

## **FINAL TERMS**

**Dated: 29 June 2007**

Common Code: 030214226

ISIN: GB00B1XH3F09

Series No. 18693

### **GOLDMAN SACHS INTERNATIONAL**

#### **Programme for the Issuance of Warrants and Certificates**

#### **Issue of**

#### **20,000 EUR Denominated Non Principal Protected Certificates linked to the Goldman Sachs Absolute Return Tracker - Series A Index**

#### **(the "Certificates")**

#### **Guaranteed by The Goldman Sachs Group, Inc.**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities set forth in the base prospectus dated 12 March 2007 as supplemented by the Base Prospectus Supplements dated 12 April 2007 and 13 April 2007 which together constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and Prospectus Supplements are available for viewing at the registered office of the Issuer. Copies may be obtained from the specified office of the Programme Agent in Luxembourg as well as on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

Issuer:	Goldman Sachs International.
Guarantor:	The Goldman Sachs Group, Inc.
Aggregate Number of Certificates in the Series:	Up to 20,000 Certificates.
Issue Date:	29 June 2007.
Issue Price:	EUR 1,010 per Certificate, including an upfront selling commission of EUR 10 per Certificate.
Exercise Date:	As defined in Condition 3.1.
Expiration Date:	29 June 2012 subject to Condition 8.

Optional Early Redemption:

Not applicable.

Settlement Date:

06 July 2012.

Type:

The Certificates are Index-Linked Certificates. Condition 10B is applicable, with the exception of Condition 10B.5 which shall be amended as follows:

- (a) In the event that an Index is not calculated and/or publicly announced by any person or party on any Valuation Date, then the relevant Settlement Amount shall be calculated by the Calculation Agent based on the formula and method of calculation used in calculating such Index (subject as provided in Condition 10B.4) as of the date such Index was last so calculated using the prices on the relevant Disruption Markets on the relevant day of the Valuation Assets used at the date such Index was last so calculated using the prices on the relevant Disruption Markets on the relevant day of the Valuation Assets used at the date such Index was last so calculated. If the prices of any such Valuation Assets are not available at the close of business on any relevant market on the relevant day the Calculation Agent shall, to the extent practicable, compute the relevant Settlement Amount on the basis that such Valuation Assets not trading on that date shall be valued at the last publicly reported price at which such Valuation Assets traded.
- (b) In the event that the Index is not calculated and/or publicly announced by any person or party for a period of twenty or more consecutive Business Days, then the Issuer may terminate the Certificates and the Settlement Amount shall be calculated by the Calculation Agent in accordance with paragraph (i)

above.

Index:	The Goldman Sachs Absolute Return Tracker - Series A Index, as published by the Index Sponsor on a client enable password protected Bloomberg page as further described in Annex 2 hereto.
Index Sponsor:	Goldman Sachs International.
Index Publisher:	Goldman Sachs International.
Valuation Assets:	Each MF (as defined in Annex 2).
Disruption Markets:	At any particular time, each of the markets or exchanges on which the Valuation Assets are traded, as determined by the Calculation Agent.
Strike Price:	Not applicable.
Valuation Date:	The Exercise Date, or if such day is not a Valuation Business Day, the immediately succeeding Valuation Business Day, subject to Condition 8.
Valuation Business Day:	A Business Day on which: <ul style="list-style-type: none"><li>(a) the Index (as defined below) is calculated and published by the Index Publisher; and</li><li>(b) banks are open for general business in London and New York.</li></ul>
Valuation Period:	Not applicable.
American Style/European Style/Bermudan Style:	The Certificates are European Style Certificates. Condition 3.3 is applicable.
Automatic Exercise:	Yes. Condition 3.9 is applicable, save that for the purposes of the Certificates, the Settlement Date shall be the fifth Business Day following the day on which the Holder delivers an Exercise Notice.
Multiple Exercise:	Not applicable.
Limited Recourse:	Not applicable.
Settlement Currency:	Euro ("EUR").

Closing Value:	The closing settlement price of the Index as published on a client enabled password protected Bloomberg page (or any official successor thereto). If a Market Disruption Event (as defined below) has occurred on any Valuation Business Day, the Closing Value shall not be determined with reference to the Bloomberg Page (or any official successor to such page) but shall instead be determined by the Calculation Agent in accordance with Condition 8.
Settlement Amount:	The Settlement Amount shall be determined in accordance with Annex 1 hereto.
Physical Settlement:	Not applicable.
Physical Settlement Date:	Not applicable.
Physical Settlement Disruption Amount:	Not applicable.
Minimum Exercise Number:	10.
Permitted Multiple:	1.
Maximum Exercise Number:	Not applicable.
Minimum Trading Number:	10.
Permitted Trading Multiple:	1.
Interest Payment Dates:	Annually, from and including 29 June 2008 and to and including 29 June 2011, each being a <b>"Coupon Payment Date"</b> .
Notional Amount per Certificates (for the purposes of Condition 7):	Not applicable: See amended Condition 7 below.
Interest Rate (for the purposes of Condition 7):	Not applicable: See amended Condition 7 below.
Interest Rate Day Count Fraction (for the purposes of Condition 7):	Not applicable: See amended Condition 7 below.
Other terms relating to the method of calculating interest (for the purposes of Condition 7):	For the purpose of the Certificates, Condition 7 shall be deleted and replaced by the following:  "7. Certificates - Interest  Subject as provided in these Conditions, each Certificate pays interest on each Coupon

	<p>Payment Date as defined in the Final Terms.</p> <p>The amount payable in respect of each Certificate on each Coupon Payment Date will be the Coupon Amount where "<b>Coupon Amount</b>" means, in respect of each Certificate, the amount defined in Annex 1 of the Final Terms."</p>
Market Disruption:	Condition 8 is applicable.
FX Disruption Event:	Condition 9 is not applicable.
Relevant Currency:	Not applicable.
Relevant Country:	Not applicable.
Applicable Extraordinary Events:	Not applicable.
Yield or Share Certificates:	No. Condition 3.6 is not applicable.
Business Days:	The city specified for the purposes of the definition of Business Day in Condition 3.1 is London.
Listing:	Application has been made for the Certificates to be admitted to listing on the Official List of the Luxembourg Stock Exchange.
Admission to trading:	Application has been made for the Certificates to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.
Calculation Agent:	Goldman Sachs International.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Common Code:	030214226.
ISIN:	GB00B1XH3F09.
Currencies:	In these Final Terms, references to " <b>United States dollars</b> " and " <b>USD</b> " are to the lawful currency of the United States of America and references to " <b>EUR</b> " and " <b>Euro</b> " are to the single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty establishing the European Communities, as amended.
Additional Conditions:	Not applicable.

Additional Selling Restrictions:	Not applicable.
Additional Risk Factors:	As set out in Annex 3.
Interests of Natural and Legal Persons Involved in the Issue:	Save as discussed in the Base Prospectus, so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Certificates has an interest material to such issue.

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in the Base Prospectus, as amended and/or supplemented by these Final Terms in relation to the Series of Certificates referred to above, is (except as mentioned below) true and accurate in all material respects and, in the context of the issue of this Series, there are no other material facts the omission of which would make any statement in such information misleading.

**Investors can obtain information about the past and further performance of the Investable Market Factors and their volatility from Bloomberg. Neither the Issuer nor the Guarantor has independently verified any such information, and neither accepts any responsibility for errors or omissions contained in such information. For the avoidance of doubt, such information is not incorporated by reference in, and does not form part of, the Base Prospectus or these Final Terms. Prospective purchasers of the Securities may acquire such further information as they deem necessary in relation to the Investable Market Factors from such publicly available information as they deem appropriate. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgement and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Issuer or the Guarantor.**

**Neither the Issuer nor the Guarantor intends to provide any post-issuance information on the Certificates.**

**In deciding whether or not to purchase Certificates, investors should form their own view of the merits of the Certificates based upon their own investigations.**

## **REPRESENTATION**

Each Holder will be deemed to have agreed that they will not offer, sell or deliver the Securities in any jurisdiction except under circumstances that will result in compliance with the applicable laws thereof, and that such Holder will take at their own expense whatever action is required to permit their purchase and resale of the Securities. European Economic Area standard selling restrictions apply.

Holders acknowledge that the Index description does not contain a description of certain proprietary elements of the methodology for determining the relative weighting of MF's in the Index Basket. By purchasing the Securities, Holders acknowledge that they are capable of and have made their investment decision on the basis of the information provided, and neither the Calculation Agent nor the Index Sponsor will have any obligation to provide further information about the Index

## **RISK DISCLOSURE**

The following risk factors must be read in conjunction with the section entitled "Risk Factors" in the Base Prospectus.

**Relevant Information:** The Issuer and/or its affiliates, any of their officers or employees (together, "GS") may have access to information relating to the product described within (the "Product"), any Underlyers (as defined below) and any derivative instruments referencing it (together "Relevant Instruments"). GS will not be obliged to disclose any such Relevant Information to you.

**GS' Interests:** GS may be an active participant on both sides of the market for the Relevant Instruments at any time. GS's hedging and trading activities with respect to the Product may affect the value of other Relevant Instruments and vice versa. GS may be calculation agent or sponsor of Underlyers (as defined below) and as such may make determinations affecting the value of the Securities.

**No correlation with Underlyers:** The value of the Securities will not necessarily correlate with the value of any instruments or indices underlying it ("Underlyers").

**Limited liquidity:** The Issuer will provide on a daily basis indicative bid and ask prices to an authorised intermediary of the Monte dei Paschi di Siena Group, which in turn will make them available to investors, subject to (i) the existence of abnormal market conditions, and/or (ii) legal, regulatory or related considerations, or the financial condition of GS; in each of cases (i) and (ii) above, as determined by the Issuer in good faith. Upon request of MPS Finance Banca Mobiliare S.p.A., the Issuer will provide such prices daily by posting them on Bloomberg.

**Confidentiality and disclosure of Information:** Any information regarding the Securities that may be relevant to the U.S. federal income tax treatment of the Securities (excluding the identities of the parties) or which is necessary to support any U.S. federal income tax benefits may be disclosed to the relevant authorities without contractual limitation of any kind.

**Notional/principal Increase:** The executed size of the Securities may be increased at any time.

**Valuation:** All other things being equal, the value of the Securities on the Settlement Date may be significantly less than the execution price on the trade date for the Securities. If Holders unwind their investment early, Holders may receive less than the stated redemption amount.

**Price Discrepancy:** Any price quoted for the Securities by GS may differ significantly from (i) the Securities' value determined by reference to GS pricing models and (ii) any price quoted by a third party.

## **DISCLAIMER**

**No Representation:** GS makes no representations as to the expected performance of the Securities. Changes in the creditworthiness or performance of the Securities or any Underlyer may affect the value of the Securities and could result in it redeeming or being valued at zero.

**No Advice:** Holders should consult their own accounting, tax, investment and legal advisors before investing. The Issuer is acting as an arm's-length contractual counterparty and not as an advisor or fiduciary.

**European Distribution:** In connection with its distribution in the United Kingdom and the European Economic Area, these Final Terms have been issued and approved by Goldman Sachs International which is authorised and regulated by the Financial Services Authority. These Final Terms are not a product of the GS research department.

**THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, UNITED STATES PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS MAY NOT BE DISTRIBUTED IN THE UNITED STATES.**

These Certificates are not principal protected. GS will not repay an investor a fixed amount of principal on the expiry of the Certificate and GS is not liable for any loss of principal that an investor may incur due to fluctuations of the Underlying Index levels.

The formula for determining the redemption amount does not take into account all developments of the Underlying Indices. The market value of the Certificates may be influenced by many factors that are unpredictable. Index returns may change unpredictably, affecting the value of the Certificates in unforeseeable ways. The Underlying Indices will affect the market value of the Certificates but the market value of the Certificates may not change in the same manner as the level of the Underlying Indices. The value of the Certificates can go down as well as up.

Changes in interest rates are likely to affect the market value of Certificates. Changes in the volatility of the Underlying Indices are likely to affect the market value of the Certificates. The time remaining to maturity is likely to affect the market value of the Certificates. Any decline in the issuer's credit ratings may affect the market value of the Certificates. There may be conflicts of interest between GS or its affiliates and an investor. As calculation agent, GS will have the authority to make determinations that could affect the market value of the Certificates and the amount an investor receives at maturity. Suspensions or disruptions of market trading in the commodity and related futures may adversely affect the value of the Certificates.

Not all possible risks have been outlined.

GS, including persons involved in the preparation or issuance of this material may, from time to time, have long or short positions in, and buy or sell, any of the commodities, futures, securities, or other instruments and investments mentioned herein, or derivatives (including options) on any of the same which may affect the value of the certificates.

Past performance of the Underlying Indices is not necessarily a guide to future performance.

This material has been prepared for the recipient by the Sales and Trading Division of GS.

Goldman Sachs International is authorised and regulated by the Financial Services Authority ("FSA").



**THE ISSUER**

**Goldman Sachs International**

By:

Attorney-in-fact

Issue Date: 29 June 2007

## ANNEX 1

### Interest and Settlement Amount Calculations

#### 1. Definitions

In this Annex the following terms shall have the following meanings:

**"Adjusted Index"** means the Index as adjusted in accordance with Annex 1 of the Final Terms;

**"Adjusted Index (0)"** means the Adjusted Index on the Issue Date, which shall be equal to 100.00;

**"Adjusted Index Calculation Day"** means each day (t) which is a Valuation Business Day and on which the Adjusted Index (t) is calculated and published by the Index Sponsor;

**"Adjusted Index Final"** means the Adjusted Index (t) on the Expiration Date after having given effect to the deduction of any Index Deductions (t);

**"Adjusted Index (t)"** means  $\text{Adjusted Index (t-1)} * (\text{Index (t)} / \text{Index (t-1)})$  after giving effect to any reduction set out in section 3 below, less any Index Deductions (t);

**"Adjusted Index (t-1)"** means the value of Adjusted Index (t) on the Valuation Business Day immediately preceding each Adjusted Index Calculation Day, save in respect of the Adjusted Index Calculation Day immediately following the Issue Date, in which case Adjusted Index (t-1) means Adjusted Index (0);

**"Adjusted Index (v)"** means Adjusted Index (t) for the current Coupon Observation Date;

**"Adjusted Index (v-1)"** means Adjusted Index (t) for the prior Coupon Observation Date, after having given effect to the reduction set out in section 3 below, save in respect of the first Coupon Observation Date, where Adjusted Index (v-1) means Adjusted Index (0);

**"Coupon Observation Date"** means 24 June of each year, commencing on 24 June 2008 and ending on and including 24 June 2011;

**"Coupon Payment Date"** means each of the Interest Payment Dates specified in the Final Terms;

**"Index Calculation Day"** means each day (t) which is a Valuation Business Day and on which the Index (t) is calculated and published by the Index Sponsor;

**"Index (t)"** means the Closing Value of the Index as published by the Index Sponsor on a client enabled password protected Bloomberg page;

**"Index (t-1)"** means the Closing Value of the Index on the Valuation Business Day immediately preceding the Index Calculation Day, as published by the Index Sponsor on a client enabled password protected Bloomberg page;

**"Index Deductions (t)"** means an amount in EUR, accrued on each Adjusted Index Calculation Day, equal to the product of:

- (a) 2.50% per annum calculated on an Actual/Actual basis on 100; and
- (b) 100.00.

"**Index Final**" means Index (t) on the Valuation Date; and

2. **Coupon Amount**

Should the Adjusted Index (t) be greater than or equal to 100.00 on any Coupon Observation Date, the Coupon Amount payable on the Coupon Payment Date in respect of each Certificate shall be an amount in the Settlement Currency equal to the product of:

- (a) EUR 1,000;
- (b) 50%; and
- (c) the greater of:
  - (i) the result of the fraction expressed as a percentage where the numerator is Adjusted Index (v) and the denominator is Adjusted Index (v-1), less 100%; and
  - (ii) zero.

Should the Adjusted Index (t) be less than 100.00 on any Coupon Observation Date, the Coupon Amount payable on the Coupon Payment Date in respect of each Certificate shall be zero.

All payments (if any) shall be as calculated and/or determined, if necessary, by the Calculation Agent.

3. **Adjusted Index Reduction**

On each Coupon Observation Date, the Adjusted Index (t) will be reduced by the product of:

- (a) 50%;
- (b) 100.00; and
- (c) the greater of:
  - (i) the result of the fraction expressed as a percentage where the numerator is Adjusted Index (v) and the denominator is Adjusted Index (v-1), less 100%; and
  - (ii) zero.

All payments (if any) shall be as calculated and/or determined, if necessary, by the Calculation Agent.

4. **Settlement Amount**

The Settlement Amount in respect of each Certificate shall be an amount in the Settlement Currency equal to:

EUR 1,000 \* (Adjusted Index Final / 100), subject to a minimum of zero

All payments (if any) shall be as calculated and/or determined, if necessary, by the Calculation Agent.

5. **Calculation Agent**

All determinations and calculations made by the Calculation Agent shall (in the absence of manifest error) be final and binding on all parties, and the Calculation Agent shall have no responsibility to any person for any good faith errors or omissions in any determination or calculation.

## ANNEX 2

### Index Description and Methodology

#### Overview of the Goldman Sachs Absolute Return Tracker - Series A Index

The Goldman Sachs Absolute Return Tracker - Series A Index (the “**Index**”) reflects the total return of a dynamic basket (the “**Index Basket**”) of investable Market Factors (“**MFs**”) determined through an algorithm to approximate patterns of returns of hedge funds as a broad asset class. The Index is identical to the Goldman Sachs Absolute Return Tracker Index, except that it reflects the deduction of index management fees of 0.021% of the Index level per month (the “**Index Management Fees**”) and index replication fees of 0.021% of the Index level per month (the “**Index Replication Fees**”). The algorithm operates in accordance with a set of pre-determined trading rules, and Goldman Sachs, as the Index Sponsor, is not acting as an investment adviser or performing a discretionary management role with respect to the Index and has not any fiduciary duty to any person in respect of the Index.

The Index reflects the theory that returns of hedge funds are composed of both “beta” (or varying market exposures) and “alpha” (or manager skill). The returns of a diversified and passively managed portfolio of hedge funds may have more beta than alpha. The Index seeks to approximate this beta component in a relatively liquid, transparent, and cost efficient manner.

The Index should not be expected to have the same performance as actively managed funds of hedge funds, which may produce differing amounts of alpha (as outlined in “Risk Factors With Respect to Investments Linked to the Index”).

The only hedge fund related inputs to the Index algorithm are the aggregate return data from the TASS hedge fund database as administered by Lipper Limited (“the TASS hedge fund database”), with certain filters applied by Goldman Sachs. The Index does not use any actual hedge fund position or trade information. Furthermore, the Index does not use, directly or indirectly, any fund-specific information from Goldman Sachs’ trading or prime brokerage business.

#### Overview of the Index Methodology

The Index Basket of MFs currently comprises 17 total return indices from the following asset categories: Equities, Commodities, Fixed Income, Credit and Volatility. The MFs in the Index Basket relating to Equities, Commodities and Fixed Income are from among the most liquid, representative and tradeable indices in that asset category. In addition, the MFs for Credit and Volatility are as follows:

- Credit: The GS Credit Factor represents the total return of a rolling investment in the on-the-run 5-year CDX.NA.XO index where the notional of the investment equals the GS Credit Total Return Index Value on the business day prior to the roll date (March and September);
- Volatility: The GS Gamma Factor represents the total return of a rolling long position in a 6-month variance swap contract on the S&P 500 index where the notional is determined such that the variance strike multiplied by the notional equals the GS Gamma Index Total Return Value on the standard variance swap’s expiration dates (March and September).

On an annual basis the Index algorithm uses statistical analysis to select a minimum number of the most statistically significant MFs from the Index Basket, based on the MFs’ ability to explain the returns of sub-strategies of hedge funds using data from a broadly diversified database of hedge funds. These

annually selected MFs (the “**Traded MFs**”) will be weighted in the actual Index Basket for that one year period, and all other MFs have a weighting of zero in the actual Index Basket for the same period.

Once the list of all Traded MFs has been identified annually, the weights of each of the Traded MFs are rebalanced monthly (by Goldman Sachs as the Index Sponsor) pursuant to a formulaic Index algorithm that maps the MFs’ historical returns to historical hedge fund returns. The exposures to the MFs are then scaled such that the annual target volatility equals 6% per year. The weight of each MF may be positive or negative and is subject to maximum absolute values of:

- (a) The sum of all Traded MF weights (excluding the Short Term US Treasury bond MF) of 100%;
- (b) Short Term US Treasury bond MF weight of 100%;
- (c) Commodity MF weights of 35%;
- (d) Credit MF weights of 50%; and
- (e) Volatility MF weights of 20%.

Should any one or more of the above restrictions be exceeded in any month, then the exposures to all Traded MFs will be scaled proportionately such that all restrictions are satisfied.

The returns of the Traded MFs and their respective weights are then used to determine the return of the Index. The daily USD return of the Index represents the sum of (i) an overnight USD cash rate, and (ii) the change in the USD value of the Index Basket minus the overnight USD cash rate cost of funding the positions in the MFs. The EUR-denominated version of the Index will be created by notionally investing the relevant EUR value at the beginning of each month into a EUR deposit account, notionally funding this USD investment via USD cash funding. The Index level also reflects the deduction of the Index Management Fees and Index Replication Fees.

### **Other Aspects of the Index**

**Modifications:** While the identities of all of the MFs in the Index Basket are fixed upfront, and the Traded MF selection and monthly weighting algorithms are formulaic, each can be modified in the future, if any such changes are approved by an appointed index committee - the “Index Committee”.

**Index Committee:** The role and responsibilities of the Index Committee will be pre-defined, and any modification to the MFs, algorithm or other aspects of the Index will be primarily within certain parameters.

**Timing of Rebalancings and Publication of Components:** The annual selection of Traded Market Factors from the larger Index Basket is expected to take effect as of the first business day in November in each calendar year. The monthly re-weighting of the Traded Market Factors is expected to take place during the last seven business days of each calendar month, subject to timely receipt of sufficient information with respect to the TASS hedge fund database, with the resultant new Market Factor weights being effective as of the 1st business day of the following month. The composition and weightings of the Traded Market Factors will be available with a one-month time lag on the GS Institutional Portal website to current investors into Index-linked products, although certain proprietary aspects of the selection and re-weighting algorithms are expected to be kept confidential.

**Publication of Valuations:** The Index daily value is published on a Bloomberg page and will be updated daily on a next business day basis. The Index had a starting value of 1000 on the last business day of 2006.

### **Risk Factors With Respect to Investments Linked to the Index**

**Product Specific:** Please refer to the relevant offering documents for disclosures and risk factors relating to particular products.

**Trading and other transactions by the Index Sponsor or its affiliates in related financial instruments may adversely affect the value of any product linked to the performance of the Index:**

The Index Sponsor may hedge obligations in respect of the Index by purchasing or selling financial instruments linked to the components of the Index, and may adjust or unwind such hedges by purchasing or selling the foregoing on or before the date of determinations of the Index level for purposes of any product linked to the performance of the Index. The Index Sponsor may also enter into, adjust or unwind hedging transactions relating to other instruments related to the Index. Any of this hedging activity may adversely affect the value of the Index and of any product linked to the performance of the Index.

The Index Sponsor and/or its affiliates may also engage in trading in financial instruments whose returns are linked to or are similar to the Index and/or any MFs for proprietary accounts, for other accounts under their management or to facilitate transactions on behalf of customers. Any of these activities could adversely affect the value of the Index and accordingly of any product linked to the performance of the Index. The Index Sponsor may also issue or underwrite other securities or financial or derivative or other products whose returns are linked to the Index or one or more of the MFs. By introducing such products to the marketplace the Index Sponsor could adversely affect the value of the Index or the value at maturity of any product linked to the performance of the Index.

**No Active Management:** The Index seeks to approximate hedge fund returns by mapping historical hedge fund returns to those of various MFs in a manner determined by the Index algorithm. Individual hedge funds themselves may perform better or worse than such returns based on the skill of their particular manager. There will be no active management of the Index so as to enhance returns beyond those embedded in the Index. In addition, hedge funds often may adjust their investments rapidly in view of market, political, financial or other factors, whereas the Index only adjusts its composition monthly. Also, while the Index has a volatility target, this target is based on assessment of historical volatility over a period of time, while an actively managed product can potentially respond more directly to immediate volatility conditions. As a result, investors in the Index may be exposed to more or less risk than hedge funds themselves.

**No Assurance of Accuracy of Tracking/Replication:** For the reasons listed below, the Index may not track hedge fund returns; instead, it should be viewed as an independent asset that is expected to display a pattern of returns over time that broadly resembles the pattern of returns of hedge funds as a broad asset class.

- (1) While the Index is based on multiple liquid MFs, hedge funds may invest in a much broader range of more geographically diverse and less liquid assets;
- (2) The Index algorithm's return mapping is based on historical data regarding the MFs and hedge fund returns. Hedge fund strategies can be dynamic and unpredictable, and the Index algorithm used to estimate hedge fund asset allocation may not yield an accurate estimate of the then current

allocation. Past and current levels of the MFs and hedge fund returns are not necessarily indicative of future returns. Furthermore, even if historic returns prove to be a reliable indicator of future returns in one or more periods during the term of the investments, the Index algorithm may not continue to effectively identify such returns;

- (3) The Index calculation has a constraint on the weightings in the Index Basket while hedge funds are typically not so constrained in their concentration of investments, and hedge fund returns may reflect the performance of leveraged investments. Accordingly, an investment linked to the Index may be exposed more or less to any particular asset class and/or to more or less leverage than hedge funds in general are then currently employing;
- (4) The Index has a fixed volatility target, which may be lower or higher than a diversified hedge fund portfolio. Accordingly, an investment linked to the Index may be exposed to less or more risk than hedge funds as an asset class. In addition, this volatility target may itself not be achieved and the actual volatility of the Index may be substantially higher or lower than the fixed volatility target.

In addition, there can be no assurance that attempting to replicate hedge fund performance will be an effective investment strategy.

**Absence of Track Record:** The Index does not have any actual historical performance data. As the Index is new and limited historical performance data exists with respect to the Index, the investment may involve greater risk than securities linked to an index with a proven track record. The absence of a track record with respect to the Index is particularly significant because the algorithm underlying the Index is based on historical trends in returns to date that may or may not be repeated in the future.

**Limitations of Simulated Returns:** Certain presentations and back-testing or other statistical analysis materials that may have been provided in connection with explanations of the mechanics and/or potential returns of the Index use simulated analysis and hypothetical circumstances to estimate how the Index may have performed prior to its actual existence. Goldman Sachs provides no assurance or guarantee that the Index will operate or would have operated in the past in a manner consistent with those materials. As such, any historical returns projected in such material, or any hypothetical simulations based on this analysis, provided in relation to the Index may not reflect the performance of, and are no guarantee or assurance in respect of the performance or returns of, the Index.

**No Assurance of “Absolute” Returns:** Alternative investments such as hedge funds may often be purchased on the basis of their potential to produce “absolute returns”, or returns independent of the overall direction of equity and fixed income markets. However, there can be no assurance that either hedge funds in general, or the Index algorithm in particular, will actually be successful at producing consistently positive returns, nor does Goldman Sachs make any representation or warranty, express or implied, that either hedge funds as an asset class or the Index algorithm will do so in the future.

**Secondary Market Valuation:** Any mid-market valuation provided by GSI will be determined by GSI in accordance with its customary practice for over the counter derivative transactions. Such valuation may be based upon proprietary models and data inputs that can result in a valuation that differs from the value of a direct holding in the Index and as a result may be less than Adjusted Index (t).

**Secondary Market:** GSI may provide you with a bid price upon request, subject to (i) normal market conditions, and (ii) legal, regulatory or related considerations, or the financial condition of GSI or its affiliates; in each case as determined by GSI acting in a commercially reasonable manner. In addition,



any such bid price provided by GSI is expected in normal circumstances to be subject to deduction of a spread from the Secondary Market Valuation of 1% of the face value redeemed.

**Proprietary Methodology:** Some details of the Index methodology are proprietary to Goldman Sachs, and are likely to remain confidential even following any future investment linked to the Index. Accordingly, how the Index methodology varies the MFs over time is unlikely to be disclosed.

**Use of Third Party Information:** The Index methodology relies on information from the TASS hedge fund database, the index sponsors of each of the MFs and other public sources. Goldman Sachs makes no warranty as to the correctness of that information and takes no responsibility for the accuracy of such data or the impact of any inaccuracy of such data on the level of the Index.

**No Constraint of Full Exposure:** The Index does not require the MFs to sum to 100% of the Index value at any time, and a portion of the Index return may be derived from cash returns.

**Short Exposure to the MFs:** The Index algorithm may also provide that the weight of an MF in the Index is negative, i.e. a short position in the relevant MF. Investors should be aware that an Index-linked investment is not the same as a long position in each MF, and that an Index-linked investment may decline in value from month to month, even if the value of any or all of the MFs increase during that timeframe.

**Goldman Sachs' Roles:** Goldman Sachs performs several roles under the Index and any Index-linked products referenced herein. Although Goldman Sachs will perform its obligations in a commercially reasonable manner, Goldman Sachs may face conflicts between these roles and its own interests. In particular, in its other businesses, Goldman Sachs may have an economic interest in the MFs and may exercise remedies or take other action with respect to its interests as it deems appropriate.

### ANNEX 3

#### **Additional Risk Factors (to be read in conjunction with Annex 2)**

Risk Factors with respect to Certificate investments linked to the Index:

**Loss of Principal:** The Certificates are not principal protected and an investor in the Certificates is potentially subject to the complete loss of principal of the Note investment.

## ANNEX 4

### TAX CONSEQUENCES

Pursuant to current Italian tax laws and market practice, the information below summarises the tax regime applicable to the sale and the settlement of the Certificates by Italian resident investors.

The following does not purport to be an exhaustive analysis of all tax consequences of an investment in the Certificates. **Investors should consult their own advisors as regards the applicable tax regime.**

According to a certain interpretation of tax laws and regulations, the Certificates are derivative financial instruments. Consequently, proceeds received by Italian resident investors (other than those realised when engaged in commercial business) upon sale or settlement of the Certificates are regarded as other income (redditi diversi), subject to a 12.5% substitutive tax, in the cases and subject to the rules set forth by Presidential Decree No. 917 of 22 December 1986.

Please note that no circulars or rulings by the Ministry of Finance exist in relation to the proper tax construction of income arising from the Certificates. Therefore, it cannot be excluded that the Certificates will be regarded as atypical securities (pursuant to Article 8 of Law Decree No. 512 of 30 September 1983, converted, with amendments, by Law No. 649 of 25 November 1983), triggering the application of a tax regime which significantly differs from the one outlined above. (i.e., in certain cases, 27% withholding tax).

Investors should note that tax laws are subject to possible amendments which may also apply retroactively. In this respect, a bill of Delegated Law is currently under discussion before the Italian Parliament, pursuant to which the Italian Government would be vested with the power to reform the taxation of financial income.

## ANNEX 5

### TERMS AND CONDITIONS OF THE SECURITIES

*The following are the terms and conditions of the Securities which (subject to completion and amendment) will be applicable to each Series of Securities, provided that the relevant Final Terms in relation to any Securities may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Securities.*

The warrants or any other similar instruments (the "**Warrants**") and the certificates or any other similar instruments (the "**Certificates**") and together with the Warrants, the "**Securities**") are issued pursuant to a programme agreement dated 13 January 2006 as amended and restated on 4 October 2006 (the "**Programme Agreement**", which expression shall include any amendments or supplements thereto) between Goldman Sachs International (the "**Issuer**"), Citigroup Global Markets Deutschland AG & Co. KGaA at Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main, Germany, as principal programme agent (the "**Principal Programme Agent**", which expression shall include any successor or substitute principal programme agent appointed in accordance with the Programme Agreement), Goldman Sachs Japan Co., Ltd. as registrar (the "**Registrar**", which expression shall include any successor registrar appointed in accordance with the Programme Agreement), Skandinaviska Enskilda Banken AB (publ) as Swedish programme agent (the "**Swedish Programme Agent**"), Dexia Banque Internationale à Luxembourg, société anonyme, as Luxembourg programme agent (the "**Luxembourg Programme Agent**" and together with the Principal Programme Agent, the Swedish Programme Agent and the Registrar, where the context admits, the "**Programme Agents**", which expression shall include any substitute or additional programme agents appointed in accordance with the Programme Agreement), Citibank, N.A. as London authentication agent (the "**London Authentication Agent**", which expression shall include any successor London authentication agent appointed in accordance with the Programme Agreement), and Goldman Sachs International or such other calculation agent as may be specified in the relevant Final Terms as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Programme Agreement). Holders (as defined in Condition 1.2) are deemed to have notice of all the provisions (including the form of Exercise Notice referred to in Condition 4 and Condition 4A (as applicable)) of the Programme Agreement.

The Securities are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Securities. Each Tranche will be the subject of a Final Terms (each a "**Final Terms**"), a copy of which will, in the case of Luxembourg Securities be lodged with the Luxembourg Stock Exchange and copies of which may be obtained free of charge from the specified office of the Luxembourg Programme Agent. In the case of VPC Registered Securities, a copy of the relevant Final Terms may be obtained free of charge from the specified office of the Swedish Programme Agent. In the case of a Tranche of Securities in relation to which application has not been made for listing and trading on the regulated market of the Luxembourg Stock Exchange, or for listing on any other stock exchange, copies of the relevant Final Terms may also be obtained free of charge from the

specified office of the Luxembourg Programme Agent but only by a Holder (as defined in Condition 1.2) of such Securities.

References in these terms and conditions to Securities are to the Securities of the relevant Series. Capitalised terms used but not defined in these terms and conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Securities of the relevant Series.

## 1. **FORM AND TRANSFER**

### 1.1 **Form**

Each Tranche of Securities (other than VPC Registered Securities) will at all times be represented by a global warrant or a global certificate (in either form, the "**Global Security**") deposited on the Issue Date with, (a) in the case of Securities held in Euroclear and/or Clearstream, a common depositary for Euroclear and Clearstream Luxembourg; (b) or, in the case of Non-Clearing Securities, the Registrar. VPC Registered Securities will be constituted by a deed of covenant dated 4 October 2006 and will be issued in registered, uncertificated and dematerialised form in accordance with the SFIA Act. No Securities will be issued in definitive form.

### 1.2 **Title to Securities**

1.2.1 In respect of Securities held in Euroclear and/or Clearstream, Luxembourg, the person for the time being appearing in the books of Euroclear or Clearstream, Luxembourg as the holder of a Security shall be treated for all purposes by the Issuer, the Programme Agents, Euroclear and Clearstream, Luxembourg, and all other persons dealing with such person as the holder thereof (a "**Euroclear/Clearstream Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (A) Euroclear shall not be treated as the Holder of any Security held in an account with Clearstream, Luxembourg, on behalf of Euroclear's accountholders and (B) Clearstream, Luxembourg shall not be treated as the Holder of any Security held in an account with Euroclear, on behalf of Clearstream, Luxembourg's accountholders.

1.2.2 In respect of VPC Registered Securities, the person for the time being shown in the VPC Register shall be treated for all purposes by the Issuer, the Programme Agents, VPC and all other persons dealing with such person as the holder thereof (a "**VPC Holder**") and as the person entitled to exercise the rights represented thereby notwithstanding any notice to the contrary.

1.2.3 The Registrar will maintain a register (the "**Register**") in respect of Securities which are not held in a Clearing System (a "**Non-Cleared Security**"). In respect of such Securities, the person for the time being appearing in the Register as a holder of a Non-Cleared Security shall be treated for all purposes by the Issuer, the Programme Agents and all other persons dealing with such person as the holder thereof (a "**Non-Cleared Holder**") and as the person

entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary.

### 1.3 **Transfers of Securities**

1.3.1 Transfers of Securities which are held in a Clearing System may be effected only through the Clearing System(s) in which the Securities to be transferred are held. Title will pass, other than in the case of VPC Registered Securities, upon registration of the transfer in the books of Euroclear or Clearstream, Luxembourg or, in the case of VPC Registered Securities, upon entry in the VPC Register and in accordance with the SFIA Act

1.3.2 Transfers of Non-Cleared Securities may be effected only through the Registrar by delivery in writing to the Registrar of a duly completed Transfer Certificate (as defined in Condition 3.1). Title will pass upon registration of the transfer in the Register.

## 2. **STATUS AND GUARANTEE**

### 2.1 **Securities**

The Securities constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and rank *pari passu* among themselves.

### 2.2 **Guarantee**

The payment obligations of the Issuer in respect of the Securities are guaranteed by The Goldman Sachs Group, Inc. (the "**Guarantor**") pursuant to a guarantee dated 13 January 2006 (as amended or supplemented, the "**Guarantee**") made by the Guarantor in favour of the Holders.

## 3. **EXERCISE RIGHTS**

### 3.1 **Definitions**

For the purposes of these terms and conditions:

"**Actual/360**" has the meaning given in Condition 7.1;

"**Actual/365**" or "**Actual/Actual (ICMA)**" has the meaning given in Condition 7.1;

"**Actual/365 (Fixed)**" has the meaning given in Condition 7.1;

"**30/360 (Floating)**" or "**360/360**" or "**Bond Basis**" has the meaning given in Condition 7.1;

"**30E/360**" or "**Eurobond Basis**" has the meaning given in Condition 7.1;

"**Additional Disruption Event**" has the meaning given in Condition 10A.2.9;

"**Adjustment Assets**" has the meaning given in Condition 10A.1;

"**Announcement Date**" has the meaning given in Condition 10A.1;

**"applicable law"** has the meaning given in Condition 11;

**"Automatic Exercise Security"** means a Warrant or Certificate (as the case may be) specified as being an Automatic Exercise Warrant or an Automatic Exercise Certificate (as the case may be) in the relevant Final Terms;

**"Business Day"** means a day (other than a Saturday or Sunday) on which:

- (i) in the case of Securities held or to be held in Euroclear and/or Clearstream, Luxembourg, Euroclear and/or (as the case may be) Clearstream, Luxembourg, are open for business;
- (ii) in the case of VPC Registered Securities, banks in Sweden are open for business;
- (iii) in the case of Securities not held or not to be held in a Clearing System, the Registrar is open for business;
- (iv) such market(s), if any, as may be specified in the relevant Final Terms are open for business;
- (v) commercial banks are open for general business in such city(ies) as may be specified in the relevant Final Terms and (if no city is so specified) in London and the principal financial centre of the Settlement Currency (as defined in Condition 3.4); and
- (vi) if euro is the Settlement Currency, TARGET is operating credit or transfer instructions in respect of payments in euro;

**"Cash Settlement"** has the meaning given in Condition 3.4;

**"Change in Law"** has the meaning given in Condition 10A.2.9;

**"Clearing Systems"** means Euroclear, Clearstream and/or the VPC System;

**"Clearstream, Luxembourg"** means Clearstream Banking, société anonyme;

**"Closing Date"** has the meaning given in Condition 10A.1;

**"Closing Value"** has the meaning given in the relevant Final Terms;

**"Combined Consideration"** has the meaning given in Condition 10A.2.2;

**"Commodity"** means a commodity as specified in the relevant Final Terms;

**"Debt Instrument"** means a debt instrument as specified in the relevant Final Terms;

**"Delisting"** has the meaning given in Condition 10A.1;

**"Deliverable Assets"** has the meaning given in the relevant Final Terms, subject as provided in Condition 10 (if applicable);

**"Depository Receipt"** means a depository receipt as specified in the relevant Final Terms;

**"Disrupted Day"** has the meaning given in Condition 8.1;

**"Disruption Market"** has the meaning given in Condition 8.1;

**"Disruption Market Business Day"** has the meaning given in Condition 8.1;

**"Dividends"** means, where any Share has traded "ex-dividend" on the Disruption Market during the period from and including the Issue Date to but excluding the Valuation Date (each such period of trading "ex-dividend" being an **"Ex-Dividend Period"**), an amount in the Settlement Currency (converted, where applicable, into the Settlement Currency at a rate determined by the Issuer in good faith and in a commercially reasonable manner) equal to any cash dividends per Share actually received by the Issuer (or any of its affiliates) in respect of each Ex-Dividend Period in connection with its Hedge Positions less any Taxes;

**"Euroclear"** means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

**"Exercise Date"** means, in respect of any Security, subject to Condition 6.2 (if applicable), the day on which an Exercise Notice relating to that Security is delivered in accordance with:

- (i) the provisions of Condition 4.1, provided that in respect of Securities which are held in a Clearing System:
  - (a) if the Exercise Notice is delivered (A) on any day which is not a Business Day or (B) after 10:00 a.m. (Brussels, Luxembourg or Stockholm time, as the case may be) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
  - (b) subject to Condition 3.3 (if applicable) or Condition 3.3A (if applicable), the Exercise Date may not be later than the Expiration Date; or
- (ii) the provisions of Condition 4A.1, provided that in respect of Non-Cleared Securities:
  - (c) if the Exercise Notice is delivered (A) on any day which is not a Business Day, or (B) after 11:00 a.m. (Tokyo time) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
  - (d) subject to Condition 3.3 (if applicable), the Exercise Date may not be later than the Expiration Date;

**"Exercise Notice"** means a Security exercise notice in the form set out in the Programme Agreement (copies of which may be obtained from Euroclear, Clearstream, Luxembourg or the Programme Agents);



**"Exercise Period"** means the period beginning on (and including) such date as may be specified in the relevant Final Terms and ending on (and including) the Expiration Date;

**"Expiration Date"** has the meaning given in the relevant Final Terms;

**"Extraordinary Dividend"** has the meaning given in Condition 10A.1;

**"Extraordinary Event"** has the meaning given in Condition 10A.1;

**"Formula"** has the meaning given in Condition 10B.4;

**"Fractional Share Cash Amount"** has the meaning given in Condition 4.7;

**"FX Disruption Event"** has the meaning given in Condition 9;

**"FX Establishment Date"** has the meaning given in Condition 9;

**"FX Rate"** has the meaning given in Condition 9;

**"Hedge Positions"** means any one or more securities positions, derivatives positions or other instruments or arrangements (howsoever described) purchased, sold, entered into or maintained by the Issuer, the Guarantor or any affiliate thereof, in order to hedge, or otherwise in connection with, the Securities including, for the avoidance of doubt, any such positions in respect of the relevant Deliverable Assets, Valuation Assets, Settlement Currency, Relevant Currency or Adjustment Assets in respect of the Securities;

**"Hedging Disruption"** has the meaning given in Condition 10A.2.9;

**"Holder"** means a Euroclear/Clearstream Holder, a VPC Holder or a Non-Cleared Holder;

**"In-the-Money"** means that the Calculation Agent determines that the Closing Value of a Valuation Asset is greater than the Strike Price;

**"Index"** has the meaning given in Condition 10B.1;

**"Index Publisher"** has the meaning given in the relevant Final Terms;

**"Index Sponsor"** has the meaning given in the relevant Final Terms;

**"Insolvency Filing"** has the meaning given in Condition 10A.1;

**"Insolvency"** has the meaning given in Condition 10A.1;

**"Interest Amount"** has the meaning given in Condition 7.1;

**"Interest Payment Date"** has the meaning given in Condition 7.1;

**"Interest Period"** has the meaning given in Condition 7.1;

**"Interest Rate"** has the meaning given in Condition 7.1;

**"Interest Rate Day Count Fractions"** has the meaning given in Condition 7.1;

**"Issue Date"** means the issue date specified in the relevant Final Terms;

**"Luxembourg Securities"** means any Tranche of Securities in relation to which application has been made for listing and trading on the regulated market of the Luxembourg Stock Exchange;

**"Notional Amount per Certificate"** has the meaning given in Condition 7.1

**"Market Disruption Event"** has the meaning given in Condition 8.1;

**"Maximum Exercise Number"** has the meaning given in Condition 6.2;

**"Merger Date"** has the meaning given in Condition 10A.1;

**"Merger Event"** has the meaning given in Condition 10A.1;

**"Minimum Exercise Number"** has the meaning given in Condition 6.1;

**"Multiple Exercise Security"** means a Warrant or Certificate (as the case may be) specified as being a Multiple Exercise Warrant or a Multiple Exercise Certificate (as the case may be) in the relevant Final Terms;

**"Nationalisation"** has the meaning given in Condition 10A.1;

**"New Shares"** has the meaning given in Condition 10A.2;

**"Non-Cleared Holder"** has the meaning given to it in Condition 1.2.3;

**"Non-Cleared Security"** has the meaning given to it in Condition 1.2.3;

**"Other Consideration"** has the meaning given in Condition 10A.2;

**"Permitted Multiple"** has the meaning given in Condition 6.1;

**"Physical Delivery Security"** means a Security which is settled by way of physical delivery of the Deliverable Assets;

**"Physical Delivery Warrant"** means a Warrant which is settled by way of physical delivery of the Deliverable Assets;

**"Physical Settlement"** has the meaning given in Condition 3.5 or, if applicable, Condition 3.6;

**"Physical Settlement Date"** has the meaning given in the relevant Final Terms;

**"Physical Settlement Disruption Amount"** has the meaning given in the relevant Final Terms;

**"Physical Settlement Disruption Event"** has the meaning given in Condition 8.3;

**"Postponed Settlement Date"** has the meaning given in Condition 9;

**"Potential Adjustment Event"** has the meaning given in Condition 10A.1;

**"Related Disruption Market"** has the meaning given in Condition 8.1;

**"Relevant Clearing System"** has the meaning given in Condition 3.8;

**"Relevant Company"** has the meaning given in Condition 10A.1;

**"Relevant Country"** has the meaning given in the relevant Final Terms;

**"Relevant Currency"** has the meaning given in the relevant Final Terms;

**"Relevant Number"** has the meaning given in Condition 10A.2;

**"Reuters Screen"** means, when used in connection with any designated page and any designated information, the display page so designated on Reuters Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying comparable information);

**"Reverse Merger"** has the meaning given in Condition 10A.1;

**"Settlement Amount"** has the meaning given in Condition 3.4;

**"Settlement Currency"** has the meaning given in Condition 3.4;

**"Settlement Date"** means:

- (b) in respect of Securities other than VPC Registered Securities, the Settlement Date specified in the relevant Final Terms, subject always to Condition 3.7 (if applicable); and
- (c) in respect of VPC Registered Securities, the seventh Business Day following the Expiration Date, subject to Condition 9 (if applicable);

**"SFIA Act"** means the Swedish Financial Instruments Accounts Act (SFS 1998:1479);

**"Share-for-Combined"** has the meaning given in Condition 10A.2.2;

**"Share-for-Other"** has the meaning given in Condition 10A.2.2;

**"Share-for-Share"** has the meaning given in Condition 10A.2.2;

**"Shares"** has the meaning given in the relevant Final Terms;

**"Strike Price"** has the meaning given in the relevant Final Terms, subject as provided in Condition 10A (if applicable);

**"Substitute Publisher"** has the meaning given in Condition 10B.3;

**"Substitute Sponsor"** has the meaning given in Condition 10B.2;

**"TARGET"** means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System or any successor thereto;

**"Taxes"** means any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties incurred, or any expenses, costs or fees (and, except in the case of its Hedge Positions other than brokerage commissions) incurred by, imposed on or assessed to the Issuer (or any of its affiliates) in connection with the issue, transfer or exercise of any Securities, or its Hedge Positions or otherwise in connection with the transfer of

Dividends, Deliverable Assets or Physical Settlement, including, but not limited to, any cost related to or arising out of any default or delay by any broker, dealer, Relevant Market, clearing house or hedge counterparty and includes any taxes, expenses and charges incurred through, imposed on or assessed to the Hedge Positions entered into in respect of the Certificates, without regard to any refunds, credits or any other benefit or reduction that may accrue thereon through tax treaties or any other arrangements.

**"Telerate"** means, when used in connection with any designated page and any designated ISDA information, the display page so designated on the Moneyline Telerate Service (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 information);

**"Tender Offer Date"** has the meaning given in Condition 10A.1;

**"Tender Offer"** has the meaning given in Condition 10A.1;

**"Trading Day"** has the meaning given in Condition 8.1;

**"Transfer Certificate"** means a transfer certificate in the form set out in the Programme Agreement;

**"Underlying"** has the meaning given in the relevant Final Terms;

**"Valuation Assets"** has the meaning given in the relevant Final Terms;

**"Valuation Business Day"** has the meaning given in the relevant Final Terms;

**"Valuation Date"** has the meaning given in the relevant Final Terms, subject as provided in Conditions 8 and 9 (if applicable);

**"Valuation Period"** has the meaning given in the relevant Final Terms;

**"VPC"** means VPC AB (the Swedish Central Securities Depository pursuant to the SFIA Act;

**"VPC Holder"** has the meaning given in Condition 1.2.2;

**"VPC Register"** means the register opened in the VPC System for VPC Registered Securities issued or to be issued by the Issuer;

**"VPC Registered Securities"** means any Tranche of Securities registered with VPC issued in uncertificated and dematerialised book entry form in accordance with the SFIA Act; and

**"VPC System"** means the technical system at VPC for the registration of securities and the clearing and settlement of securities transactions.

### 3.2 **"American Style" Exercise**

If the Securities are specified in the relevant Final Terms as being American Style Warrants or Certificates (as the case may be) then this Condition 3.2 is applicable and the

Securities are exercisable on any Business Day during the Exercise Period, subject to prior termination of the Securities as provided in Condition 11.

This Condition 3.2 is not applicable to VPC Registered Securities.

### 3.3 **"European Style" Exercise**

If the Securities are specified in the relevant Final Terms as being European Style Warrants or Certificates (as the case may be) then this Condition 3.3 is applicable and the Securities are exercisable only on the Expiration Date or, if that is not a Business Day, the next succeeding Business Day, subject to prior termination of the Securities as provided in Condition 10.

#### 3.3A **"Bermudan Style" Exercise**

If the Securities are specified in the relevant Final Terms as being Bermudan Style Warrants or Certificates (as the case may be) then this Condition 3.3A is applicable and the Securities are exercisable only on the Specified Exercise Dates during the Exercise Period and on the Expiration Date.

This Condition 3.3A is not applicable to VPC Registered Securities.

### 3.4 **Cash Settlement**

Subject to Condition 3.5, Condition 3.5A, Condition 3.6 or Condition 14 if applicable, each Security entitles the Holder thereof to receive from the Issuer on the Settlement Date an amount calculated in accordance with the relevant Final Terms (the "**Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Final Terms ("**Cash Settlement**") less any Taxes. The Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Securities exercised at the same time by the same Holder being aggregated for the purpose of determining the aggregate Settlement Amount payable in respect of such Securities.

### 3.5 **Physical Settlement**

If this Condition 3.5 is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder the Issuer may elect not to pay the Settlement Amount as described in Condition 3.4, but instead, subject to Condition 14 (if applicable), to transfer or procure the transfer on the Physical Settlement Date (in respect of the Securities exercised by the Holder) of the Deliverable Assets in respect of each Security so exercised to the account specified for that purpose by the Holder in the relevant Exercise Notice ("**Physical Settlement**"), following payment by the Holder to or to the order of the Issuer on or before the Settlement Date of the Strike Price and, if applicable, any Taxes, all as more fully described in Condition 4. The Securities do not confer on the Holder any right to acquire the Deliverable Assets and the Issuer is not obliged to purchase or hold the Deliverable Assets. By exercising a Security, the Holder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

This Condition 3.5 is not applicable to VPC Registered Securities.

### 3.5A **Holder's Election for Physical Settlement**

If this Condition 3.5A is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder, such Holder may in the Exercise Notice elect not to receive the Settlement Amount as described in Condition 3.4, but instead, subject to Condition 13 (if applicable) and Condition 8.3, request the Issuer to transfer or procure the transfer of the Deliverable Assets in respect of each Security so exercised and such Exercise Notice will be irrevocable notice to the Issuer. Neither the Securities nor the Exercise Notice confer any right on the Holder to acquire the Deliverable Assets and the Issuer is not obliged to purchase, hold or deliver the Deliverable Assets until the Holder has paid the Strike Price and/or any Taxes (if applicable).

This Condition 3.5A is not applicable to VPC Registered Securities.

### 3.6 **Yield or Share Securities**

If this Condition 3.6 is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder the Issuer will, subject to Condition 13 (if applicable):

- 3.6.1 if the Closing Value is less than the Strike Price, subject to Condition 8 and the payment by the Holder of all Taxes, transfer, or procure the transfer on the Physical Settlement Date of the Deliverable Assets in respect of each Security so exercised to the account specified for that purpose by the Holder in the relevant Exercise Notice ("**Physical Settlement**"); and
- 3.6.2 if the Closing Value is greater than or equal to the Strike Price, pay the Settlement Amount in the Settlement Currency as set out in the relevant Final Terms,

all as more fully described in Condition 4.

This Condition 3.6 is not applicable to VPC Registered Securities or Non-Cleared Securities.

### 3.7 **Multiple Exercise Securities**

If the Securities are specified in the relevant Final Terms as being Multiple Exercise Securities then this Condition 3.7 is applicable and each Multiple Exercise Security shall be capable of being exercised once for each Expiration Date specified in the relevant Final Terms in accordance with the other provisions of these Conditions. References in these Conditions to "Valuation Date", "Valuation Period", "Strike Price", "Physical Settlement Date", "Settlement Date", "Expiration Date", "Exercise Period", "Exercise Date", "Exercise Notice" and "Automatic Exercise" shall, in relation to each exercise of Multiple Exercise Securities, unless the context otherwise requires, be construed as references to the relevant "Valuation Date", the relevant "Valuation Period", the relevant "Strike Price", the relevant "Physical Settlement Date", the relevant "Settlement Date", the relevant "Expiration Date", the relevant "Exercise Period", the relevant "Exercise Date", the relevant "Exercise Notice" and the relevant "Automatic Exercise".

### 3.8 **Securities Void on Expiration**

- 3.8.1 Any Security, other than a VPC Registered Security, which is held in a Clearing System and with respect to which no Exercise Notice has been delivered to Euroclear or Clearstream, Luxembourg (the "**Relevant Clearing System**") and to the Principal Programme Agent, in accordance with the provisions of Condition 4, at or prior to 10:00 a.m. (Brussels, Luxembourg or Stockholm time, as the case may be) on the Expiration Date (or, in the case of a European Style Security, if that is not a Business Day, the next succeeding Business Day), shall become null and void or, in the case of a Multiple Exercise Security, shall become null and void in respect of the relevant exercise only.
- 3.8.2 Any Non-Cleared Security with respect to which no Exercise Notice has been delivered to the Registrar, in accordance with the provisions of Condition 4A, at or prior to 11:00 a.m. (Tokyo time) on the Expiration Date (or, in the case of a European Style Security, if that is not a Business Day, the next succeeding Business Day), shall become null and void or, in the case of a Multiple Exercise Security, shall become null and void in respect of the relevant exercise only.

This Condition 3.8 is not applicable to VPC Registered Securities.

### 3.9 **Automatic Exercise**

If the Securities are specified in the relevant Final Terms as being Automatic Exercise Securities then this Condition 3.9 is applicable and any Securities in respect of which an Exercise Notice has not been duly completed and delivered, in the case of (i) American Style Securities on the last Business Day in the relevant Exercise Period or (ii) European Style Securities held in a Clearing System, by 10:00 a.m. (Brussels, Luxembourg or Stockholm time, as the case may be) on the Expiration Date or (iii) European Style Securities not held in a Clearing System, by 11:00 a.m. (Tokyo Time) on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day) or (iv) if Condition 3.5A is specified as being applicable and such Securities are In-the-Money at the relevant time on the Expiration Date (as determined by the Calculation Agent), such Securities shall be deemed to have been exercised on such date, subject to prior termination of the Securities as provided in Condition 11 and, if Condition 3.5A is specified, Cash Settlement shall apply. For the avoidance of doubt, in relation to Securities where this Condition 3.9 and Condition 3.5A are specified as applicable, any Securities in respect of which an Exercise Notice has been duly completed and delivered at the relevant time and which are In-the-Money at the relevant time on the Expiration Date (as determined by the Calculation Agent) shall be deemed to have been exercised on such date and, subject to prior termination of the Securities as provided in Condition 11 and to Holder election and other than in the case of VPC Registered Securities, Physical Settlement may apply. The Issuer shall be under no obligation to settle any Automatic Exercise Security until, and the Settlement Date or, as the case may be, the Physical Settlement Date in respect of such Security shall be, the third Business Day (or such other date as may be specified in the relevant Final Terms) following the day on which the Holder has delivered an Exercise Notice in accordance with Condition 4.1 or Condition 4A.1 (as applicable); provided that if the relevant Holder has not delivered an

Exercise Notice within 30 Business Days of the deemed Exercise Date, such Securities shall become null and void (or, in the case of a Multiple Exercise Security, shall become null and void in respect of the relevant exercise only).

This Condition 3.9 is not applicable to VPC Registered Securities.

#### 4. **EXERCISE PROCEDURE - SECURITIES HELD IN A CLEARING SYSTEM**

This Condition 4 is only applicable to Securities held in a Clearing System.

##### 4.1 **Exercise Notice**

Securities held in a Clearing System may be exercised by delivery in writing of a duly completed Exercise Notice to (i) the Relevant Clearing System, and (ii) the Principal Programme Agent, not later than 10:00 a.m. (Brussels, Luxembourg or Stockholm time, as the case may be):

- 4.1.1 in the case of American Style Securities, on any Business Day during the Exercise Period;
- 4.1.2 in the case of European Style Securities, on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day); or
- 4.1.3 in the case of Bermudan Style Securities, on the Specified Exercise Date(s) or the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

Each Exercise Notice shall:

- (i) specify the name, address, telephone and facsimile details of the Holder;
- (ii) specify the number of Securities of each Tranche being exercised;
  - (a) (other than in the case of a Multiple Exercise Security) specify the number of the Holder's account at the Relevant Clearing System to be debited with the Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Relevant Clearing System to debit the Holder's account with the Securities being exercised and to credit the account of the Principal Programme Agent; and
  - (b) (in the case of a Multiple Exercise Security only) (1) on the last exercise of such Security specify and irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Relevant Clearing System to debit the Holder's account with the Securities being exercised and to credit the account of the Principal Programme Agent, and, (2) in the case of all exercises of Multiple Exercise Securities other than the last, confirm the number of the Holder's account at the Relevant Clearing System to which the Securities being exercised are credited;



- (iii) specify the number of the Holder's account at the Relevant Clearing System to be credited with the Settlement Amount for the Securities being exercised;
- (iv) include an irrevocable undertaking by the Holder to pay any Taxes and an authority to the Relevant Clearing System to deduct an amount in respect thereof from any Settlement Amount due to such Holder or otherwise to debit (on or at any time after the Settlement Date) a specified account of the Holder at the Relevant Clearing System with an amount or amounts in respect thereof;
- (v) certify that the Securities are not being exercised by or on behalf of a U.S. person or a person within the United States and the Securities are not beneficially owned by a U.S. person or a person within the United States (terms in this paragraph (vi) have the meanings given to them in the Exercise Notice), unless the Final Terms relating to a Security expressly provides otherwise in connection with an offering of the Security pursuant to Rule 144A under the Securities Act; and
- (vi) authorise the production of such certification in applicable administrative or legal proceedings.

In addition, if Condition 3.5, Condition 3.5A or Condition 3.6 is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (a) (only if Condition 3.5 or 3.5A is specified and, in the case of 3.5A, the Holder has elected Physical Settlement) irrevocably instruct the Relevant Clearing System to debit on the Settlement Date a specified account of the Holder with the aggregate Strike Price (if relevant) in respect of the Securities being exercised and to transfer such amount to such account with the Relevant Clearing System as shall have been specified by the Issuer to the Relevant Clearing System for that purpose;
- (b) include an irrevocable undertaking by the Holder to pay any applicable Taxes by reason of the transfer (if any) of the Deliverable Assets to the account at the Relevant Clearing System specified by the Holder in the relevant Exercise Notice; and
- (c) specify the number of the Holder's account with the Relevant Clearing System to be credited with the relevant Deliverable Assets.

This Condition 4.1 is not applicable to VPC Registered Securities.

#### **4.1A Automatic Exercise - VPC Registered Securities**

VPC Registered Securities shall be deemed to have been exercised by 10:00 a.m. (Stockholm time) on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

#### **4.2 Verification of the Holder**

Upon receipt of an Exercise Notice the Principal Programme Agent shall request the Relevant Clearing System to confirm in writing to the Principal Programme Agent, the

Calculation Agent and the Issuer, that, according to the books of the Relevant Clearing System, the person exercising the Securities referred to in the Exercise Notice is the holder thereof. If the number of Securities specified in such Exercise Notice exceeds the number of Securities held in the specified account of the person exercising the relevant Securities, the Exercise Notice shall become null and void, and the Principal Programme Agent shall so notify the Issuer and the Calculation Agent. If the number of Securities specified in such Exercise Notice does not exceed the number of Securities held in such specified account then, on or prior to the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only), the Relevant Clearing System (in the case of Euroclear, Clearstream and Luxembourg) will debit such account with the Securities being exercised (but without prejudice to the accrued rights of the relevant Holder).

This Condition 4.2 is not applicable to VPC Registered Securities.

#### **4.3 Election of Settlement Method**

If Condition 3.5 or Condition 3.5A is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Valuation Date, notify the Relevant Clearing System, the Principal Programme Agent and (if applicable) the relevant Holder, if the Issuer or, as the case may be, the Holder has elected for Physical Settlement. If Condition 3.5 is specified, notice to the relevant Holder shall be given by facsimile to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Holder. The Relevant Clearing System will on or before the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only) debit the relevant account of the Holder and credit the relevant account of the Principal Programme Agent (in favour of the Issuer) with the Securities being exercised and, if the Issuer or, as the case may be, the Holder has elected for Physical Settlement, with the aggregate Strike Price in respect of the Securities exercised together with any applicable Taxes (if any). If the Issuer or, as the case may be, the Holder has elected for Physical Settlement and the aggregate Strike Price in respect of the Securities exercised together with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer the Deliverable Assets or make payment of any nature to the relevant Holder in respect of the Securities, and the Exercise Notice delivered in respect of the Securities shall thereafter be null and void for all purposes.

This Condition 4.3 is not applicable to VPC Registered Securities.

#### **4.4 Settlement**

Unless the Issuer or, as the case may be, the Holder shall have elected for Physical Settlement or the relevant Security falls to be settled by Physical Settlement in accordance with Condition 3.6, the Issuer shall on and for value on the Settlement Date, subject to Condition 14 (if applicable), transfer an amount equal to the aggregate Settlement Amount of the duly exercised Securities to the account of the Principal Programme Agent, whereupon the Principal Programme Agent shall transfer such amount to the account at the Relevant Clearing System specified in the relevant Exercise Notice for value on the Settlement Date. If, however, Condition 3.5 is specified in the

relevant Final Terms as being applicable and the Issuer elects for Physical Settlement or if Condition 3.5A is specified and the Holder elects for Physical Settlement or if Condition 3.6 is specified and the relevant Security falls to be settled by Physical Settlement, then, subject to Condition 8.3 and Condition 14 (if applicable), on transfer of the Strike Price (if Condition 3.5 or Condition 3.5A is applicable) and any applicable Taxes from the relevant account of the Holder to the relevant account of the Principal Programme Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the relevant Physical Settlement Date, transfer or procure the transfer of the Deliverable Assets in respect of each relevant Security for credit to the account specified in the relevant Exercise Notice.

This Condition 4.4 is not applicable to VPC Registered Securities.

#### **4.4A Settlement - VPC Registered Securities**

4.4A.1 No later than the sixth Business Day immediately preceding the Settlement Date of any Tranche of VPC Registered Securities, subject to Condition 14 (if applicable) and in accordance with the Programme Agreement, the Issuer shall transfer an amount equal to the aggregate Settlement Amount of such Tranche to the cash account in the name of the Issuer maintained by the Swedish Programme Agent (the "**Custody Cash Account**") whereupon the Swedish Programme Agent will transfer such Settlement Amount from the Custody Cash Account to the cash account denominated in Swedish krona to which VPC has access in connection with payments to Holders (the "**Cash Transfer Account**").

4.4A.1 Subject to paragraph 4.4A.1, VPC will debit the Cash Transfer Account for value on the Settlement Date and forward the Settlement Amount to the Holders in accordance with the Programme Agreement.

#### **4.5 Determinations**

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Relevant Clearing System, in consultation with the Principal Programme Agent, and shall be conclusive and binding on the Issuer, the Programme Agents and the relevant Holder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Programme Agent immediately after being sent to the Relevant Clearing System shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the Relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the Relevant Clearing System.

This Condition 4.5 is not applicable to VPC Registered Securities.

#### **4.6 Effect of Exercise Notice**

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Holder to exercise the Securities specified therein. After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4.2), the holder of the Securities specified in such Exercise Notice may not

transfer such Securities (or in the case of an exercise of Multiple Exercise Securities, prior to the relevant Settlement Date) prior to the Settlement Date.

Notwithstanding this, if any Holder does so transfer or attempt to transfer such Securities, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related Hedge Positions in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement Hedge Positions in respect of such Securities or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement Hedge Positions.

This Condition 4.6 is not applicable to VPC Registered Securities.

#### **4.7 Fractions**

No fraction of any Deliverable Asset will be transferred on exercise of any Security, provided that all Securities exercised at the same time by the same Holder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Deliverable Asset arises. Instead the Issuer shall make a cash refund in respect of the corresponding part (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Securities together (to the extent permitted by law) with any applicable Taxes (the "**Fractional Share Cash Amount**"). Such refund shall be made by transfer by the Issuer to the account of the Principal Programme Agent whereupon the Principal Programme Agent shall transfer such amount to the account at the Relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Settlement Amount.

This Condition 4.7 is not applicable to VPC Registered Securities.

#### **4A EXERCISE PROCEDURE - SECURITIES NOT HELD IN A CLEARING SYSTEM**

This Condition 4A is applicable only to Non-Cleared Securities.

##### **4A.1 Exercise Notice**

Non-Cleared Securities may be exercised by delivery in writing of a duly completed Exercise Notice to the Registrar, not later than 11:00 a.m. (Tokyo time):

4A.1.1 in the case of American Style Securities, on any Business Day during the Exercise Period; or

4A.1.2 in the case of European Style Securities, on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

Each Exercise Notice shall:

- (i) specify the name, address, telephone, facsimile and (if appropriate) account details of the Holder;
- (ii) specify the number of Securities of each Tranche being exercised;

- (iii) irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Registrar to amend the Register to reflect the Securities being exercised (in the case of a Multiple Exercise Security, only on the last exercise of such Security);
- (iv) specify the number of the Holder's account to be credited with the Settlement Amount for the Securities being exercised;
- (v) include an irrevocable undertaking by the Holder to pay any Taxes and an authority to the Registrar to deduct an amount in respect thereof from any Settlement Amount due to such Holder or otherwise to debit (on or at any time after the Settlement Date) a specified account of the Holder with an amount or amounts in respect thereof;
- (vi) certify that the Securities are not being exercised by or on behalf of a U.S. person or a person within the United States and the Securities are not beneficially owned by a U.S. person or a person within the United States (terms in this paragraph (vi) have the meanings given to them in the Exercise Notice), unless the Final Terms relating to a Security expressly provides otherwise in connection with an offering of the Security pursuant to Rule 144A under the Securities Act; and
- (vii) authorise the production of such certification in applicable administrative or legal proceedings.

#### **4A.2 Verification of the Holder**

Upon receipt of an Exercise Notice the Registrar shall confirm in writing to the Calculation Agent and the Issuer, that, according to the Register, the person exercising the Securities referred to in the Exercise Notice is the holder thereof. If the number of Securities specified in such Exercise Notice exceeds the number of Securities held (according to the Register) by the person exercising the relevant Securities, the Exercise Notice shall become null and void, and the Registrar shall so notify the Issuer and the Calculation Agent. If the number of Securities specified in such Exercise Notice does not exceed the number of Securities held (according to the Register) by such person, on the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only), the Registrar will amend the Register to reflect the Securities being exercised (but in each case without prejudice to the accrued rights of the relevant Holder).

#### **4A.3 Settlement**

The Issuer shall on and for value on the Settlement Date, subject to Condition 14 (if applicable), transfer an amount equal to the aggregate Settlement Amount of the duly exercised Securities to the account of the relevant Holder specified in the Exercise Notice for value on the Settlement Date.

#### **4A.4 Determinations**

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Registrar and shall be conclusive and binding on the Issuer,

the Programme Agents and the relevant Holder. Any Exercise Notice so determined to be incomplete or not in proper form shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the Registrar it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the Registrar.

#### **4A.5 Effect of Exercise Notice**

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Holder to exercise the Securities specified therein. After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4A.2), the holder of the Securities specified in such Exercise Notice may not otherwise transfer such Securities (in the case of an exercise of Multiple Exercise Securities, other than the last such exercise) prior to the Settlement Date.

Notwithstanding this, if any Holder does so transfer or attempt to transfer such Securities, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related Hedge Positions in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement Hedge Positions in respect of such Securities or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement Hedge Positions.

### **5. DETERMINATION AND NOTIFICATION OF CASH SETTLEMENT AMOUNT**

#### **5.1 Calculation Agent**

The Calculation Agent shall not act as an agent for the Holders but shall be the agent of the Issuer and all its calculations and determinations hereunder shall (save in the case of manifest error) be final and binding on the Issuer and the Holders. All calculation functions required of the Calculation Agent under these terms and conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

#### **5.2 Notification**

5.2.1 In respect of Securities held in a Clearing System (other than VPC Registered Securities), on or before 5:00 p.m. (Frankfurt time) on any Valuation Date, the Calculation Agent shall notify the Issuer and the Principal Programme Agent of the Settlement Amount to be paid on the relevant Settlement Date in respect of the relevant Securities, provided that the Calculation Agent has received a fax from either Euroclear or Clearstream, Luxembourg as the case may be, specifying the number of Securities which have been exercised in accordance with Condition 4.2.

5.2.2 In respect of VPC Registered Securities, on or before 5:00 p.m. (Stockholm time) on the second Business Day following the Expiration Date, the Calculation Agent shall notify the Issuer and the Swedish Programme Agent of the aggregate Settlement Amount and the Settlement Amount per Security to be paid on the relevant Settlement Date in respect of the relevant VPC Registered Securities.

5.2.3 In respect of Non-Cleared Securities, on or before 5:00 p.m. (London time) on any Valuation Date, the Calculation Agent shall notify the Issuer and the Registrar of the Settlement Amount to be paid on the relevant Settlement Date in respect of the relevant Securities, provided that the Calculation Agent has received a fax from the Registrar specifying the number of Securities which have been exercised in accordance with Condition 4A.2.

### 5.3 **Responsibility**

None of the Issuer, the Guarantor or the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of any Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

## 6. **LIMITS ON THE NUMBER OF SECURITIES EXERCISABLE**

### 6.1 **Minimum Exercise Number**

The Securities are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms (with a minimum denomination of no less than EUR 1000) or integral multiples thereof (or, if a "**Permitted Multiple**" is specified in the relevant Final Terms, higher integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Holders in accordance with Condition 14.

### 6.2 **Maximum Exercise Number**

If a number (the "**Maximum Exercise Number**") is specified in the relevant Final Terms as the Maximum Exercise Number and the Issuer determines in its absolute discretion on any Exercise Date that more than the Maximum Exercise Number of Securities are being exercised by a single Holder or a group of Holders acting in concert, then the Issuer may deem the Exercise Date for the first Maximum Exercise Number of the Securities exercised by such Holder or group of Holders to be such date and the Exercise Date for each additional tranche of Maximum Exercise Number of the Securities (or part thereof, in the case of the last tranche) exercised by such Holder or group of Holders to be each succeeding Business Day thereafter until there shall have been an Exercise Date in respect of all such Securities exercised by such Holder or group of Holders; provided that no such Exercise Date shall fall later than the Expiration Date. In any case where the Issuer determines that more than the Maximum Exercise Number of Securities are so exercised on the same day by a Holder or group of Holders acting in concert, the order of settlement in respect of such Securities shall be at the discretion of the Issuer. The Maximum Exercise Number may be waived on any occasion by the Issuer in its absolute discretion and may be amended from time to time by the Issuer by notice to the Holders in accordance with Condition 16.

7. **CERTIFICATES - INTEREST** (This Condition 7 applies only to Certificates.)

7.1 **Definitions**

For the purposes of this Condition 7:

"**Actual/360**" means the actual number of days in the Interest Period divided by 360;

"**Actual/365**" or "**Actual/Actual (ICMA)**" means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

"**Actual/365 (Fixed)**" means the actual number of days in the Interest Period divided by 365;

"**30/360 (Floating)**" or "**360/360**" or "**Bond Basis**" means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30<sup>th</sup> or 31st, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a month comprising 30 days);

"**30E/360**" or "**Eurobond Basis**" means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months each comprising 30 days without regard to the date of the first day or last day of the Interest Period, unless in the case of an Interest Period ending on the Expiration Date, the Expiration Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a month comprising 30 days);

"**Interest Amount**" means, in respect of each Interest Period and each Certificate, an amount calculated by the Calculation Agent as follows:

Notional Amount per Certificate x Interest Rate x Interest Rate Day Count Fraction;

"**Interest Payment Date**" means each date specified in the applicable Final Terms;

"**Interest Period**" means the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

"**Interest Rate**" means the rate specified as such in the applicable Final Terms;

"**Interest Rate Day Count Fractions**" has the meaning given in the relevant Final Terms; and



**"Notional Amount per Certificate"** means the amount specified as such in the applicable Final Terms.

## 7.2 **Interest Amount**

If so specified in the applicable Final Terms and subject as provided in these Conditions, each Certificate pays interest from and including the Issue Date at the Interest Rate payable in arrears on each Interest Payment Date. The amount payable in respect of each Certificate on each Interest Payment Date will be the Interest Amount for the Interest Period ending on (but excluding) such Interest Payment Date.

If an Interest Amount is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated on the basis of the number of days from and including the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date and the Interest Rate Day Count Fraction specified in the applicable Final Terms

## 7.3 **Accrual of Interest**

Each Certificate will cease to accrue interest from and including the Expiration Date unless payment of the Cash Settlement Amount and/or delivery of any Physical Settlement Amount due on redemption is improperly withheld or refused by the Issuer in which case interest shall continue to accrue from the Expiration Date until such payment or delivery is made, as the case may be. For the avoidance of doubt, no interest on the Certificates shall accrue beyond the Expiration Date in the event that delivery of any Physical Settlement Amount is postponed due to the occurrence of a Physical Settlement Disruption Event or otherwise as provided for in these Conditions or the applicable Final Terms.

# 8. **MARKET DISRUPTION**

## 8.1 **Definitions**

For the purposes of this Condition 8:

**"Clearing System Business Day"** means any day on which the principal domestic clearance system customarily used for settling trades in the Deliverable Assets is (or but for the occurrence of a Physical Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions and, in the case of Securities held or to be held in the VPC System, a day in Sweden which is not a Sunday or a public holiday or, with respect to the payment of promissory notes, is equivalent to a public holiday, and days on which banks in Sweden are open for business;

**"Disrupted Day"** means, in respect of a Valuation Asset which is a Share or an Index, any Trading Day on which the relevant Disruption Market fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. If any of the market or exchanges on which the Traded Market Factors are traded is not open for trading on the Valuation Date, the Valuation Date may be extended (in accordance with Condition 8);

**"Disruption Market"** has the meaning given in the relevant Final Terms;

**"Disruption Market Business Day"** means any Trading Day on which the relevant Disruption Market is open for trading during their respective regular trading sessions, notwithstanding such Disruption Market closing prior to its scheduled closing time;

**"Market Disruption Event"** means, in respect of a Valuation Asset which is a Share or an Index, the occurrence or existence of:

- (i) any suspension of or limitation imposed on trading by the relevant Disruption Market or otherwise and whether by reason of movements in price exceeding limits permitted by such Disruption Market in relation to (i) the relevant Valuation Assets on such Disruption Market; which the Calculation Agent determines is material;
- (ii) any event (other than Early Closure (as defined below)) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the relevant Valuation Assets on the relevant Disruption Market, which the Calculation Agent determines is material;
- (iii) the closure of the relevant Disruption Market on any Disruption Market Business Day prior to its scheduled closing time ("**Early Closure**"), unless such earlier closing time is announced by such Disruption Market at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Disruption Market; and (b) the submission deadline for orders to be entered into the relevant Disruption Market (if applicable);
- (iv) any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls, the effect of which is, in the judgment of the Calculation Agent, so material and adverse as to make it impracticable or inadvisable to proceed with the calculation of the Settlement Amount or (if applicable) the transfer of the Deliverable Assets on the terms and in the manner contemplated by these Conditions; or
- (v) circumstances under which the Issuer, the Guarantor or any of their affiliates is unable, or in the reasonable opinion of the Calculation Agent it is commercially impracticable for the Issuer, the Guarantor or any of its affiliates for any reason whatsoever, to sell, hold, transfer or trade the relevant Valuation Assets;

**"Trading Day"** means a day (other than a Saturday or Sunday) on which each Disruption Market is scheduled to be open for trading for their respective regular trading sessions; and

**"Valuation Assets"** has the meaning given in the relevant Final Terms.

## 8.2 **Postponement of Valuation Date upon Occurrence of a Market Disruption Event**

If, in the opinion of the Calculation Agent, any day which but for this Condition 8 would be a Valuation Date is a Disrupted Day in respect of a Valuation Asset which is a Share

or an Index, then the Valuation Date in respect of such Share or Index, as the case may be, may, at the discretion of the Calculation Agent, be postponed to the first following Trading Day that is not a Disrupted Day in respect of such Share or Index, as the case may be, provided that, but subject to Condition 8.2, in no event shall such Valuation Date be postponed until later than the eighth Trading Day following the relevant original Valuation Date and, if such eighth Trading Day is a Disrupted Day in respect of such Share or Index, as the case may be, (i) such eighth Trading Day shall be deemed to be the Valuation Date in respect of such Share or Index, as the case may be, notwithstanding that such day is a Disrupted Day and (ii) the relevant Settlement Amount shall be calculated using the fair market value of the relevant Valuation Asset as determined by the Calculation Agent at or about 4:00 p.m. (London time) on such eighth Trading Day (or as soon as practicable thereafter) in its absolute discretion. If, any Valuation Date occurs after the Expiration Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Settlement Date or, as the case may be, Physical Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event (each as defined in Condition 10A) shall in each case be determined by reference to the last such Valuation Date as though it were the Expiration Date. If Condition 3.6 is specified in the relevant Final Terms as being applicable payment of the Settlement Amount shall satisfy in full the Issuer's obligations in respect of the relevant Security and the Issuer will be under no obligation to deliver the Deliverable Asset(s).

### 8.3 **Physical Settlement Disruption Event**

If the Calculation Agent determines that any event has occurred as a result of which the Issuer cannot, or it is commercially impracticable for the Issuer to, effect Physical Settlement of all or any of the Deliverable Assets (a "**Physical Settlement Disruption Event**") on the Physical Settlement Date, then the Physical Settlement Date shall be the first succeeding Clearing System Business Day on which there is no Physical Settlement Disruption Event provided that, but subject to Condition 8.2, if the Physical Settlement Disruption Event is continuing on the fourteenth Clearing System Business Day following the originally designated Physical Settlement Date, the Issuer shall require the relevant Holder to accept, in lieu of delivery of the Deliverable Assets in respect of each Security exercised, payment of the Physical Settlement Disruption Amount on the third Business Day following the fourteenth Clearing System Business Day following the originally designated Physical Settlement Date. Payments made by the Issuer will be made subject to any applicable fiscal or other laws and regulations.

## 9. **POSTPONEMENT OF SETTLEMENT DATE ON THE OCCURRENCE OF A FOREIGN EXCHANGE DISRUPTION EVENT**

If this Condition 9 is specified in the relevant Final Terms as being applicable then, if the Calculation Agent determines that on a Valuation Date an FX Disruption Event (as defined below) has occurred and is continuing, the date for determination of the FX Rate shall be postponed until the first Business Day on which such FX Disruption Event ceases to exist (the "**FX Establishment Date**") and the Settlement Date in respect of the Securities shall be postponed to the Business Day which falls the same number of Business Days after the FX Establishment Date as the Settlement Date was originally scheduled to be after the Valuation Date (the "**Postponed Settlement Date**").

If an FX Disruption Event has occurred and is continuing on the Postponed Settlement Date (including any Settlement Date postponed due to a prior FX Disruption Event), then the Postponed Settlement Date shall be further postponed until the first Business Day following the date on which such FX Disruption Event ceases to exist.

For the avoidance of doubt, if an FX Disruption Event coincides with a Market Disruption Event or a Physical Settlement Disruption Event, as the case may be, the provisions of this Condition 9 shall take effect only after such postponements or adjustments have been made as a result of such Market Disruption Event or Physical Settlement Disruption Event in accordance with Condition 8 and, notwithstanding the provisions of Condition 8, the Issuer's payment obligation of the Settlement Amount shall continue to be postponed in accordance with the provisions of this Condition 9.

For the purposes of this Condition 9:

**"FX Disruption Event"** means the occurrence of an event that makes it impossible through legal channels for the Issuer or its affiliates to either:

- (i) convert the Relevant Currency into the Settlement Currency, or
- (ii) deliver the Settlement Currency from accounts within the Relevant Country to accounts outside such jurisdiction, or
- (iii) deliver the Relevant Currency between accounts within the Relevant Country to a person that is a non-resident of that jurisdiction;

**"FX Rate"** means, unless otherwise specified in the relevant Final Terms, the exchange rate (determined by the Calculation Agent in good faith and in a commercially reasonable manner) for the sale of Relevant Currency for Settlement Currency on the Valuation Date or other date on which such exchange rate falls to be determined in accordance with the provisions of this Condition 9 expressed as a number of units of Relevant Currency per unit of Settlement Currency;

**"Relevant Country"** has the meaning given in the relevant Final Terms; and

**"Relevant Currency"** has the meaning given in the relevant Final Terms.**ADJUSTMENTS**

#### 10.1 **Adjustments - All Securities**

The Issuer reserves the right to make such adjustments or to distribute to the Holders such rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur (including, without limitation, the introduction of any new currency or replacement of any national currency) which the Issuer believes (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) should, in the context of the issue of Securities and its obligations thereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent to be appropriate for the purpose of ensuring the economic value attributable to such Security (as determined by the Calculation Agent in its absolute discretion) should be as nearly as practicable the same

after as before such event or events occurred (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of the laws of the relevant jurisdiction or the practices of any relevant market.

#### 10A. **ADJUSTMENTS: EQUITY-LINKED SECURITIES**

This Condition 10A is applicable only in relation to Securities specified in the relevant Final Terms as being "Equity-Linked Warrants" or "Equity-Linked Certificates" (as the case may be) or, if in the relevant Final Terms the Securities are specified as being "Equity-Linked and Index-Linked Warrants" or "Equity-Linked and Index-Linked Certificates" (as the case may be), this Condition 10A is applicable only in relation to the Deliverable Assets and/or Valuation Assets which are Shares.

##### 10A.1 **Definitions**

For the purposes of this Condition 10A:

**"Adjustment Assets"** means each Deliverable Asset and each Valuation Asset;

**"Announcement Date"** means, in each case as determined by the Calculation Agent, (a) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (b) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (c) in the case of a Nationalisation the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (d) in the case of Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, or (e) in the case of a Delisting, the date of the first public announcement by the Disruption Market that the Shares will cease to be listed, traded or publicly quoted as described in the definition of "Delisting". If, in any case, such announcement is made after the actual closing time for the regular trading session on the Disruption Market, without regard to any after hours or any other trading outside of such regular session hours, the Announcement Date shall be deemed to be the next following Trading Day;

**"Closing Date"** means a Merger Date, Tender Offer Date, or the date of the occurrence of a Nationalisation, Insolvency or Delisting (each as determined by the Calculation Agent) as the case may be;

**"Delisting"** means that the Disruption Market announces that pursuant to its rules, the Shares cease (or will cease) to be listed, traded or publicly quoted on such Disruption Market for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system which (i) is located in the same country as the Disruption Market (or, where the Disruption Market is within the European Union, in any member state of the European Union) and

(ii) has, on the determination of the Calculation Agent, comparable liquidity in the Shares to the Disruption Market;

**"Extraordinary Dividend"** means any amount determined by the Calculation Agent to be an Extraordinary Dividend;

**"Extraordinary Event"** means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any Additional Disruption Event as specified in the relevant Final Terms;

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Relevant Company, (a) all the Shares of the Relevant Company are required to be transferred to a trustee, liquidator or other similar official, or (b) holders of the Shares of the Relevant Company become legally prohibited from transferring them;

**"Insolvency Filing"** means that the Relevant Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or it consents to such a petition provided that proceedings or petitions presented by creditors and not consented to by the Relevant Company shall not be deemed an Insolvency Filing;

**"Merger Date"** means, the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as is determined by the Calculation Agent;

**"Merger Event"** means, in respect of any Share, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Company is the continuing entity and which does not result in any such reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than the Shares owned or controlled by such other entity or person), (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Company or its subsidiaries with or into another entity in which the Relevant Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before, (a) in the case of a Security to

which Physical Settlement applies, the later to occur of the Expiration Date and the final Physical Settlement Date or (b) in any other case, the Final Valuation Date;

**"Nationalisation"** means that all the Shares or all the assets or substantially all the assets of the Relevant Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or instrumentality thereof;

**"Potential Adjustment Event"** means any of the following in respect of the Relevant Company:

- (i) a subdivision, consolidation or reclassification of the Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Relevant Company equally or proportionately with such payments to holders of the Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Relevant Company as a result of a spin-off or other similar transaction, or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Relevant Company in respect of Shares that are not fully paid;
- (v) a repurchase by the Relevant Company or any of its subsidiaries of Shares, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Relevant Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Relevant Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the Shares;

**"Relevant Company"** means, in respect of any Adjustment Asset, the issuer of such Adjustment Asset;

**"Shares"** means the Adjustment Assets issued by the Relevant Company;

**"Tender Offer"** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

**"Tender Offer Date"** means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

## 10A.2 Adjustments following Certain Events

### 10A.2.1 *Potential Adjustment Event*

- (i) Following the declaration by the Relevant Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares, and if so, then the Calculation Agent may: (i) make such corresponding adjustment(s) to the terms of the Securities as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the Share) and (ii) determine the effective date(s) of the adjustment(s); or
- (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 15, that the Securities shall be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.

### 10A.2.2 *Merger Event and Tender Offer Related Definitions*

In respect of each Merger Event or Tender Offer (as applicable), the following terms have the meanings given below:

- (i) **"Share-for-Share"** means, (i) in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger;
- (ii) **"Share-for-Other"** means, in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists solely of Other Consideration;
- (iii) **"Share-for-Combined"** means, in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists of Combined Consideration;
- (iv) **"New Shares"** means ordinary or common shares whether of the entity or person (other than the Relevant Company) involved in the Merger Event or the



making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Disruption Market (or, where the Disruption Market is within the European Union, in any member state of the European Union), and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations;

- (v) **"Other Consideration"** means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Relevant Company) involved in the Merger Event or the making of the Tender Offer or a third party); and
- (vi) **"Combined Consideration"** means New Shares in combination with Other Consideration.

#### *10A.2.3 Adjustments following a Share-for-Share Merger Event or Tender Offer*

In respect of each Share-for-Share Merger Event or Share-for-Share Tender Offer (as applicable) on or after the relevant Merger Date or relevant Tender Offer Date (as applicable) the Calculation Agent may either:

- (i) (a) make such adjustment to the terms of the Securities as the Calculation Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or Tender Offer (as applicable) (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer (as applicable) by an options exchange, and (b) determine the effective date of that adjustment; or
- (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 15, that the Securities shall be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.

#### *10A.2.4 Adjustments following a Share-for-Other Merger Event or Tender Offer*

Following the occurrence of a Share-for-Other Merger Event or Share-for-Other Tender Offer (as applicable) the Securities may be cancelled as of the Merger Date or the Tender Offer Date (as applicable), in which event the Issuer will pay each Holder an amount per Security determined in accordance with Condition 10A.2.8.

#### *10A.2.5 Adjustments following a Share-for-Combined Merger Event or Tender Offer*

In respect of each Share-for-Combined Merger Event or Share-for-Combined Tender Offer (as applicable):

- (a) in respect of that portion of the consideration that consists of New Shares (as determined by the Calculation Agent) the Calculation Agent may either:
  - (i) (a) make such adjustment to the terms of the Securities as the Calculation Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or Tender Offer (as applicable) (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities), which may, but need not be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer (as applicable) by an options exchange, and (b) determine the effective date of that adjustment; or
  - (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 15, that the Securities may be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.
- (b) in respect of that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent) each Security may be cancelled as of the Merger Date or Tender Offer Date (as applicable), in which event the Issuer will pay each Holder an amount per Security in respect of such portion determined in accordance with Condition 10A.2.8.

In respect of any Share-for-Combined Merger Event or Tender Offer (as applicable) (i) to the extent that the Calculation Agent determines that composition of the Combined Consideration could be determined by a holder of such number of Shares as the Calculation Agent determines to be represented by a Security (the "**Relevant Number**") and a holder of the Relevant Number of Shares could receive New Shares as part of the Combined Consideration, the Combined Consideration shall be deemed to be New Shares to the maximum value permitted (as determined by the Calculation Agent), and (ii) if a holder could make any election with respect to the composition of Combined Consideration other than New Shares, the Calculation Agent will, in its sole discretion, determine the composition.

#### 10A.2.6 *Settlement following a Merger Event or Tender Offer*

If Other Consideration is required to be valued in relation to a Security to which Cash Settlement applies that has been adjusted following a Merger Event or Tender Offer, the Other Consideration will be valued by the Calculation Agent on each Valuation Date. For the avoidance of doubt, the provisions herein relating to Market Disruption Events will not apply to Other Consideration.

If New Shares are required to be delivered in relation to a Security to which Physical Settlement applies that has been adjusted following a Merger Event or Tender Offer, the Issuer shall deliver (or procure the delivery of) the relevant New Shares in accordance with the terms of settlement set out herein, provided that if on the relevant Physical

Settlement Date a holder of the Shares would not yet have received the New Shares to which it is entitled, the Physical Settlement Date with respect to such New Shares will be postponed to the first Clearing System Business Day falling on or after the first day on which a holder of the Shares, having received the new Shares, would be able to deliver such New Shares to another party (as determined by the Calculation Agent).

If Other Consideration is required to be delivered in relation to a Security to which Physical Settlement applies that has been adjusted following a Merger Event or Tender Offer, then the Issuer will deliver (or procure the delivery of) the relevant Other Consideration in a commercially reasonable manner (as determined by the Calculation Agent) as soon as reasonably practicable after the later of (i) the relevant Physical Settlement Date, and (ii) the first day on which a holder of the Shares having received the Other Consideration, would be able to deliver such Other Consideration to another party (as determined by the Calculation Agent).

#### 10A.2.7 *Nationalisation, Insolvency and Delisting*

Upon the occurrence of a Nationalisation, Insolvency or Delisting, the Securities may, at the option of the Issuer, be cancelled as of the Announcement Date in whole or in part, in which event the Issuer will pay each Holder an amount per Security (or part thereof) calculated in accordance with Condition 10A.2.8.

#### 10A.2.8 *Cancellation and Payment*

Amounts to be determined in accordance with this Condition 10A.2.8 shall be determined by the Calculation Agent in its sole and absolute discretion. For the avoidance of doubt, a Holder shall not be required to pay any amount to the Issuer as a result of the cancellation, in whole or in part, of its Security.

Any amount payable by the Issuer in respect of an Additional Disruption Event or an Extraordinary Event shall be paid not later than three Business Days following the date that notice of the determination by the Calculation Agent of such amount (denominated in the Settlement Currency) as determined by the Calculation Agent is effective.

#### 10A.2.9 *Additional Disruption Events*

**"Additional Disruption Event"** means an Insolvency Filing or either of the events set forth below:

**"Change in Law"** means that, on or after the Issue Date (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (i) it has become illegal to hold, acquire or dispose of Shares or (ii) the Issuer will incur a materially increased cost in performing its obligations under the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); or

**"Hedging Disruption"** means that the Issuer (or any affiliate of the Issuer) is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of the Issuer entering into and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

#### 10A.2.10 *Consequences of an Additional Disruption Event*

Upon the occurrence of a Change in Law or Insolvency Filing the Issuer may elect to cancel the Securities upon at least two Valuation Business Days' notice given in accordance with Condition 15, specifying the date of such cancellation (or such lesser notice as may be required to comply with the Change of Law), in which event each Security will be cancelled and the Calculation Agent will determine the amount payable by the Issuer to Holders in respect of each Security in accordance with Condition 10A.2.8.

Upon the occurrence of a Hedging Disruption the Issuer may elect, while the Hedging Disruption is continuing, to cancel the Securities, upon at least two Valuation Business Days' notice to Holders, given in accordance with Condition 15, specifying the date of such cancellation, in which event the Calculation Agent will determine the amount payable by the Issuer to Holders in respect of each Security in accordance with Condition 10A.2.8.

### 10B. **ADJUSTMENTS: INDEX-LINKED SECURITIES**

This Condition 10B is applicable only in relation to Securities specified in the relevant Final Terms as being "Index-Linked Warrants" or "Index-Linked Certificates" (as the case may be) or, if in the relevant Final Terms the Securities are specified as being "Equity Linked and Index-Linked Warrants" or "Equity Linked and Index-Linked Certificates" (as the case may be), this Condition 10B is applicable only in relation to the Deliverable Assets and/or Valuation Assets which are included in an Index.

#### 10B.1 **Definitions**

For the purposes of this Condition 10B:

**"Announcement Date"** means, in the case of an Index Disruption or Index Cancellation, the date of the first public announcement by the Index Sponsor of any adjustment or cancellation as described in this Condition 10B that leads to the Index Disruption or Index Cancellation and in the case of an Index Modification, the Exchange Business Day immediately prior to the effective date of the Index Modification;

**"Index"** has the meaning given in the relevant Final Terms, subject as provided in this Condition 10B;

**"Index Publisher"** has the meaning given in the relevant Final Terms; and

**"Index Sponsor"** has the meaning given in the relevant Final Terms.

#### **10B.2 Change of Index Sponsor**

If an Index Sponsor ceases to calculate an Index but such Index or another index (which in the opinion of the Calculation Agent is reasonably comparable to such Index) is calculated and publicly announced by another party (the "**Substitute Sponsor**"), then the relevant Index shall mean such Index or, as the case may be, such comparable index as calculated and publicly announced by such Substitute Sponsor.

#### **10B.3 Change of Index Publisher**

If an Index Publisher ceases to publish an Index but such Index or another index (which in the opinion of the Calculation Agent is reasonably comparable to the Index) is published by another party (the "**Substitute Publisher**"), then the relevant Index shall mean such Index or, as the case may be, such comparable index as published by such Substitute Publisher.

#### **10B.4 Change in the Index**

If an Index Sponsor changes the numerical form or the method of calculation of an Index or in any other way modifies such Index (other than in accordance with the published policies of such Index Sponsor at the date of issue of the Securities), then, for the purposes of the Securities, the Calculation Agent may adjust the formula for calculating such Index (the "**Formula**") with effect from (and including) the date on which such change or modification takes effect, so that such Index calculated in accordance with such adjustment, would be as near as practicable to that value which it would have been had such change or modification not taken effect, and thereafter the relevant Index and the Formula shall be construed by reference to such Index as so changed and the Formula as so adjusted.

#### **10B.5 No Calculation or Publication of the Index**

In the event that an Index is not calculated and/or publicly announced by any person or party on any Valuation Date, then the relevant Settlement Amount shall be calculated by the Calculation Agent based on the formula and method of calculation used in calculating such Index (subject as provided in Condition 10B.4) as of the date such Index was last so calculated using the prices on the relevant Disruption Markets on the relevant day of the Valuation Assets used at the date such Index was last so calculated. If the prices of any such Valuation Assets are not available at the close of business on any relevant Disruption Market on the relevant day the Calculation Agent shall, to the extent practicable, compute the relevant Settlement Amount on the basis that such Valuation Assets not trading on that date shall be valued at the last publicly reported price at which such Valuation Assets traded.

#### **10B.6 Market Disruption Event**

If a Market Disruption Event (as defined in Condition 8) occurs in respect of a security included in an Index at any time, then the Calculation Agent may base the relevant percentage contribution of that security to the level of such Index on a comparison of (i) the portion of the level of such Index attributable to that security and (ii) the overall level

of such Index, in each case immediately before the occurrence of such Market Disruption Event.

**11. ILLEGALITY**

The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**applicable law**"). In such circumstances the Issuer will, if and to the extent permitted by applicable law, pay to each Holder in respect of each Security held by him an amount determined by the Calculation Agent as representing the fair market value of such Security immediately prior to such termination (ignoring such illegality). Payment will be made to the Relevant Clearing System in respect of Securities held in a Clearing System, or to the Registrar in respect of Non-Cleared Securities, in such manner as shall be notified to the Holders in accordance with Condition 15.

**12. PURCHASE BY THE ISSUER**

The Issuer may at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held, surrendered for cancellation or reissued or resold, and Securities so reissued or resold shall for all purposes be deemed to form part of the original series of Securities.

**13. PROGRAMME AGENTS AND CALCULATION AGENT**

The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent or any Programme Agent, provided that (a) so long as any Security which is held in a Clearing System is outstanding, there will at all times be a Principal Programme Agent and a Calculation Agent, (b) so long as any Non-Cleared Security is outstanding, there will at all times be a Registrar and a Calculation Agent, and (c) so long as any Securities are listed on the Luxembourg Stock Exchange (or any other stock exchange), there will be a Programme Agent with a specified office in Luxembourg (or in such other place as is required by the rules of such other stock exchange). Notice of any termination of appointment and of any changes in the specified office of a Programme Agent or a Calculation Agent will be given to Holders in accordance with Condition 15. In acting under the Programme Agreement, each Programme Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders.

**14. LIMITED RECOURSE**

If this Condition 14 is specified in the relevant Final Terms as being applicable then, to the extent that any sums in the Relevant Currency or any Deliverable Assets or any cash dividends in respect of any Adjustment Assets are not actually received by the Issuer, the Guarantor or any of their affiliates pursuant to the Hedge Positions in sufficient time to enable the Issuer to pay the Settlement Amount in full on the Settlement Date, or the Physical Settlement Disruption Amount in full on the due date therefor, or any cash

dividends or, as the case may be, to deliver the Deliverable Assets in full on the Physical Settlement Date, the Issuer's obligation to pay the Settlement Amount, cash dividends or the Physical Settlement Disruption Amount, or to deliver the Deliverable Assets under the Securities, and any Holders' entitlement to secure the Settlement Amount, cash dividends, the Physical Settlement Disruption Amount or the Deliverable Assets in respect of the Securities, is strictly limited to such amounts or Deliverable Assets actually obtained and received by the Issuer under such Hedge Positions, and payment or delivery of Deliverable Assets to Holders (if any) shall only be made following such time and to the extent that the Issuer is in full possession and receipt of amounts or Deliverable Assets under such Hedge Positions.

**15. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Securities so as to form a single series with the Securities of any particular series.

**16. NOTICES**

16.1 In respect of Securities held in Euroclear and/or Clearstream, Luxembourg, all notices to Holders of such Securities will be valid if notified to Euroclear and Clearstream, Luxembourg (save where another means of effective communication has been specified in the relevant Final Terms).

16.2 In respect of any Tranche of VPC Registered Securities, the Swedish Programme Agent shall, upon receipt of instructions from the Issuer, forward information and notices that the Swedish Programme Agent has obtained from the Issuer to the VPC Holders. Such notices may, at the discretion of the Issuer, either be published in at least one Swedish daily newspaper with nation-wide coverage in the Kingdom of Sweden or be sent to the Swedish Programme Agent who will forward the notice to the VPC System for delivery to each VPC Holder according to the address in the VPC Register.

16.3 In respect of Securities that are listed on the Luxembourg Stock Exchange (or any other stock exchange) and the rules of such exchange so require, all notices to the Holders of such Securities will be valid if published in a daily newspaper of general circulation in Luxembourg which is expected to be the *d'Wort* (or such other publication as required by the rules of such other stock exchange) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

16.4 In respect of Non-Cleared Securities, all notices to Non-Cleared Holders of such Securities will be valid if made publicly available on the Issuer's web site and/or by electronic communication to the relevant Non-Cleared Holders (save where another means of effective communication has been specified in the relevant Final Terms).

Any such notice shall be deemed to have been given on the date of such notification or publication or, if notified or published more than once, on the date of the first such notification or publication.

**17. MODIFICATIONS**

The Programme Agreement may be amended by the parties thereto and the Securities may be amended by the Issuer with the approval of the Calculation Agent but without the consent of the Holders if, in the reasonable opinion of the Issuer and the Calculation Agent the amendment (a) is of a formal, minor or technical nature or is made to correct a manifest error, or (b) will not materially and adversely affect the interests of the Holders. For the avoidance of doubt, this Condition 17 shall not apply to any adjustments made in accordance with Condition 10 (Adjustments). Any such modification shall take effect by notice to the Holders in accordance with Condition 16.

18. **SUBSTITUTION**

Each of the Issuer and the Calculation Agent may at any time, without the consent of the Holders, assign or delegate all of its rights and obligations under the Securities, in whatever form it determines may be appropriate, to a partnership, corporation, trust or other organisation in whatever form which succeeds to all or substantially all of its assets and business and which assumes such obligations by contract, operation of law or otherwise, whereupon each of them shall be relieved of and fully discharged from all obligations under the Securities, whether such obligations arose before or after such assignment or delegation and assumption.

19. **PRESCRIPTION**

Claims against the Issuer or, as the case may be, the Guarantor for payment in respect of the Securities shall be prescribed and become void unless made within five years from the Settlement Date and no claims shall be made after such date.

20. **TAXATION**

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership, transfer or exercise of any Securities.

21. **GOVERNING LAW**

The Securities shall be governed by and construed in accordance with the laws of England. The Guarantee shall be governed by and construed in accordance with New York law.

22. **THIRD PARTY RIGHTS**

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



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**PRINCIPAL OFFICE OF THE  
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**OF THE GUARANTOR**

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