framework that ensures that the Issuer's governance adheres to formal requirements as well as to requirements made by the Board, the CEO, the business operations and the Staff Functions. The VMS is documented in binding governance documents consisting of policies, instructions and process documents on three different levels: company level, function level and business level. The VMS is an integrated management system that applies to the entire Group, along with the limitations that may arise from legal requirements, such as regarding the unbundling of the electricity distribution business.

Organisation and Business Structure

In 2014 the organisational structure for the Group was split into two regions, Nordic and Continental/UK. Asset Optimisation and Trading was operating as a cross regional unit. The Staff Functions were organised at company, region and business unit levels, and were complemented by service units. This will continue to be the organisational structure for 2015 until the new organisation structure described below is adopted.

On 15 January 2015 the Group announced a new organisational structure for the Group. The new structure is planned to take effect 1 April 2015. In this new structure six cross-borders business areas will replace the existing regional structure. These six business areas are Heat, Wind, Customers & Solutions, Generation, Markets and Distribution. German lignite operations will be governed in a separate unit, Mining & Generation. This new structure is intended to put additional focus on actual business as well as on cross border synergies.

Extensive work is being carried out until April 2015 on preparing for the implementation of the new organisational structure which is shown in the table below.



* The electricity distribution operations are legally unbundled and separated from Vattenfall's other operations

Staff functions and Shared Service Centres

A number of Group-wide Staff Functions support the Group's business as well as the decision-making process of the EGM and CEO. The Staff Functions also govern relevant business processes in the Group as a whole. The Staff Functions are managed and co-ordinated centrally with employees located at both the management level and closer to the business. Shared Service Centres ("SSCs") are an important and integral element of the Group's business operations and focus on transaction-related processes. SSCs are led with a focus on process efficiency and utilisation of economies of scale. SSCs provide services and specialist functions which, from a cost perspective, are advantageous to handle and perform on a shared basis.

Insurance cover

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

With respect to dam liability, Swedish dam owners have strict and unlimited liability for damage to third parties caused by dam accidents. In co-operation with other Nordic dam owners, the Group procures dam liability insurance with an insured amount of SEK 8.7 billion. Property insurance for the Group's nuclear power plants is issued by the European Mutual Association for Nuclear Insurance, and for the Swedish nuclear power plants, also by the Nordic Nuclear Insurers. Nuclear liability in Sweden is strict and limited to 300 million Special Drawing Rights (approximately SEK 3.5 billion) which means that owners of nuclear power plants are liable for damage up to this amount. Statutory nuclear liability insurance is issued by the

Nordic Nuclear Insurers and by the mutual insurance company, European Liability Insurance for the Nuclear Industry. In Germany, nuclear liability is strict and unlimited. By law, nuclear power plants are required to have insurance or other financial guarantees for up to EUR 2.5 billion. The German Atomic Insurance Pool issues insurance for up to EUR 256 million, which is complemented up to EUR 2.5 billion by a solidarity agreement (*Solidarvereinbarung*) between the parent companies of the German nuclear operators (Vattenfall GmbH, E.ON, RWE and EnBW). Each party accepts liability vis-à-vis the other parties in proportion to the respective ownership interest the parent companies have in the nuclear power plant. Since the liability is unlimited, the nuclear power plants and their German parent companies are ultimately liable also for amounts in excess of this level.

Pensions

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

Swedish pension plans

The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer and employee organisations. Almost all of the Group's employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP-Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are secured through provisions on the balance sheet.

Certain of the Group's obligations in ITP-Vattenfall (such as spousal benefits and disability pensions) are secured through an insurance policy from Alecta (a Swedish mutual insurance company). According to a statement (UFR 3) issued by the Swedish Financial Reporting Board, this plan is a multi-employer defined benefit plan. As in previous years, the Group has not had access to such information to make it possible to report this plan as a defined benefit plan.

German pension plans

The pension plans in Germany are based on collective agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany. Two pension plans exist, both secured through Pensionskasse der Bewag, a mutual insurance company. Obligations are secured through funds paid in the Group and its employees. One plan has been classified as a defined contribution plan and is reported as such since the benefit is based on paid-in contributions and Pensionskasse der Bewag's financial position. For employees who began their employment before 1 January 1984, there is a supplementary agreement providing employees working until retirement age with a pension equal to up to 80 per cent. of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Vattenfall GmbH Berlin's obligations encompass the entire pension obligation. The Plan Assets attributable to personnel employed since before 1 January 1984 are reported as Plan Assets at fair value. The assets of the Pensionskasse are investment funds that are not listed on the stock exchange. The fair value is determined by the repurchase price. In addition the Group has pension obligations for employees in Hamburg that mainly comprise the Issuer's obligations to personnel employed before 1 April 1991 and who have been employed for at least 10 years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65 per cent. of pensionable salary.

Dutch pension plans

In the Netherlands, the Group has the majority of its pension obligations secured through the ABP pension fund and the “Metaal en Techniek” pension fund. In 2013 an amendment was made in IAS 19 - Employee Benefits with regards to the classification requirements for pension plans. This amendment has resulted in a change in classification of the multi-employer plans in the Netherlands from defined benefit to defined contribution. The change in classification does not impact the financial performance of the Group as these plans were already accounted for as defined contribution plans in earlier years under the multi-employer scheme exemption. The ABP and “Metaal en Techniek” plans are thus, as of 2013, classified and reported as defined contribution plans.

The Group’s pension provision was SEK 45.3 billion at year end 2014 (compared to SEK 35.5 billion in 2013). The total pension costs in 2014 were SEK 2.7 billion (compared to SEK 2.7 billion in 2013).

Recent activities

In January 2014, the Group completed the sale of the Amager combined heat and power station in Denmark to the Danish municipal-owned company HOFOR. The enterprise value was DKK 2 billion.

In January 2014, the Group sold its minority interest (corresponding to 18.67 per cent. of the shares) in the Polish energy company Enea S.A., for approximately SEK 2.2 billion

In February 2014, the Group completed the sale of its majority interest of 74.9 per cent. in the electricity grid company Stromnetz Hamburg GmbH to the City of Hamburg. The purchase price was preliminarily set at EUR 550 million for 100 per cent. of the company. An external appraisal company will determine the final value of the company, which at a minimum can amount to EUR 495 million. The sale resulted in a capital gain of approximately SEK 3 billion. In addition to the purchase price, the City of Hamburg repaid a loan of approximately SEK 2.1 billion to the Group. The City of Hamburg has an option to buy the Group’s majority shareholding of 74.9 per cent. in the district heating company Vattenfall Wärme Hamburg GmbH in 2019.

In February 2014, the Group completed the sale of its German engineering business Vattenfall Europe Power Consultant GmbH (VPC) to the investment company Palero Capital GmbH. The sales price has not been publicly disclosed.

In April 2014, the Group sold its 94 per cent. shareholding in Kalix Värmeverk AB to Vasa Värmeverk AB. The heating plant has annual heat production of 120 GWh. The sales price has not been publicly disclosed.

During the second quarter of 2014, the Group lowered the discount rate it uses to calculate provisions for future expenses for nuclear power and the mining operations in Germany. In addition, during the second and fourth quarters, the Group lowered the discount rate it uses to calculate pension provisions in Sweden and Germany. Together these measures led to an increase in adjusted net debt by SEK 15 billion. Cash flow and the underlying operating profit were not affected.

In May 2014, the Group’s largest onshore wind farm in southern Sweden, Hjuleberg (36 MW), was inaugurated. The Hjuleberg wind farm comprises 12 wind turbines that can generate electricity equivalent to the consumption of more than 18,000 homes. The total investment sum was SEK 500 million.

In May 2014, construction was started on the new Berlin-Lichterfelde gas-fired combined heat and power plant, which will replace an older facility. The power plant will have capacity of 300MW electricity and 230 MW heat, and is expected to be commissioned at the end of 2016.

In June 2014, the Group acquired the Rimojokk power plant, a small run-of-river hydro power plant on the Lule River, from the company Picab. Through this acquisition the Group now owns all of the hydro power plants on the Lule River. The purchase price has not been publicly disclosed.

During the third quarter of 2014, the Group recognised impairment losses of SEK 23.1 billion for asset values as a result of continued deteriorating market conditions. Profit after tax was charged with SEK 19.9 billion. The Group's cash flow and net debt were not affected by the impairment losses. Geographically, the impairment losses are broken down into SEK 13.8 billion in the Netherlands, SEK 6.9 billion in Germany, SEK 1.4 billion in the Nordic countries, and SEK 1.0 billion in the UK.

In August 2014, the Group decided to proceed with construction of the Sandbank offshore wind farm (288 MW) just west of the existing DanTysk wind farm. Sandbank will comprise 72 wind turbines and is expected to be commissioned in 2017. Like DanTysk, the Group owns 51 per cent. of Sandbank, with Stadtwerke München owning the remaining 49 per cent. The combined investment sum is approximately SEK 11 billion.

In September 2014, the Group sold its 85.5 per cent. majority shareholding in Müllverwertung Borsigstraße GmbH, a waste incineration plant in Hamburg, to the city's waste management company. The sales price was EUR 67 million.

In September 2014, the Group decided to build an additional two onshore wind farms in Sweden: Juktan (29 MW), in northern Sweden, will comprise nine wind turbines, and Höge Väg (38 MW), in southern Sweden, will comprise 18 turbines. The combined investment sum is SEK 860 million. The wind farms are expected to be commissioned at the end of 2015.

In September 2014, the Group established three fast-charging stations for electric vehicles in Stockholm. The charging stations are the first in its new fast-charging network in Stockholm and Uppsala, which at year-end had been expanded to seven stations. In Berlin, the Group also installed two fast-charging stations as part of the "Schnell-Laden Berlin" project.

On 1 October 2014, Magnus Hall took office as the Group's new President and CEO.

In October 2014, the Group signed an agreement to sell - via the subsidiary N.V. Nuon Energy - its combined heat and power assets in Utrecht to the Dutch energy company Eneco. The sale was completed on 1 January 2015. The agreement covers Nuon's district heating network in Utrecht and the Lage Weide and Merwedekanaal CHP stations. The sale price has not been publicly disclosed.

In October 2014, the Group announced that various alternatives for a new ownership structure for the lignite mining operations in Germany are being looked into. The goal is to shift the production portfolio towards more renewable production and reduce the CO₂ emissions of the Group. The Group's intention to continue running the Group's other operations in Germany, including district heating, distribution, sales, trading, wind power and other types of power generation, is unchanged.

In November 2014, the Group decided to build another wind farm, Högabjär-Kärsås (38 MW), east of Falkenberg. It comprises 12 wind turbines and is expected to be commissioned at the end of 2015. The aggregate investment sum is approximately SEK 500 million.

In November 2014, the Group decided to sell its facility services business in Germany to ISS Facility Services GmbH. In conjunction with this, the Group signed a five-year agreement with the buyer for facility management services. The sale affects slightly more than 500 employees. The sales price has not been publicly disclosed.

In early December 2014, the DanTysk offshore wind farm (288 MW) in Germany began delivering electricity. The wind farm comprises 80 wind turbines and can generate 1.3 TWh of electricity per year. In July 2014 an historic milestone was passed at DanTysk, when the Group installed its 1,000th wind turbine.

In December 2014, the Group announced that, in partnership with the insurance and banking company Skandia, it will be investing approximately SEK 2 billion to build four new wind farms in Sweden with a combined capacity of 141 MW. The plants will be run by a jointly owned company. The four wind farm

projects are Hjuleberg (36 MW), Höge Väg (38 MW), Juktan (29 MW) and Högabjär-Kärsås (38 MW). The first of these is already in operation and has been transferred to the jointly owned holding company as per 1 January 2015. The other three wind farms are being built by the Group and will be transferred to the jointly owned company during the first quarter of 2016. This marks the first time that a Swedish financial investor is directly financing the construction of new wind power. The partnership will enable faster expansion of wind power for the Group.

In December 2014, the Group announced that the Danish district heating company Fjernverme Fyn would be acquiring the Fyn combined heat and power station in Denmark as well as a waste incineration plant. The enterprise value was DKK 1.1 billion, corresponding to approximately SEK 1.4 billion. The combined investment sum is DKK 600 million in cash consideration, corresponding to SEK 760 million. In addition, the buyer is taking over the decommissioning obligations and environmental liabilities of the plants. The sale is expected to be completed during the first quarter of 2015.

In December 2014, in accordance with unbundling regulations, the Group completed the sale of transmission infrastructure between the UK mainland and the Thanet wind farm (300 MW) off the east coast of England to the electricity grid company Balfour Beatty. The sales sum was SEK 2 billion.

On 15 January 2015, the Group announced a new organisation and new executive management team, to be implemented with effect from 1 April 2015.

In January 2015, the Group announced that it has decided to put the analysis work regarding replacement reactors on hold due to the insight that the need for replacement power will occur later in time.

Financial overview and analysis for the Group

A change is planned to be carried out in the Group's organisation with effect from 1 April 2015. The current regional structure will be replaced by six cross-border Business Areas: Heat, Wind, Customers & Solutions, Generation, Markets and Distribution. The lignite operations will be governed in a separate unit, Mining & Generation. Distribution is a legally unbundled operation and is separated from the Group's other operations. There will be four reporting segments: Heat, Customers & Solutions, Power Generation and Distribution where the Power Generation segment consists of Business Areas Wind, Generation, and Markets, and the Mining & Generation unit. In addition, the Staff Functions including treasury activities, and Shared Service Centres will be reported under the heading "Other", as was done since 2014. All operating segments are followed up according to underlying operating profit (i.e. operating profit ("EBIT")), excluding items affecting comparability. All segments apply International Financial Reporting Standards ("IFRS"). For services between segments, cost price generally applies, although in certain cases market prices are applied.

Net sales and financial performance for the year 2014

During 2014, net sales decreased by SEK 6.3 billion to SEK 165.9 billion (compared to SEK 172.3 billion in 2013). The decrease in net sales is mainly attributable to the divested electricity distribution operation in Hamburg (SEK 5.3 billion), average lower electricity prices and lower volumes. Currency effects on net sales were positive by approximately SEK 5.6 billion, due to a weaker Swedish krona compared with 2013. EBIT increased to SEK -2.2 billion (compared to SEK -6.2 billion in 2013). The underlying operating profit for 2014 decreased to SEK 24.1 billion (compared to SEK 28.1 billion in 2013). The decrease in the underlying operating profit for 2014 is mainly explained by lower production margins (SEK -2.1 billion), lower generation volumes (SEK -3.0 billion), lost earnings contributions from divested operations - mainly from electricity distribution in Hamburg (SEK -0.6 billion) and other items, net (SEK -0.7 billion) consisting of lower depreciation (SEK 0.2 billion) and currency effects of the weaker Swedish krona compared with 2013 (SEK 0.4 billion), this is partly offset by lower operating expenses (SEK 2.4 billion). Items affecting comparability between the 2013 and 2014 operating profit amounted to SEK -26.3 billion (compared to SEK -

34.4 billion in 2013). Items affecting comparability consists of amongst others impairment losses (SEK -23.8 billion), restructuring costs (SEK -0.8 billion), capital gains (SEK 3.2 billion) which pertain primarily to the sale of the Group's electricity distribution operation in Hamburg, and other items affecting comparability (SEK -5.7 billion) which pertain to higher provisions primarily for future expenses for the decommissioning of nuclear power in Germany. Items affecting comparability for 2013 amounted to SEK -34.4 billion. Income tax expense for 2014 amounted to SEK -0.04 billion (compared to SEK 1.7 billion in 2013).

Investment activities for the year ended 31 December 2014

The total amount of investments for 2014 amounted to SEK 29 billion (compared to SEK 27.8 billion in 2013) of which growth investments accounted for SEK 12.1 billion (compared to SEK 13.5 billion in 2013) and maintenance investments for SEK 16.9 billion (compared to SEK 14.3 billion in 2013). Divestments during 2014 amounted to SEK 12.1 billion (compared to SEK 0.7 billion in 2013), of which SEK 8.9 billion (compared to SEK 0.3 billion in 2013) is attributable to sales of shareholdings.

Cash flow analysis for the year 2014

Funds from operations amounted to SEK 32.1 billion in 2014 (compared to SEK 31.9 billion in 2013). Cash flow from operating activities amounted to SEK 40.1 billion in 2014 (compared to SEK 37.8 billion in 2013).

Liabilities

As of 31 December 2014, the Group's total interest-bearing liabilities were SEK 125.9 billion, which includes the remaining consideration for the shares in Nuon Energy amounting to SEK 19.3 billion. The remaining consideration is to be paid in 2015. Interest-bearing liabilities also included SEK 9.4 billion (compared to SEK 8.8 billion in 2013) in hybrid capital, which was issued in June 2005. Further interest-bearing liabilities included SEK 2.6 billion (compared to SEK 1.7 billion in 2013) in loans from the Group's minority-owned companies, and SEK 12.4 billion (compared to SEK 12.4 billion in 2013) in loans from, among others, minority owners in the Group's Swedish nuclear power plants. The Group's reported net debt decreased by SEK 19.5 billion to SEK 79.5 billion in 2014 (compared to SEK 99 billion in 2013). Interest rate risk in the Group's debt portfolio is measured in terms of duration, which is permitted to vary from a norm of three years by up to 12 months either way. The duration of the Group's debt portfolio at year-end 2014 was 2.8 years including hybrid capital (compared to 2.9 years in 2013). To adjust the duration of borrowing, the Group uses, among other instruments, interest rate swaps, interest rate forwards and options.

Accounting Policies

The consolidated accounts for 2014 have been prepared, as for the 2013 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act. The 2014 Year-end Report for the Group has been prepared in accordance with IAS 34 - *Interim Financial Reporting*, and the Swedish Annual Accounts Act. The accounting policies and calculation methods applied in the 2014 Year-end Report are the same as those described in the Group's 2013 Annual Report (Note 3 to the consolidated accounts), except for the amended IFRSs endorsed by the EU and described in the Group's 2014 Year-end Report on page 30 which are effective as of the 2014 financial year. The Group's 2014 Year-end Report is consistent with the accounting policies and calculation methods which will be used in the Group's 2014 Annual Report, to be published in March 2015.

Risk Management

The Board has the overall responsibility for risk management within the Group and decides on the risk appetite and risk tolerance, including the risk mandates for Energy & Commodities, Treasury and Credit. As the party with ultimate responsibility for risk management within the Group, the Board is responsible for

obtaining knowledge of the risks inherent in the operations of the Group. The main purpose of risk management in the Group is to identify, manage and control risks to which the Group is exposed, as well as ensuring that the risk exposure is aligned with strategic and financial targets. This provides transparency to the decision makers and the owner. Risk management is emphasised through the Three Lines of Defence model, which establishes the three different roles - risk ownership, control and assurance. Line management, as the risk owner, provides the first line of defence, the second line of defence is provided by the Risk Management organisation and the third line of defence is provided by the (internal) auditor. The VRC is chaired by the CEO and serves both as a decision-making body (decisions are made by the CEO) and a preparatory body for the Board.

The Group's Chief Risk Officer (“**CRO**”) is responsible for organising risk management within the Group. The CRO is responsible for this organisation at the Group level and is also accountable for the risk management framework within the Group. The CRO reports to the CFO, as well as providing information on risk issues to the Board or, if the Board so decides, to a Board Committee. The CRO is entitled to access any information regarding risk within any entity of the Group. The CRO's responsibilities are to:

- secure risk governance in the Group;
- co-ordinate and ensure risk control and transparency of the Group's risk positions; and
- support the decision-making of the business and top management.

The CRO's responsibilities as the second line of defence include monitoring that the organisation is implementing these practices at all appropriate levels.

The Enterprise Risk Management process in the Group

The Enterprise Risk Management (“**ERM**”) process is one common continuous risk management process where risks are identified, assessed, managed, followed-up and controlled. This corporate governance process is applicable to all risks in the Group, including project risk management, and serves as the Group's overarching risk process that is to be embedded into all operations. The process is designed to identify and manage potential events and developments that may affect the achievement of objectives, all according to the risk appetite of the Group. The ERM process aims to create transparency, risk awareness and to support management in decision-making, strategy setting, business planning and business operations. The ERM process is an iterative process that is conducted in conjunction with the Group's business planning and reporting cycles. The output of the process is identified, managed and controlled risk.

Board of Directors of the Issuer

Name	Details of Directors	Principal activities outside the Board of the Issuer
Lars G Nordström	Chairman of the Board since June 2011	Chairman of the Finnish-Swedish Chamber of Commerce. Board member of Nordea Bank, Viking Line Abp and the Swedish-American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul for Finland in Sweden.
Gunilla Berg	Board Member since 2012	Executive Vice President and CFO of the PostNord Group. Board member of Alfa Laval

		and Lundbergs.
Håkan Buskhe	Board Member since 2012	President and CEO at SAAB AB
Åsa Söderström Jerring	Board Member since 2013	Chairman of ELU Konsult AB and Infobooks AB. Board member of JM AB, Rejlers AB, San Sac AB, Nordic Home Improvement AB and Scanmast AB. Chairman of the Royal Swedish Academy of Engineering Sciences, IVA, division Built Environment.
Eli Arnstad	Board Member since 2008	Executive Manager of SpareBank 1 SMN. Board member of the Norwegian Football Association.
Jenny Lahrin	Board Member since 2013	Deputy Director Division for State-Owned Enterprises, Ministry of Enterprises. Board member of Swedavia AB and AB Göta kanalbolag
Håkan Erixon	Board Member since 2011	Chairman of the board of Orio AB. Member of the NASDAQ OMX Stockholm AB Listing Committee. Board member of Alfvén & Didrikson Invest AB.
Fredrik Arp	Board Member since 2014	Chairman of Nolato AB, Mediplast AB and Parques Reunidos. Board member of Technogym Spa.
Johnny Bernhardsson	Board Member since 1995 (employee representative)	
Ronny Ekwall	Board Member since 1999 (employee representative)	
Carl Gustaf Angelin	Board Member since 2003 (employee representative)	
Deputy Members		
Jeanette Regin	Board Member since 2011 (employee representative)	
Lennart Bengtsson	Board Member since 2011 (employee representative)	
Christer Gustafsson	Board Member, since 2013 (employee representative)	

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

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

Taxation

The statements below in relation are general in nature and neither these statements nor any other statements in this Prospectus are to be regarded as advice on the tax position of any holder of Capital Securities or any person purchasing, selling or otherwise dealing in Capital Securities. Prospective holders of Capital Securities and holders of Capital Securities who are in doubt about their tax position should consult their own professional advisers.

Swedish Taxation

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

Non-resident holders of Capital Securities

As used herein, a non-resident holder means a holder of Capital Securities 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 Capital Securities, 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 any Capital Securities should not be subject to Swedish income tax provided that such holder does not have a permanent establishment in Sweden to which the Capital Securities are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of any Capital Securities.

Resident holders of Capital Securities

As used herein, a resident holder means a holder of Capital Securities 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 any Capital Securities, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Capital Securities) will be taxable.

Specific tax consequences may be applicable if, and to the extent that, a holder of Capital Securities realises a capital loss on the Capital Securities and to any currency exchange gains or losses.

If the Capital Securities are held by a Swedish resident nominee, including a Swedish branch, in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld 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 Capital Securities.

United Kingdom Taxation

Withholding Taxation

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Capital Securities or the Issuer, or variation of the terms of the Capital Securities, and do not address the consequences of any such substitution or variation (notwithstanding that such substitution may be permitted by the terms and conditions of the Capital Securities). Any prospective holders of Capital Securities who are in doubt as to their own tax position should consult their professional advisers.

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs). Unless stated otherwise they assume that interest on the Capital Securities does not have a United Kingdom source and, in particular, that the Issuer is not United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Capital Securities.

References in this part to “interest” shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

1 Interest on the Notes

Payments of interest on the Capital Securities by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

If interest on the Capital Securities has a United Kingdom source then while the Capital Securities continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

2 Information Reporting

Information relating to securities may be required to be provided to HM Revenue & Customs in certain circumstances. This may include the value of the Capital Securities, details of the holders or beneficial owners of the Capital Securities (or the persons for whom the Capital Securities are held), details of the persons to whom payments derived from the Capital Securities are or may be paid and information and documents in connection with transactions relating to the Capital Securities. Information may be required to be provided by, amongst others, the holders of the Capital Securities, persons by (or via) whom payments derived from the Capital Securities are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Capital Securities on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction to or for the benefit of an individual resident in another Member State or certain limited types of entities established in that other Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new

requirements from 1 January 2017. The changes will expand the range of payments covered by the directive, in particular to include additional types of income payable on securities. The amending directive will also expand the circumstances in which payments must be reported. This approach may apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Foreign Account Tax Compliance Act

Certain provisions commonly known as “**FATCA**” impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS (“**IRS Agreements**”) (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an intergovernmental agreement entered into pursuant to FATCA (an “**IGA**”) may be required to identify and report to the government of the United States or another relevant jurisdiction certain information regarding “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) July 1, 2014, in respect of certain U.S. source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) from the disposition of property that can produce US source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of “foreign passthru payments”.

The application of FATCA to interest, principal or other amounts paid with respect to the Capital Securities and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Sweden) have entered into, or have announced their intention to enter into, IGAs (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or

(ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Capital Securities) or if such withholding will be required at all.

Whilst the Capital Securities are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Capital Securities by the Issuer, any paying agent and the common depository for the clearing systems, given that each of the entities in the payment chain from (but excluding) the Issuer to (and including) the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Capital Securities. The documentation expressly contemplates the possibility that the Capital Securities may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive Capital Securities will only be printed in remote circumstances.

If an amount in respect of withholding were to be deducted or withheld from interest, principal or other payments on the Capital Securities as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application to the Issuer, the Capital Securities and investors is subject to change. Prospective investors should consult their tax advisers to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each investor in its particular circumstance.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Capital Securities (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 Capital Securities 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.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

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

Subscription and Sale

Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Danske Bank A/S, ING Bank N.V. and Skandinaviska Enskilda Banken AB (publ) (together, the “**Joint Bookrunners**”) have, pursuant to a Subscription Agreement dated 17 March 2015 between the Issuer and the Joint Bookrunners, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the NC7 Fixed Rate Reset Capital Securities at an issue price equal to 100 per cent. of their principal amount, the NC7 Floating Rate Capital Securities at an issue price equal to 100 per cent. of their principal amount, and the NC12 Capital Securities at an issue price equal to 100 per cent. of their principal amount, less fees. In addition, the Issuer will pay certain costs incurred by it and the Joint Bookrunners in connection with the issue of the Capital Securities. The Joint Bookrunners are entitled to terminate the Subscription Agreement in certain limited circumstances prior to the issue of the Capital Securities.

United States

The Capital Securities have not been and will not be registered under the Securities Act or the securities law of any U.S. state, and may not be offered or sold, directly or indirectly, in the United States of America or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. The Capital Securities are being offered and sold only outside of the United States to non-U.S. persons in reliance upon an exemption from registration under the Securities Act pursuant to Regulation S.

Each Joint Bookrunner has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, the Capital Securities (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 of the Capital Securities, within the United States or to, or for the account or benefit of, U.S. persons; and
- (ii) it will have sent to each distributor or manager to which it sells Capital Securities during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph and not otherwise defined in this Prospectus have the meanings given to them in Regulation S.

In addition, until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of Capital Securities within the United States by a manager that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Capital Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

Sweden

This document has not been approved by or registered with the Swedish Financial Supervisory Authority (*Finansinspektionen*) pursuant to the Swedish Financial Instruments Trading Act (*Lag (1991:980) om handel med finansiella instrument*). Each Joint Bookrunner agrees that it will not market or offer the Capital Securities in Sweden other than in circumstances that are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act (1991:980) (*Lag (1991:980) om handel med finansiella instrument*).

General

Each Joint Bookrunner has agreed to observe, to the best of its knowledge and belief, all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Capital Securities or have in its possession or distribute this Prospectus or any other offering material relating to the Capital Securities.

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Capital Securities, or the possession or distribution of this Prospectus or any other offering material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. Accordingly, the Capital Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Capital Securities may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.

General Information

Authorisation

The creation and issue of the Capital Securities has been authorised by a resolution of the Board of Directors of the Issuer dated 29 October 2014.

Listing and admission to trading of Capital Securities on the London Stock Exchange

It is expected that the official listing of the NC7 Fixed Rate Reset Capital Securities, the NC7 Floating Rate Capital Securities and the NC12 Capital Securities will be granted on or about 20 March 2015 subject only to the issue of the NC7 Fixed Rate Reset Temporary Global Capital Security, the NC7 Floating Rate Temporary Global Capital Security and the NC12 Temporary Global Capital Security, respectively. Application has been made to the UK Listing Authority for the NC7 Fixed Rate Reset Capital Securities, the NC7 Floating Rate Capital Securities and the NC12 Capital Securities to be admitted to the Official List and to the London Stock Exchange for the same to be admitted to trading on the London Stock Exchange's regulated market. The Issuer estimates that the total expenses related to the admission to trading will be £4,200.

Clearing Systems

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The International Securities Identification Number (ISIN) for the NC7 Fixed Rate Reset Capital Securities is XS1205627547 and the Common Code is 120562754.

The International Securities Identification Number (ISIN) for the NC7 Floating Rate Capital Securities is XS1205625251 and the Common Code is 120562525.

The International Securities Identification Number (ISIN) for the NC12 Capital Securities is XS1205618470 and the Common Code is 120561847.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg.

Documents Available

Copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and from the specified office of the Principal Paying Agent in London:

- (i) the constitutional documents (with an English translation thereof) of the Issuer;
- (ii) the audited annual consolidated and non-consolidated financial statements of the Issuer for each of the financial years ended 31 December 2012 and 31 December 2013 (in English), in each case together with the audit reports prepared in connection therewith;
- (iii) the unaudited interim report of the Issuer for the twelve month period ended 31 December 2014;
- (iv) the Subscription Agreement, the Trust Deeds and the Paying Agency Agreements; and
- (v) a copy of this Prospectus.

A copy of this Prospectus can also be viewed on the website of the Issuer at <http://corporate.vattenfall.com/investors/>. Any documents which have been translated from Swedish to English are accurate translations.

Yield

The yield in respect of the NC7 Fixed Rate Reset Capital Securities up to (but excluding) the NC7 Fixed Rate Reset First Reset Date is 3.125 per cent. per annum and is calculated at the Issue Date on the basis of the issue price of the NC7 Fixed Rate Reset Capital Securities and the Initial Interest Rate applicable to the NC7 Fixed Rate Reset Capital Securities. It is not an indication of future yield.

The yield in respect of the NC12 Capital Securities up to (but excluding) the NC12 First Reset and Step-up Date is 3.00 per cent. per annum and is calculated at the Issue Date on the basis of the issue price of the NC12 Capital Securities and the Initial Interest Rate applicable to the NC12 Capital Securities. It is not an indication of future yield.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries taken as a whole, in each case since 31 December 2014 and no material adverse change in the financial position or prospects of the Issuer or the Issuer and its Subsidiaries taken as a whole, in each case, since 31 December 2013.

Litigation

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

Auditors

The auditors of the Issuer, Ernst & Young AB (the individual auditor in charge being Certified Public Accountant Hamish Mabon) have audited the Issuer's accounts prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 issued by the Swedish Financial Reporting Board and the Group's accounts prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU for the financial years ended 31 December 2012 and 31 December 2013, without qualification. The auditors of the Issuer and the Group have no material interest in the Issuer and the Group, as the case may be.

Conflicts

Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer

or the Issuer's affiliates. Certain of the Joint Bookrunners 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 Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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