



BASE PROSPECTUS

CENTRICA plc

(incorporated in England and Wales with limited liability under registered number 03033654)

U.S.\$10,000,000,000

Euro Medium Term Note Programme

Under this U.S.\$10,000,000,000 Euro Medium Term Note Programme (the **Programme**), Centrica plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the **FSMA**), (the **FCA**) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of the Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Issuer has been assigned a long-term debt credit rating of Baa1 (stable outlook) and a short-term debt credit rating of P-2 (stable outlook) by Moody's Investors Service Ltd (**Moody's**) and a long term debt credit rating of BBB (stable outlook) and a short term debt credit rating of A-2 (stable outlook) by S&P Global Ratings Europe Limited (**Standard & Poor's**). The Programme has been rated Baa1 (long-term) and P-2 (short-term) by Moody's and BBB (long-term) and A-2 (short-term) by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Notes issued under the Programme may be rated by either of the rating agencies referred to above or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Arranger

Barclays

Dealers

Barclays

BofA Merrill Lynch

Credit Suisse

J.P. Morgan Cazenove

RBC Capital Markets

BNP PARIBAS

Citigroup

HSBC

MUFG

**Société Générale Corporate & Investment
Banking**

The date of this Base Prospectus is 30 May 2019.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended or superseded (the Prospectus Directive).

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

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

The Trustee and the Dealers make no representation, warranty or undertaking, express or implied, and no responsibility or liability is accepted by the Trustee or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any acts or omissions of the Issuer or any other person in connection with this Base Prospectus or the issue and offering of any Notes under the Programme. Neither the Trustee nor any Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

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

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

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

The minimum denomination of the Notes shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

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

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

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

MiFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which may outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending any such Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance

Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Prohibition of sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

BENCHMARKS REGULATION – Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate (EURIBOR) or the London Interbank Offered Rate (LIBOR) which are provided by the European Money Markets Institute (EMMI) and the ICE Benchmark Administration Limited (ICE) respectively. As at the date of this Base Prospectus, ICE appears in the European Securities and Markets Authority (ESMA)’s register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the “Benchmarks Regulation”) and EMMI does not appear in ESMA’s register of administrators under the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that EMMI is not currently required to obtain authorisation or registration.

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- *U.S. dollars, U.S.\$* and *\$* refer to United States dollars;
- *C\$* refer to Canadian dollars;
- *Sterling* and *£* refer to pounds sterling; and
- *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the Stabilising Manager(s)) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, a new prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” below shall have the same meanings in this Overview.

Issuer:	Centrica plc
Legal Entity Identifier (LEI):	E26EDV109X6EEPBKVH76
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International MUFG Securities EMEA plc RBC Europe Limited Société Générale

and any other Dealers appointed in accordance with the Programme Agreement.

Risk Factors: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “*Risk Factors*”. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “*Risk Factors*” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*” below) including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*” below.

Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent:	HSBC Bank plc

Registrar:	Such person as shall be appointed as registrar by the Issuer prior to the issue of Registered Notes or Exchangeable Bearer Notes (as defined below) of any Series in accordance with the Agency Agreement.
Programme Size:	Up to U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as indicated in the Final Terms).
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>The Notes will be issued in bearer or registered form as described in the applicable Final Terms. Notes may be issued in bearer form only (Bearer Notes), in bearer form exchangeable for Registered Notes (Exchangeable Bearer Notes) or in registered form only (Registered Notes).</p> <p>Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note (as defined below) if (i) definitive Notes are to be made available to Noteholders (as defined below) following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with TEFRA D (as defined in “<i>Overview of the Programme – United States Selling Restrictions</i>” below), otherwise such Tranche will be represented by a Permanent Global Note (as defined below). Registered Notes will be represented either (i) in certificated form (certificated Registered Notes) or (ii) in uncertificated form (uncertificated Registered Notes) comprising those Registered Notes which for the time being are uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (the Uncertificated Securities Regulations). Certificated Registered Notes will be represented by Certificates (as defined below), one Certificate being issued in respect of each Noteholder’s entire holding of certificated Registered Notes of one Series.</p>
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes may be deposited with a common depositary for, or a common safekeeper for, Euroclear (as defined below) and Clearstream, Luxembourg (as defined below). Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent (as defined below) and the relevant Dealer.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction (as defined below) as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period (as defined below), as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates (as defined below), and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Zero Coupon Notes:	<p>Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest.</p>
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "<i>Certain Restrictions: Notes having a maturity of less than one year</i>" above.</p>
Denomination of Notes:	<p>Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "<i>Certain Restrictions: Notes having a maturity of less than one year</i>" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p>
Taxation:	<p>All payments in respect of the Notes will, save as required by law, be made without deduction or withholding for or on account of tax imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction or withholding is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.</p>
Negative Pledge:	<p>The terms of the Notes will contain a negative pledge provision as further described in Condition 4.</p>
Cross Default:	<p>The terms of the Notes will contain a cross default provision as further described in Condition 10.</p>
Status of the Notes:	<p>The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank</p>

pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Rating: The Issuer has been assigned a long-term debt credit rating of Baa1 (stable outlook) and a short-term debt credit rating of P-2 (stable outlook) by Moody's and a long term debt credit rating of BBB (stable outlook) and a short term debt credit rating of A-2 (stable outlook) by Standard & Poor's. The Programme has been rated Baa1 (long-term) and P-2 (short-term) by Moody's and BBB (long-term) and A-2 (short-term) by Standard & Poor's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing: Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

Governing Law: The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Notes in the United States and the European Economic Area (including the United Kingdom) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*" below.

United States Selling Restrictions: The Issuer is a Category 2 issuer for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for the purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**)) (**TEFRA D**) unless (i) the applicable Final Terms states that Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for the purposes of Section 4701 of the Code) (**TEFRA C**) or (ii) the Notes are issued other than in circumstances in which the Note will not constitute **registration required obligations** under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors, which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors, which could materially adversely affect its business and ability to make payments due under the Notes. In addition, factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.

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

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

The Group is exposed to movement in commodity prices

The Group's financial performance, cash flows and price competitiveness are sensitive to the Group's ability to manage exposure to volatile world energy markets, including wholesale commodity prices in various locations for natural gas, crude oil, oil products, coal, carbon and power. In order to support its core business activities, it is necessary for the Group to purchase and sell significant quantities of commodities, and although it routinely enters into long-term contracts to protect its commercial position, significant price changes, failure to secure key materials, and/or failure to maintain adequate supply chains and strategic alliances could have a significant adverse effect on its operations and/or financial position.

In the energy supply and services businesses (i.e. UK Home, UK Business, Ireland, North America Home and North America Business) (**ES&S**) commodity price increases or decreases may require the Group to change the price at which it sells energy or gas to its customers, to the extent possible taking the applicable price regulations or caps into account (please see "*The Group's business is subject to political intervention*" below for further information). The Group may not be able to pass on all increases in its realised commodity costs to its customers, or when commodity prices fall may need to reduce its prices for customers to remain competitive. In either scenario, the Group may need to unwind forward hedges it has put in place at a loss, thereby potentially resulting in lower profitability. Where the Group increases prices or fails to pass on decreases in commodity costs to its customers, including doing so in a timely manner, customers may switch to competitors (please see "*The Group operates in competitive markets*" below for further information). In the case of fixed price products, changes to commodity prices may affect the Group's ability to offer competitive products or for those products to be profitable. There has been significant adverse publicity in recent years associated with United Kingdom (**UK**) residential energy prices, which may increase the number of customers switching to competitors or damage public trust in the Group's business and its consumer brands. This may be impacted by increasing political and regulatory intervention (please see "*The Group's business is subject to political intervention*" and "*The Group's Business is subject to regulatory oversight*" for further information).

In the Exploration and Production (**E&P**) business, rapid material and/or sustained changes in prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the actions derived from those decisions may no longer be appropriate. A low oil and gas price environment would generate less revenue from producing assets and, over the longer term, may make certain exploration and development projects less profitable or uneconomic. Prolonged periods of low oil and gas prices, or rising costs, could also result in projects being delayed or cancelled, and/or in the impairment of some assets.

In power generation, lower wholesale power prices may reduce profits from the Group's Central Power Generation business including nuclear power generation assets and other assets exposed to power prices.

In the Distributed Energy & Power (**DE&P**) business, growth in optimisation revenues and returns on direct asset investments is linked to capacity and power ancillary services markets; a reduction in the value of these "flexibility markets" could impact revenues and growth rates.

In the Energy Marketing & Trading (**EM&T**) business, the Group is sensitive to hydrocarbon and power prices as well as locational spreads as a result of the purchase of third-party supply or sales to third parties through long-term contracts, including the indexation terms in such contracts, as well as short-term trading

positions taken in spot and forward/futures markets. For physical exposures, especially concerning gas and power, uncertain demand creates a risk that surplus commodity positions cannot be sold profitably in wholesale markets or that any short commodity positions may be covered at a loss. The Group's portfolio also includes a small number of flexible gas contracts whose value will vary between periods based on the prevailing commodity price environment and the decisions the EM&T business takes to optimise these contracts to maximise value. The EM&T business also has a number of contractual capacity contracts, the economic value of which depends on certain price relationships, such as locational gas and power price spreads.

For all assets across the Group, both investment decisions and the valuation of existing assets are based upon evaluations underpinned by long-term forecasts of commodity prices, which may change over time based on fundamental trends in demand, supply, costs, regulation, policy and technological development. Assets, including goodwill, may be impaired if forecasts change such that future cash flows from such assets are insufficient to cover their cost on the balance sheet.

Commodity prices fluctuate based on a large number of factors, most notably supply and demand in local and global markets as well as operational, technological, political, social and economic factors, and actions by major commodity-producing countries. Seasonal variations and, in the short-to-medium term, uncertainty of the economic conditions, make it difficult to forecast future energy demand. Prices of commodities are correlated but can move independently from each other for long periods. The success of shale gas in North America and the continued investment in this particular source has proven resilient to cost increases which may lead to lower wholesale gas prices and a weakening of the traditional links between gas and oil prices. This energy source could further influence global energy markets over time and, in particular, any material surplus of gas could affect the liquefied natural gas (LNG) sector, which is becoming an increasingly important source of natural gas for the UK. Political factors may also trigger an expectation of or actual disruptions in supplies from those regions affected, which may lead to severe price movements. Climate policy and the international commitment to decarbonise entire economies may disrupt or change expectations of future demand, supply, investment decisions, and market prices of commodities including power (please see "*Initiatives to address climate change may affect the Group's operations*" for further information). If the Group is unable to manage its exposure to fluctuating commodity prices, its competitive position could be negatively impacted and its business, financial condition, credit rating, results of operations and growth rate could be adversely affected.

The external commodity price environment could also impact the Group's longer-term strategy, future dividend payments, and increase the likelihood of the Group's projects and assets being subject to cancellation, postponement or divestment.

The Group's business is subject to political intervention

The Group is subject to various political interventions and changes to corporate governance requirements from governments in the UK, Republic of Ireland, North America and elsewhere. In the UK, the energy supply market has been a high-profile subject in the media and in political debate, and government intervention could have a significant impact on the Group's business, especially its UK Home business. Government intervention in energy markets, or changes in government policy, may also affect the Group's ability to invest in new assets in the markets concerned. In addition, a worsening of the international political climate increases the possibility of sanctions or other trade limiting actions that could impact the Group's ability to source commodities, and there is no certainty that current projects can be progressed as initially planned. Any failure or perceived failure by the Group to comply with such developments or related requirements could result in substantial fines, loss or debarment of licence, legal proceedings and have a negative impact on the Group's brands, operations and reputation.

The UK Government's Domestic Gas and Electricity (Tariff Cap) Act came into force on 19 July 2018 and places a requirement on the Office of Gas and Electricity Markets (**Ofgem**) to cap standard variable and default energy tariffs. The cap will be in force until at least 2020. Ofgem announced its policy approach on 6 September 2018 and the cap on default tariffs (affecting our standard variable tariff and temporary tariffs) was implemented on 1 January 2019.

At the time of implementation, the cap was lower than the market average UK standard variable tariff (**SVT**), which the Group is proactively phasing out across its customer base. The Group is progressing a judicial review in relation to the process that Ofgem followed when setting the transitional arrangements for wholesale energy costs, and will continue to engage with both the UK Government and Ofgem on issues such as how the price cap can accommodate smart metering costs and the criteria for lifting the cap. The level of the price cap was revised on 1 April 2019, and will be revised in line with a prescribed methodology every six months until it is lifted.

There are other Ofgem-led initiatives, some of which were recommended by the Competition and Markets Authority (**CMA**), that may impact on customer churn levels (particularly aimed at customers on default tariffs). Ofgem is seeking to develop proposals for a database of customers on default tariffs that can be used for marketing purposes, possibly including collective switches. Ofgem is also considering reform of the supplier hub model to enable innovation and owing to concerns about low customer engagement in the market. Ofgem and the UK Government have now launched a new joint Future Energy Retail Market Review that will progress this work, and is likely to include a consideration of alternative arrangements for the supply of default customers, including both domestic and microbusiness customers. In addition, a separate joint review by Ofgem and the UK Government of Industry Code governance is also progressing, which may introduce fundamental changes to the arrangements underpinning how the retail market is governed.

In the UK, certain political parties have made statements in respect of their intended actions in the UK energy supply market. The Labour Party and the Scottish National Party have both made reference to introducing publicly owned energy suppliers. Any changes to UK government policy or an early general election may trigger new announcements, proposals or interventions in the UK energy supply market, and any such interventions could have a material adverse effect on the Group's business, results of operations and overall financial performance.

The significant media attention generated by energy being made a political "hot-topic" may also have an impact on the operations of British Gas. Increased public discussion about energy companies may have an impact on the perception of the Group's brands, and any price increases receive particular public attention, which may be disproportionate with the media coverage of other competitors. This position may have a material adverse impact on the Group's reputation and competitive position. In North America, the Group considers there to be a risk of partial or total re-regulation of the residential retail energy market in one or more states in the U.S., with controls on price/product mimicking proposals contemplated in the ongoing New York Public Service Commission proceedings that are examining the New York competitive residential retail market. Legislative and regulatory actions being considered include requiring that prices charged by competitive suppliers include guaranteed savings below the utility price, restricting specific sales practices and channels commonly used in the industry, limiting sales by competitive suppliers to so-called "vulnerable" customers and full re-regulation (i.e. returning to the model where the utility is the sole supplier to residential customers). The effect of these proposals may be to significantly curtail or eliminate the Group's residential energy supply business in these states. There is a risk of political and/or regulatory intervention in several states, including New York, Massachusetts, Illinois and Rhode Island and the timelines for any re-regulation cannot be predicted reliably.

Key elements of the UK Government's plans to decarbonise the electricity sector and achieve security of supply are set out in the provisions of the Energy Act 2013 which relate to Electricity Market Reform (**EMR**). Although the Group is not materially impacted by recent UK Government proposals to restrict the availability of subsidies to new renewable generators, the Group has some exposure through the various power purchase agreements that the Group (in particular EM&T) has with such projects and in addition, uncertainty still remains with regard to how EMR and related industry initiatives (including reform of network charges) will affect the market in general and the Group's business. In particular, the effects may include changing the generation mix in the UK and could impact the size of the market for flexibility services available to DE&P and/or adversely affect the profitability of the Group's merchant power generation assets (although that portfolio of assets is much reduced in size and materiality to the Group following divestments in 2016 (wind) and 2017 (wind and combined cycle gas turbines)) and/or the scale of demand for distributed energy solutions by customers in the UK (although there are other drivers for that demand such as enhanced customer site resilience and decarbonisation). Incremental changes to the regulatory and policy regime which impact the DE&P business are eroding the business case for some investors. Changes to network charging under Ofgem's Targeted Charging Review will negatively impact investment cases if replacement changes to the market are not brought forward in parallel. The Group and other market participants are closely engaged with the regulators and UK Government on these issues.

The Medium Sized Combustion Plant Directive (2015/2193) (**MCPD**) has been implemented and seeks to place limits on the emission of sulphur dioxide, nitrogen oxides and dust from plants with a thermal input between 1MW and 50MW, with the aim of reducing emissions and the risks to human health and to the environment. These limits came into effect in the UK on 20 December 2018 and apply to new plants, whilst for existing plants the limits will apply from 1 January 2025 if they have a thermal input of more than 5MW, and from 1 January 2030 if they have a thermal input of up to 5MW. The limits do not apply to gas turbines and gas and diesel engines, when used on offshore platforms, however they will affect any retrofit or replacement plans and accelerate decommissioning in some circumstances. It is also possible that the regulation of air quality in

the UK is further tightened by additional legislation. The introduction of these limits may adversely impact the market for some of the Group's activities to the extent alternative technological solutions are not possible.

The UK government has publicly announced a net zero carbon emissions target by 2050, which will require a deeper decarbonisation pathway than that set out within the existing carbon budgets. As a result, additional policy interventions are likely, which could have long term impacts on use of gas for heating and in power generation. This may have a material adverse impact on the Group's business, results of operations and overall financial performance.

The Group operates in competitive markets

The Group operates in highly competitive markets in the UK, Europe and North America for the supply of energy and services to business and residential customers including new home technology services and products. Customer behaviour and demand can change due to improved energy efficiency, climate change, government initiatives, long-term weather patterns and the general economic outlook. To retain or develop a competitive position, suppliers price aggressively in order to build market share and customers may switch supplier based on price, product and service levels, as well as competitor activity. In addition, new market entrants, consolidation of incumbent suppliers, and entry by competitors from adjacent markets continue to change the shape and dynamic of the domestic supply market, further increasing competition. In the UK, this has resulted in significant changes to customer numbers and has increased pressure on the Group to retain its customer accounts in challenging market conditions. Any announcements by the Group to increase prices also has a significant impact on its customer numbers due to the high-profile nature of the British Gas brand.

The Group also operates in the competitive home services market in the UK, Europe and North America. Competition in these markets is increasing as existing energy and other service providers, such as insurance companies, telecom companies, security companies, supermarkets and other large retail companies have entered the services market and seek to strengthen their positions and diversify their product offerings. In North America Business, energy efficient measures have lowered power usage per customer across the industry, reducing total customer accounts and putting pressure on sold unit margins, particularly in power. Failure to sustain competitive cost and service levels, or to sufficiently differentiate the Group's ES&S products and services, could affect market share and challenge the Group's ability to deliver sustainable operating margins and attain its growth aspirations.

In December 2017, the Group E&P's business established a joint venture with BayernGas Norge AS to create Spirit Energy, which is 69 per cent. owned by the Group. Spirit Energy also faces competition from both international and state-run energy companies for obtaining exploration and development rights and in developing and applying new technology to maximise hydrocarbon recovery. If Spirit Energy fails to obtain new exploration and development acreage or to apply and develop new technology, its future results of operations and cash flows may be adversely affected. Spirit Energy has a significant investment commitment in West of Shetland following a farm-in agreement with Hurricane Energy in 2018. The level of success in terms of exploration and subsequent development in this area may have a material impact on the long-term cash flow of Spirit Energy. Current industry trends towards the consolidation of existing operators and the strategic divestment by larger operators around the UK, UK Continental Shelf and Norwegian Continental Shelf markets in which Spirit Energy operates may lead to stronger competition from operators with greater financial resources.

Whilst the global DE&P market is now material and continuing to grow, competition remains high, with several new entrants positioning themselves in advance of an expected upturn in growth. Oil and gas majors, which benefit from large existing business to business customer books and sizeable capital expenditure budgets, are becoming increasingly active in this space as they diversify away from core offerings. Due to the uncertainty this causes, the Group faces risks of failing to achieve its anticipated growth rates and margins in this market.

The Group also faces significant competition in respect of its Connected Home business, including its Hive brand which operates in a highly competitive market with a range of competitors, including large technology companies. There is no certainty that products produced under the Hive brand will be successful on a customer uptake or feedback level compared to those produced by competitors and the Group faces a risk of falling behind the speed of its competitors' technological development.

There can be no certainty that the Group will retain or develop a competitive position within the markets in which it operates, which if not achieved, could have a material adverse effect on its business, results of operations and overall financial condition.

The Group's business is subject to regulatory oversight and legal risk

The Group is subject to various regulatory interventions from regulatory bodies in the UK, Republic of Ireland, North America and elsewhere. Objectives of these interventions vary, but include changing environmental regulations and disclosure requirements, governance of industry operations, market conduct, security of energy supplies, privacy and data protection controls, amendment to existing tax and disclosure regimes and protection of consumers and business customers.

The ongoing level of focus on energy companies in the UK serves to heighten further the level of scrutiny from regulatory bodies, and other key stakeholders, including the UK Government and consumer groups, adding to the level of public attention directed towards compliance matters. The most recent regulatory intervention is the Ofgem cap on standard variable and default energy tariffs (see "*The Group's business is subject to political intervention*" above for more information).

The Group is subject to oversight from a wide range of regulatory bodies including Ofgem, the CMA, the Agency for the Cooperation of Energy Regulators (**ACER**), the Oil and Gas Authority, the FCA and the Prudential Regulatory Authority (**PRA**) in the UK; the Commission for Regulation of Utilities (**CRU**) in the Republic of Ireland; the Federal Energy Regulatory Commission (**FERC**) in the United States; and a number of regulators at federal, state, and provincial level in the United States and Canada and in the rest of Europe where its subsidiaries are active in wholesale electricity and natural gas markets. Regulatory bodies can impose rules on how the Group markets, sells and fulfils its products and services to its customers and have the power to amend or remove licences, conduct investigations into companies' operations, issue financial penalties and enforcement notices (including to stop the Group from selling, and require it to increase capital holdings) and, in North America, take direct oversight of operations. In certain cases, regulators have the power to impose substantial fines that could have a material adverse impact on the Group's profitability. In the case of an Ofgem licence breach in the UK for example, this could be up to 10 per cent. of Group revenue and in the case of a breach of EU Regulation (No. 1227/2011) on wholesale energy market integrity and transparency (**REMIT**), or breach of a FCA or PRA licence, the fine could be unlimited. While fines imposed to date by regulators on the Group and close competitors have not reached these levels, future fines may be more significant. Any intervention or remedies could materially adversely impact the Group's business, operations and overall financial condition.

The Group's E&P, ES&S and EM&T businesses in the UK, the Republic of Ireland, North America and mainland Europe are closely regulated and significant changes to the legal and regulatory framework of these markets could have an impact on the Group's ability to achieve its operational or financial goals.

The UK E&P, UK Home and UK Business businesses have also seen regulators impose significant obligations to implement carbon reduction/bill saving measures. The Energy Companies Obligation (**ECO**) came into effect from January 2013. The current obligation period, known as ECO3, came into force in December 2018 after a two-month hiatus in regulations (not seen since such obligations were introduced in the 1990s). ECO3 runs to March 2022 and represents another step-change in scheme design to focus on insulation for low income and vulnerable households only. There will be further changes at the end of 2020 when new standards are introduced into the scheme. There is a risk that the assumptions underlying the Group's estimates may change or may prove to be incorrect. There is always an outside risk that the Group may not fulfil its ECO obligations, which could also harm the Group's reputation and have an adverse effect on its results of operations and financial condition.

UK Home and UK Business are also affected by changes to the retail supply and wholesale industry processes, which could have an impact on the Group's operating costs. Ofgem is currently reviewing all aspects of paying for use of, and access to, electricity networks. Any reforms could have a significant impact on electricity network costs from 2020. It is unclear what reforms Ofgem will progress at this stage, but any changes will directly impact operating costs and any projects whose benefits include avoiding network costs. A number of gas European network codes have been implemented in the UK in the last few years (via changes to the Uniform Network Code). The Group awaits implementation of the European Tariff network code for gas, the solution for which may not be known until the end of 2019, after Ofgem decides which of the alternatives raised by stakeholders is the most appropriate. This is expected to lead to significant changes to the gas transmission charging methodology in the UK but there is no clarity from Ofgem when these changes will take effect. Changes will likely affect capacity procurement strategies, origination deals involving national transmission system "short-haul" and other elements of the charging regime. There is a possibility that regulated charges that the Group pays for use of the gas transmission network will increase and may impact the Group's margins, to the extent that any such increases cannot be passed on to its customers (although the default tariff cap

adjusts on a six monthly basis to accommodate changes in network charges which to a large extent mitigates this risk).

The Group has participated in and continues to participate in the capacity market in the UK (the **Capacity Market**) (both directly as a collector of payments from customers and as a capacity provider, including as a demand side response aggregator, and indirectly through its investment in Lake Acquisitions Limited (please see “*The Group is exposed to risks associated with the existing EDF Energy Nuclear Generation Group Limited (ENGGL) nuclear fleet*” below for further information). On 15 November 2018, the European Union General Court (the **General Court**) found in favour of Tempus Energy in its challenge against the 2014 European Commission decision to grant state aid approval of the Capacity Market. In response to the ruling, the UK Government announced that the Capacity Market would enter a ‘standstill period’ with payments to capacity providers deferred until such time as state aid approval is obtained. On 21 February 2019, the European Commission took a decision to initiate the formal in-depth investigation procedure to determine whether the Capacity Market scheme to safeguard security of electricity supply is in line with EU state aid rules (the **Commission Investigation**) and on 5 March 2019 Tempus Energy filed a judicial review claim against the UK Government in the English High Court in relation to the UK Government’s response to the General Court’s ruling. The UK Government has stated its intention to robustly defend the judicial review claim. The historical, current and future status of the Capacity Market is therefore unclear with associated uncertainty for certain monies the Group: (i) has received and may be required to pay or repay; and (ii) would otherwise expect to receive in respect of the Capacity Market. A worst case adverse outcome for the Group in respect of the judicial review claim or the Commission Investigation could have a material financial impact for the Group.

In North America, regulatory approaches vary by jurisdiction and regulator, with the Group’s entry into new markets being assessed on a case-by-case basis. Although the Group operates primarily in price-deregulated markets in North America, it is subject to certain regulations and oversight by state or provincial regulatory agencies in its principal residential energy markets, primarily Texas, the U.S. North East, and the Canadian province of Alberta, as well as by federal regulators in the wholesale commodity and derivative markets.

Regulatory developments affecting the energy markets within which the Group operate are uncertain and may have a material adverse effect on the Group’s business, results of operations and financial condition.

The Group may be materially affected by the UK decision to leave the EU

Especially in a ‘no deal’ scenario, the forthcoming exit of the UK from the EU (**Brexit**) and prolonged periods of uncertainty relating to the UK’s withdrawal, could result in significant macroeconomic deterioration, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling against other leading currencies, with potential consequences for UK inflation), UK interest rates which remain ‘lower for longer’, decreased GDP in the UK or other markets in which the Group operates, energy and commodity market volatility and a downgrade of the UK’s sovereign credit rating. In addition, there are concerns that these events might push the UK and/or the Eurozone into a period of sluggish growth or even an economic recession, any of which, were they to occur could have a material adverse effect on the Group’s business, results of operations and overall financial condition. However, the UK energy sector is less exposed to Brexit risks relative to some other sectors (such as export-led industries).

The UK’s post-Brexit relationship with the EU has yet to be finally defined and there are a number of risks which the Group’s businesses may face as a result, especially in a ‘no deal’ Brexit scenario. These may include tariffs on UK/EU cross-border trade in plant and equipment (following the initial 12 months’ tariff ‘waiver’ recently announced by the UK Government) and/or possible restrictions on the cross-border movement of skilled labour required to support the Group’s business activities, from 2021 onwards. Even in respect of the initial tariff ‘waiver’, there is a residual risk of congestion and logistical delays at UK ports of entry in the wake of a ‘no deal’ Brexit and the Group has therefore taken steps to increase its UK stocks of imported goods and components where necessary to maintain business continuity.

EU-derived law applies or has been implemented in the UK across a wide range of areas, including energy market rules, the EU emissions trading system (**ETS**) participation and carbon pricing, data protection, intellectual property, consumer rights and tax and it is unclear when, how and to what extent UK law in these areas will in the medium to longer term future diverge from European rules and regulation. In the short term, we can take some comfort from the European Union (Withdrawal) Act 2018, which is enabling the transposition of most directly applicable existing EU law into UK legislation. However, in a ‘no deal’ Brexit, the UK would

leave the EU ETS, relying instead on the taxation of carbon emissions and would lose the benefit of 'blanket' EU approval for the cross-border transfer of personal data.

The Group's UK and wider European energy trading activities are currently governed by various pieces of EU financial services legislation. Even if the EU *acquis communautaire* (the body of accumulated EU law) is replicated following Brexit, as far as possible in UK law, there will not be any mutual recognition across UK-EU borders in the event of a 'no deal' Brexit. Consequently, a number of UK-based service providers (i.e. energy brokers and clearing banks) are having to relocate to the EU. Moreover, because of non-recognition in a 'no deal' scenario, energy trading entities are at risk of exceeding regulatory thresholds post-Brexit and having to meet additional obligations which they would not normally face (e.g. position-reporting and potentially additional collateral requirements). The Group is well placed to manage this combination of Brexit risks, having energy trading entities domiciled in both the UK and the EU (Denmark), but the potential for additional obligations under applicable financial services legislation is not fully within the Group's powers to mitigate.

In addition, if there is a 'no deal' Brexit and the integrated wholesale electricity market for the Republic of Ireland and Northern Ireland (the **I-SEM**) arrangements are terminated, the Group faces risks relating to its operation in Ireland (via Board Gàis Energy) and future investments. It is widely hoped that the I-SEM itself can be preserved, even in a 'no deal' Brexit, but this is not guaranteed as it is likely to depend on continuing political goodwill. Some of the current access to GB-Ireland electricity interconnectors is likely to be lost for a period following a 'no deal' Brexit, until the operators can adjust to trading with the UK on a 'third country' basis.

The Group may fail to deliver its stated strategic objectives

Delivery of the Group's strategy, including sustainable growth in a number of business areas, implementing substantial cost efficiencies and making certain disposals, is fundamental to the Group's future success and requires significant organisational, cultural and technical transformation. There can be no assurance that the Group will be able to successfully execute some or all of the strategic objectives, achieve the planned cost efficiencies outlined in the review or achieve its stated financial targets.

In certain areas, most notably in the DE&P and Connected Home businesses, the Group will be required to achieve growth in relatively new business areas in order to be successful in its strategic objectives. This may include entering new markets or developing commercial offerings that have not generated significant profits or cash flow in the past. These businesses are also intended to be structured as global units and operate consistently and efficiently across a number of geographies and jurisdictions. This form of global business unit is new to the Group and there can be no assurance that the Group will be able to develop this model successfully or grow in these business areas, or generate sufficient cash or commercial propositions and products.

In order to achieve targeted cost efficiencies, improve customer service and transfer resource to developing businesses, significant changes are required to the Group's operating model and organisational structure. Such structural change can be difficult to achieve and creates risk as the business enters a period of significant transition. These changes may affect employee engagement, industrial relations and make it difficult to attract and retain employees with the right capabilities in key roles across the business.

Where the Group deploys new capital in making acquisitions, there is a risk that the Group will not effectively integrate purchased assets or businesses to achieve expected synergies, continue to improve customer service and engage in new markets.

Management has publicly communicated the importance of its strategic priorities, and aligned the future success of the Group to delivery of these goals. The Group's targeted growth is based on assumptions of flat real oil and gas prices, as well as normal weather patterns and impact on demand. There can be no guarantee that the assumptions or longer-term forecasts on prices, weather patterns, or demand used to calculate growth targets will prove to be accurate. Failure to deliver on the Group's strategy or plans and to identify changes in the market environment and react appropriately, disruption to the business caused by these changes, or any significant variation in one or more of our underlying forecasts not under the Group's direct control could have a material adverse effect on the Group's business, results of operations and overall financial condition.

Damage to corporate reputation or brand perception could affect the Group's competitive position

The Group and its businesses are leading energy brands, and its brand and reputation are important assets. The Group must actively manage its reputation, and that of senior management, with a number of different stakeholders including customers, investors, opinion-formers, consumer and community representatives, employees, the media, governments and government agencies, other political parties and

regulatory and trade union bodies. Any failure to follow the Group's global business principles of operating professionally, fairly and with integrity, or the public perception that there has been such a failure or other real or perceived failures of governance or legal or regulatory compliance could further undermine public trust in the Group, one or more of its businesses or its management, lead to increased regulatory intervention, harm the Group's reputation, damage one or more of its consumer brands and adversely affect its business, results of operations and overall financial condition.

The challenges of day-to-day costs of living including energy, increased political pressures and other economic challenges have all increased the level of media coverage, and had a negative impact on the public's perception of the energy industry and many of the companies that operate in this industry. The increased use of social media also allows customers and consumer groups to engage, share views, and take part in direct action and other campaigns more readily than before. Any failure to retain the trust of the Group's customers and/or shareholders could lead to campaigns for corporate change through increased shareholder resolutions, and/or challenges in attracting and retaining new customers. In addition, British Gas, as the UK's leading residential energy and services provider and Bord Gáis Energy as one of the leading energy providers in the Republic of Ireland, may be subject to heightened scrutiny by the media, in particular regarding compliance with their regulatory obligations and their retail energy pricing policies. The recent higher wholesale energy price environment and other input costs and the timing of subsequent increases in UK Home energy bills further heightened media attention on the Group. The increased level of media coverage may also result in additional or heightened government and regulatory scrutiny, one example in the UK being the price cap on standard variable and default energy tariffs which could have unpredictable consequences for the Group's reputation with key stakeholder groups and risks a shifting of blame between those different stakeholders, especially in the event of a rise in wholesale costs. In North America, the Group operates under numerous brands, each of which faces the risk of heightened media scrutiny and/or adverse media coverage, which could have a negative impact on the reputation of one or more of the individual brands and, ultimately, the Group.

In June 2013, the Group acquired a 25 per cent. interest in a shale exploration licence with Cuadrilla Resources Ltd and AJ Lucas. This interest is now owned by Spirit Energy. As part of its overall business strategy, Spirit Energy intends to continue to explore opportunities for unconventional energy supply and any investment in unconventional energy or related technologies may expose it to adverse publicity and reputational risk. The hydraulic fracturing, or 'fracking', activity of Cuadrilla Resources could attract significant adverse publicity from campaign groups, which may affect the overall brand and reputation of Spirit Energy, and potentially in turn, the Group.

The loss of rights to use trademarks and logos could affect the Group's competitive position

As part of the demerger in 1997 (see "Description of the Centrica Group – Background and Formation"), BG Group plc (**BG Group**), (which is a separately listed company and not a part or affiliate of the Group) assigned ownership of the British Gas trademarks and related logos for use in the UK to the Group. At the same time the rights to the British Gas trademarks and related logos for use outside the UK were assigned to BG Group. An agreement is in place for the re-assignment of this intellectual property. If, for any reason, the Group is unable to continue to use the British Gas trademarks and logos, this could adversely affect its competitive position. In addition to the British Gas trademarks and logos, the Group trades under various other well-known brands, such as Dyno in the UK, Direct Energy in North America and Bord Gáis Energy in the Republic of Ireland. The Connected Home "Hive" brand is also now in use across the UK, North America, Ireland and parts of Italy and France. Any damage to corporate reputation or brand perception could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

The Group is exposed to the risk of interruptions to information systems or failure to protect confidential information

The General Data Protection Regulation (**GDPR**) is now in force to protect EU citizens from illegal processing and data breaches. The key principles of data privacy are similar to the previous directive, but key changes include: the broader definition of personal data, stricter data breach rules, the increased territorial scope (extra-territorial applicability), as it applies to all companies regardless of their location; penalties, which are now up to 4 per cent. of annual global turnover or €20 million (whichever is greater); and the strengthening of (i) data subject rights and (ii) the conditions for consent. The GDPR, along with the Data Protection Act 2018, now gives the Information Commissioner's Office greater powers to fine and penalise organisations that are not compliant with regulations or are involved in privacy violations/data breaches. The Group is required to comply with the applicable data protection laws and regulations and risks serious penalties if it fails to do so.

The Group's operations, including the efficient management and accurate billing of the Group's customers, effective upstream operations, and successful energy trading and hedging activities rely on sensitive and highly complex information systems and networks, including systems and networks provided by and interconnected with those of third-party providers. It is critical for the Group to maintain a high degree of focus on the effectiveness, availability, integrity and security of information systems.

The Group's businesses, joint ventures, and associates could be compromised by an incident arising from the accidental or deliberate exposure, unavailability or integrity of sensitive or personal data or intellectual property and changes in asset control systems, or a breakdown of critical information infrastructure and networks. Parties wishing to disrupt or reduce output from the energy infrastructure and networks in which the Group operates may view the Group's information systems as an attractive target for cyber or others attacks.

Due to the continual advancement of technology, computing capabilities and other developments including increasing digitisation of information and global reach, the use of social media and the continually evolving external cyber threat landscape, the Group may be subject to malicious and unauthorised attempts to penetrate the network security and misappropriate confidential information or materially compromise the security of our assets, employees and the public. The Group is also vulnerable to the potential viral effect of employees, consumers or 'hacktivist' groups using social media channels that could expose the Group to legal liabilities, damage the Group's reputation or lead to the disclosure of confidential information. In particular, following the public deterioration in the relationship between Russia and the UK, the cyber threat from other nation state hackers remains very high.

Threats to information security are not limited by geography as the Group's digital infrastructure is accessible globally, and parties who are able to circumvent information security barriers are capable and willing to perform attacks that destroy, disrupt or otherwise compromise information systems. There can be no guarantee that the Group's security measures will be sufficient to prevent all possible breaches. Furthermore, if one of the Group's suppliers suffers a data breach, this may lead to the costs of remediating the breach being borne by the Group or the costs of changing suppliers where agreement cannot be reached on amended terms, which could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

Attempts to collect, secure, and dispose of information appropriately now face far greater scrutiny from regulators, customers and employees. The Group must comply with laws and regulations, in the various jurisdictions in which it operates, on legal collection, the secure storage, use and disposal of customer data, and provide for secure transmission of confidential information to ensure the security of financial, personal and other data passing over public networks. EU, U.S. and Canadian data privacy and cybersecurity requirements and proposals to amend such requirements, together with any regulatory changes, could increase the requirements around public notification of incidents, acknowledgement of claims by data subjects and also the ability of the regulator in question to impose associated fines or penalties for non-compliance. The loss, corruption or improper disclosure of personal or confidential information as a result of an information security breach could reduce the value of the Group's proprietary information and lead to significant notification and mitigation expenses, as well as reputational damage and legal or regulatory action.

There can be no certainty that response, recovery and contingency plans will be sufficient and effective in all possible scenarios. In addition, the Group relies on third party hardware, software and service providers, which are not fully under the Group's control. Failure to protect critical and sensitive systems and information adequately may result in compromises to intellectual property and trade secrets; personal, confidential, share-price sensitive and proprietary data; loss of commercial or strategic advantage; damage to the Group's reputation and business; operational disruption; harm to the public or to employees; litigation or regulatory sanction; and fines and increased regulatory scrutiny, which could all materially and adversely affect the Group's business, results of operations and overall financial condition.

Information security breaches could also cause system outages or reduced output that could cause significant financial and operational loss, for example by preventing the Group from serving customers, communicating with third parties, maintaining facilities, generating and purchasing energy, collecting and tracking revenues, or processing and reporting information. Such an incident could also compromise the security of critical national infrastructure assets and have a material effect on the Group's business, results of operations and overall financial condition.

The Group depends on the performance of third parties for certain contracts and activities, which have been outsourced

The Group has entered into a number of outsourcing contracts, some of which are for offshore operations, in respect of certain support functions for its businesses in the UK and North America, including business-critical information technology services, financial accounting matters, customer services and meter asset providers, and customer billing transactions. In addition, third party infrastructure will continue to be relied upon by a number of the Group's assets. Spirit Energy production assets, including certain projects, are increasingly being operated or developed by third parties, as well as some of the Group's physical trading agreements, which rely on third party ship and terminal owners and third-party transportation (including by way of illustration to supply, transport and regasify). As with any contractual relationship, there are inherent risks to be considered and mitigated. There can be no guarantee that suppliers will be able to provide the functions and services for which they have been contracted or will comply with all applicable laws and regulations. Any failure by suppliers to deliver the contracted goods or services, and to adhere to the relevant laws and regulations, the Group's Corporate Responsibility and other policies, could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

The Group's business may be affected by changes in weather conditions

Gas and electricity sales volumes are affected by temperature and other environmental factors, which are beyond the Group's control and which may have an adverse impact on the Group's business, results of operations and overall financial condition.

The demand for power, gas and services is seasonal and weather dependent. In the UK, higher demand is typically experienced during the cold weather months of October to March and lower demand during the warm weather months of April to September. Gas demand is particularly sensitive to weather conditions. In the U.S., hot weather, particularly in Texas and the U.S. North East, results in an increased demand for electricity to operate air conditioning units and cold weather, particularly in the U.S. North East, results in increased demand for gas and ancillary charges for running additional power plants to satisfy demand. The Group's profitability is partly dependent upon its ability to manage its exposure to unseasonably warm or cold weather and to stabilise the impact of such fluctuations through adjustments to its tariffs. The Group's revenues and results of operations could be negatively affected if the Group is unable to adjust for fluctuations in pricing and demand due to unpredictable volatility in weather patterns.

Initiatives to address climate change may affect the Group's operations

The continued focus on climate change and solutions to global warming, including activities by non-governmental and political organisations as well as greater interest by the broader public, is likely to lead to additional regulations designed to tackle climate change. Policies and initiatives at national and international levels to address climate change may affect business conditions and demand for various types of energy in the medium to long term. U.S. climate change policy is also in a state of flux, bringing uncertainty to the Group's North American businesses. Customer response to climate change also presents risks to the Group, including risk to sales volumes of fossil fuel based offerings due to growing customer demand for low-carbon products and services.

Policy approaches that promote or mandate the usage of alternative low-carbon energy sources and technologies may have an adverse impact on the Group's ability to maintain its profitability or position in key markets. In addition, new regulatory regimes may adversely affect the Group's operations if the Group is unable to find economically viable, as well as publicly acceptable, solutions that reduce its CO₂ emissions for new and existing projects or products.

Increasing concern amongst institutional investors relating to the financial implications of climate change and exposure and resilience of organisations to the risks may lead to divestment and reduced access to capital.

Measures to tackle loss of biodiversity and policies intended to protect local habitats may also limit access to gas and oil resources in areas deemed to be biologically sensitive, which in turn could affect the Group's upstream production. Failure to adhere to the terms of any such policies or regulations on climate change, or indeed damage to the environment caused by the Group's business activities, could result in remediation costs in addition to reputational risk, legal proceedings or other measures being taken against the Group.

The Group is affected by global economic conditions

The Group continues to pursue a range of investment options across the energy chain and in different geographies both to deepen the Group's customer relationships and to secure the Group's future energy requirements.

The Group's operating and financial performance is influenced by the economic conditions of the countries and markets in which it operates and the Group's access to debt markets to raise capital through instruments such as bonds and commercial paper. Pressure from economic deterioration, inflation, volatile wholesale prices, increased levels of competition, political instability, reduced demand and recessionary impacts can all contribute to challenging market conditions. Recent global economic conditions have meant that disposable income has decreased or remained flat and consumer confidence has declined, which could result in discretionary spend being reduced and lead to increased turnover in services, customers delaying or forgoing the purchase of equipment and services or customers not paying their bills leading to an increase in bad debt. Strategic issues, including capital investment in mergers, acquisitions, disposals, market position, climate change, sustainable development, and new technologies, are also affected by global economic conditions and the Group's ability to grow its business successfully in these respects may be subject to circumstances beyond its control.

The Group's business relies on the security of energy supply

As UK gas reserves have declined, the UK energy market has become increasingly reliant on gas pipeline supplies from Norway and other directly and indirectly physically connected countries, together with LNG supplies from various parts of the world. As the UK secures an increasing proportion of gas from abroad, its price and availability will be increasingly shaped by international forces, combined with the additional challenge of transitioning to lower carbon generation. Key elements of security of supply are access to these reserves and the reliability of the storage, pipeline, gas processing, liquefaction, transportation, regasification and power infrastructure operated by the Group and third parties both in the UK and abroad. Any break in this supply chain, for example as a result of unplanned outages, could impact the Group's desired service level to its customers, which in turn could impact the Group's earnings. The Group's entire business is exposed to the risk of facilities being damaged by natural disasters, including but not limited to severe weather conditions. The Group currently owns (in whole or in part) or has offtake from a variety of gas (including LNG) and power assets in the UK and overseas and its results of operations and financial condition could be materially adversely impacted if there were to be long-term outages associated with one or more of those assets.

The Group depends on third party supply and cannot guarantee the security of the supply chains. There is a risk of terrorist activity, including acts and threats to the energy sector, which may include sabotage or cyber-attack of power stations or pipelines. An act of terrorism in a geographical location in which the Group has an interest could also have a commercial impact on the Group's existing agreements in the affected region. Such events could affect security of supply or cause a break in supply of energy to customers. Any failure to supply energy to customers could have a material adverse impact on the Group's reputation, business, results of operations and overall financial condition.

The Group's business activities and sales may be affected by changing customer behaviour and the efficiency and emergence of new technologies

With increasing pressure from economic, political and social developments, including rising income inequality, national sentiment and recognition of the economic and environmental impact of global climate change, the Group's future operations will potentially be shaped by changes in customer demands and expectations as well as regulatory requirements necessitating a move towards a lowest possible cost environment and low-carbon economy. This may present significant additional risks and may lead to operating cost challenges, reduced energy demand, increased capital requirements, and operational constraints for certain of the Group's activities and assets. In addition, the ineffective or incomplete implementation of new legislation may have adverse consequences on the viability of investment in new technologies and the development of new assets.

Improved energy efficiency, new boiler installations, and changing customer behaviour as a result of greater environmental awareness, reaction to past retail energy bill movements, long-term weather patterns and the general economic environment have led to a reduction in energy demand. The UK Government sees both residential and business energy efficiency as a key part of meeting its carbon reduction targets and continues to focus on and emphasise energy efficiency and low-carbon solutions. The Group may be subject

to additional obligations, which may lead to higher operating costs, increased capital investment, and operational constraints for certain of the Group's activities and assets.

Technology and innovation are essential to the Group to meet energy demands in a competitive way. If the Group does not develop the right technology, does not have access to it or does not deploy it effectively, the delivery of its strategy and its licence to operate may be adversely affected. The Group operates in environments where the most advanced technologies are needed. While these technologies are regarded as safe for the environment with today's knowledge, there is always the possibility of unknown or unforeseeable environmental impacts that could harm the Group's reputation, licence to operate or expose the Group to litigation.

As digital media, the internet and mobile devices play a greater role in the retail energy and services sectors, the Group will continue to face heightened competitive pressures resulting from falling barriers to market entry and swiftly changing customer loyalties. The value of customer data has increased, and the widening range of virtual interaction with customers through digital media, the internet, mobile devices and the emergence of new technologies, such as smart metering and smart grids, plays a greater role in the retail energy sector and could affect gas and electricity demand and therefore the Group's earnings through energy related services such as energy efficiency, micro generation and energy management/automation. New technology allows non-energy web-based firms to access customer energy consumption data, with or without the agreement of energy suppliers. This new data may not simply be used for billing, but also to provide customers with improved reporting, advice, new products and new services. The Group cannot be certain that its future operations and strategy will successfully mitigate against the risks presented, or enable the Group to remain competitive, offer innovative products and services or otherwise to take advantage of opportunities that may present themselves.

The Group is also currently subject to certain UK Government-enforced obligations to promote greater energy efficiency and clean energy by its customers, including smart meter installation. The long-term demand for gas will be significantly affected by government decisions about market structures, climate change initiatives and industry decisions around generation mix. To offset the reduced sales of gas and electricity to residential customers, the Group needs to grow its energy market share in certain markets, together with demand for its services, products and energy efficiency measures (including microgeneration, distributed energy, insulation and smart enabled applications). The success of these (and other) initiatives could have a significant impact on the Group's revenues and profits over the decade, but no assurance can be given as to their success, widespread adoption or support from the UK Government. Failure by the Group to adapt to further regulation, changing customer demands and behaviour as a result of global climate change and increased awareness of the environmental impact of energy use, may have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

The Group may not sufficiently fund investment in or develop producing assets and consequently fail to replace reserves

In order for Spirit Energy to maintain a sustainable business, it will be important for Spirit Energy to invest in and create and develop new reserves to replace those that were produced. There is a risk that Spirit Energy is unable to find and develop reserves at a cost low enough to provide an acceptable return, either due to poor exploration success or inability to acquire new development prospects. Furthermore, the development of such reserves is exposed to the risk of potential build quality issues, as well as cost and timetable overruns, unsuccessful development and management of partnerships, and health, safety, environment and security (HSES) failures.

Timing delays, cost overruns, changes in the regulatory environment, changes in commodity prices and other factors could reduce a project's net present value and damage relationships with partners, investors, and regulators, or otherwise render a project uneconomic. Assets may not perform as expected, including as a result of shutdowns or an inability to realise expected production volumes. In addition, the Group may decide not to continue with certain investments or developments if the Group believes the anticipated risks are too severe or the anticipated returns are or become insufficient to justify the investment.

The level of investment is dependent on sufficient cash resources and business cases being available for this purpose, and those resources being directed to the most appropriate use. A lack of investment, or failure to direct investment as required, may reduce the output from, and resale value of, assets. If the output or resale value is reduced, this could adversely affect the Group's business, results of operations and overall financial condition. The Group reviews the value of its assets periodically to inform valuation and investment decisions and, in some cases, may write down the value of certain assets.

The Group uses derivatives and hedging arrangements in the conduct of its business, which exposes it to further regulatory and financial risk

The Group has entered into and may continue to enter into hedging transactions, including transactions to manage its exposure to fluctuations in currency exchange rates, interest rates and commodity prices by way of futures contracts, financial and physical, forward-based contracts and swap contracts. Hedging transactions can result in substantial losses, which can occur under various circumstances. The standalone value of these hedges can change significantly, potentially increasing the volatility of cash required for margin calls and the accounting profit recognised within a particular period. In addition, losses may arise in any circumstances in which a counterparty does not perform its obligations under the applicable hedging arrangement, the arrangement is imperfect or the Group's internal hedging policies and procedures are not followed or do not work as planned. As a result of these factors, the Group's hedging activities may not be as effective as intended in reducing, and may in certain circumstances increase, the volatility of its cash flows and earnings. Any such losses or increases in volatility could materially and adversely affect the Group's liquidity and financial position.

The Group uses a number of derivative arrangements and other financial instruments in the ordinary course of its business as part of its risk management programme. As a result, the Group is subject to additional regulatory regimes. Regulation of derivatives and other similar financial instruments in the U.S. and the EU has changed significantly over the past few years, and is currently undergoing similar changes in Canada. Some regulations have been or are in the process of implementation but others are being revised and/or require the publication of subordinate legislation and it is uncertain when or how these will be fully implemented and therefore what the consequences for the Group will be.

In the U.S., most regulations have been implemented by the Commodity Futures Trading Commission (CFTC) pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, with mandatory clearing of commodity swaps and position limits still to come. In addition, the CFTC is evaluating its regulations to reduce global market fragmentation and Canada is in the process of moving forward with its swap rule making. In Europe, implementation has been effected through the European Market Infrastructure Regulation (EMIR), subject to applicable reviews starting in 2019. Certain subordinate legislation and/or regulatory processes will need to be further reviewed, including in key areas such as the mandatory clearing obligation and the mandatory collateral requirements that apply to non-cleared Over-The-Counter (OTC) products and restrictions on the size of positions that can be held in certain financial instruments. An additional complexity in assessing the impact of EMIR on the Group is that the Markets in Financial Instruments Directive II took effect from January 2018. This expanded each of the trading instrument definitions, as well as restricting the exemption criteria for firms to remain designated as "non-financial".

Both U.S. and European regulations require certain market participants, carrying out certain types of transactions, to clear certain financial derivatives through central clearing parties. Derivatives, which are not subject to mandatory central clearing, may become covered by rules obliging the exchange of margin between OTC counterparties and imposing a number of other operational and risk management requirements. There are likely implications deriving from the UK decision to leave the EU, especially in the absence of mutual recognition of equivalent financial legislation, which could increase the probability for the Group to be subject to central clearing and/or exchange of collateral requirements.

The Group is subject to a number of HSES risks and regulations

The Group manages significant HSES hazards given the geographic range, environmental sensitivity, operational diversity and technical complexity of the Group's daily operations. The Group's operations include onshore and offshore oil and gas production, exploration, transportation and shipping, gas supply and power generation and storage assets (gas and nuclear generation and battery storage) and the provision of downstream energy supply and services to retail and business customers. These assets and services are run by the Group, as operated and non-operated joint ventures, and through franchises.

The principal areas of HSES risk associated with the Group's operations include: loss of process containment with the potential for loss of life, significant environmental damage and/or significant operational/financial impact to the Group operational activities with the potential for injury to members of the public, employees and contractors and/or significant environmental damage; and security risk associated with crime, sabotage, activism and/or cyber-attack. The Group operates under a management system to ensure that HSES risks are controlled, and management system is subject to regular assurance, audit and review to ensure it remains current and effective.

Permits, consents and technical certifications are required from regulatory authorities in order for the Group to operate assets and provide services. Permit and consent conditions and certifications are subject to change and regularly reviewed to ensure continued compliance. The Group actively engages with government departments and regulatory bodies in the development and amendment of regulatory requirements either directly or through professional advisors and industry bodies. Failure to obtain or maintain permits and certifications, or meet required conditions or standards, may impact the Group's ability to operate effectively, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Loss of containment, personal injury, environmental damage, breaches of applicable HSES regulations, permits and consents may result in civil or regulatory action including a loss of licence, legal liability, criminal penalties and fines, remedial and/or compensation costs, damage to the Group's reputation and disruption to business activities. Furthermore, the Group's costs may increase as a result of a shutdown of the Group's operations or loss of its investments in affected areas that could have a materially adverse effect on the Group's business, results of operations and overall financial condition. In certain circumstances, liability could be imposed without regard to the Group's fault in the matter.

Certain events, including those arising due to third-party actions, such as the rapid and deadly spread of infectious disease, extreme weather events and natural disasters, cyber-attacks, social unrest and acts of terrorism or war, are not within the Group's direct control; however, these may cause significant disruption or interruption to the Group's operations impacting customer energy supplies and result in significant costs managing and reinstating normal customer services. Business continuity plans are in place, and regularly tested, to ensure such events are managed and appropriately mitigated, minimising disruption and potential loss.

Insurance proceeds may not be adequate to cover all liabilities incurred, lost revenue or increased expenses resulting from a major incident, particularly involving oil and gas E&P activities or the nuclear fleet. There is also the possibility that insurance recompense is delayed resulting in material cash flow implications for the Group.

The Group is exposed to risks associated with the existing EDF Energy Nuclear Generation Group Limited (ENGGL) nuclear fleet

The Group has announced its intention to divest its shareholding in UK nuclear power by the end of 2020 (please see "*The Group may fail to identify and execute suitable acquisitions and divestments*" below for more information). Presently, the Group holds a 20 per cent. interest in Lake Acquisitions Limited, a nuclear power generation business that owns eight nuclear power facilities, which are operated by ENGGL. The remaining 80 per cent. of Lake Acquisitions Limited is owned by Electricité de France S.A. (**EDF**). This investment exposes the Group to the risks associated with the nuclear industry (including the fleet's operational life, planned and unplanned outages and operational costs) and the impact of nuclear regulation (including HSE regulation relating to the operation of nuclear power stations). The Group is also exposed to potential losses in production due to the fleet's age, which could be further exacerbated by unforeseen plant closures, such as those currently experienced at the Hunterston B plant and Dungeness.

Although ultimate responsibility for the safe operation of nuclear plants remains with ENGGL, the Group, through its joint venture with EDF, is also exposed to the scope of the hazards associated with the nuclear power generation industry.

Whilst the Group enjoys certain veto rights over certain decisions to be taken by Lake Acquisitions Limited (or its affiliates), EDF has majority management control of such entities. As such, if the Group disagrees with EDF's management, it has limited rights to dispute and seek compensation in relation to such decisions.

In January 2017, the UK announced its intention to withdraw from the European Atomic Energy Community (**Euratom**) following its decision to withdraw from the EU. Formal notice to withdraw was provided in March 2017, although withdrawal will only become effective following negotiations on the terms of the exit. This has been a priority area for the Government's Brexit negotiations to date, and the Government has demonstrated that Nuclear Co-Operation Agreements with key third countries will be finalised when the UK leaves the EU.

The Group is subject to numerous permit requirements and licencing regimes

The operation of various businesses conducted by the Group requires authorisations from various national and local government agencies. Obtaining necessary consents, permits, licences, authorisations and

certifications can be a complex, time-consuming process, and the Group cannot guarantee that it will be able to obtain or maintain all such authorisations required for the operation of its various businesses in a timely manner. Failure to obtain, renew or maintain such required authorisations or any disputes in connection with previously obtained authorisations could result in the suspension or termination of the Group's operations or the imposition of material fines, penalties, liabilities and other costs and expenses that could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, the Group's counterparties may require that the Group maintains certain quality and safety certifications, or meets certain quality and safety targets, during the term of a contract. Failure on the Group's part to obtain and maintain these certifications or meet these targets may result in the early termination of the respective contract or in the Group's failure to be considered for future contracts, either of which could have a material adverse effect on the Group's financial condition, results of operations and cash flows. There are also implications deriving from the UK's decision to leave the EU, which affect the ability for legal entities not located in the EU to maintain authorisations to operate in European gas and electricity markets. To minimise this risk the Group will make use to the largest extent possible of the Danish legal entity of Centrica Energy Trading A/S (part of EM&T).

The Group is exposed to uncertain decommissioning costs

In addition to the risks associated with operating Spirit Energy and other Group E&P assets, the Group incurs liabilities and costs associated with the decommissioning of such assets at the end of their lives. The Group's estimates of the cost of decommissioning are reviewed periodically and the estimates for producing assets are based on proven and probable reserves, price levels and decommissioning technology at the relevant balance sheet date. For storage assets, the estimated cost of decommissioning is based on the general economic performance of each asset, including price levels and decommissioning technology at the relevant balance sheet date. As at 31 December 2018, the Group's decommissioning provision was £2,595 million (as described on page 164 of the annual report of the Issuer for the year ended 31 December 2018). The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, which are also uncertain. The assumptions in relation to the value and timing of incurring decommissioning expenditure and any changes to these assumptions will also have a material impact on the value of deferred tax assets and liabilities (please see "*The Group may be significantly impacted by changing tax laws and tax rates*" below for the impact of higher rates of tax on Group's E&P businesses).

The decommissioning of such assets is also regulated by law and may require the owners of installations and pipelines to provide security or enter into decommissioning security agreements. Decommissioning liabilities may be increased as the UK Secretary of State is entitled to make all relevant parties (which may include former owners of such assets) liable for the decommissioning of an installation or pipeline and may require financial information and decommissioning security at any time during the life of an oil or gas field. This could result in increased costs for owners of installations and pipelines. Decommissioning costs could exceed the Group's estimated costs and the Group may be required to provide greater security for decommissioning costs than expected, which could have a material adverse effect on its business, results of operations and overall financial condition.

The ENGGL nuclear fleet will, following closure of the power stations, give rise to decommissioning costs. Certain of ENGGL's nuclear liabilities will be paid for from the Nuclear Liabilities Fund which is underwritten by the UK Government. There is a risk that a breach of minimum performance standards may result in the creation of disqualified liabilities, which would not be funded by the Nuclear Liabilities Fund and would fall to ENGGL to discharge.

The Group may fail to execute change programmes

The successful delivery of business change is fundamental to the Group's future success, and includes organisational, cultural and technical transformation.

The delivery of certain large change programmes is technically complex. Trying to deliver too much change could result in a stretch on resources, undermine systems integrity, threaten business continuity, cost more than originally planned or take longer than estimated to implement. Change programmes could also suffer from quality, safety and compliance issues. Planned cost savings, value creation or other benefits may not be realised and individual products may not be as widely accepted as anticipated.

As a result of business change, any failure to attract or retain capability and corporate knowledge, to mobilise personnel quickly, or take into account trade union dialogue, could affect the Group's ability to successfully execute any future plans. Delays or challenges with organisational restructure, changes to billing systems, the implementation of new products and entry into new markets, integration of acquisitions, meeting

expected growth targets, and asset disposal could adversely affect stakeholders' perception of the Group, if not successfully delivered.

The Group may fail to provide good quality customer service levels

The delivery of good quality customer service is central to the Group's business strategy. Customers may switch supplier if they experience unacceptable customer service levels, or if it is perceived that the Group is failing to maintain and improve service quality. Other factors that could result in customer churn include pricing, marketing, retention activities, field operations and customer contact. In an environment where price differentials may narrow, trust and service levels become increasingly important factors for the retention and growth of the customer base. Any failure to maintain good quality customer service levels or to improve service levels in certain parts of the Group's business could have a material adverse effect on the Group's reputation, business, results of operations, and overall financial condition, as well as subject the Group to the risk of increased regulatory scrutiny that could, in turn, result in sanctions from relevant authorities.

The Group may fail to identify and execute suitable acquisitions and divestments

The Group announced its intention to divest its shareholding in UK nuclear power by the end of 2020, subject to alignment with its partner and considering the UK Government's interests in this area. The Group also announced that it is targeting £500 million of non-core divestments in 2019.

The Group's success in acquiring suitable assets and rebalancing its asset portfolio may be limited by its ability to execute and finance acquisitions and to divest non-core assets, such as its shareholding in nuclear. There can be no assurance that the Group will be able to dispose of non-core assets at a price that the Group considers to be appropriate, or at all, or that any disposal will take place in the timeline envisaged by the Group. This risk may be increased by the UK Government's proposed foreign investment regime for merger control, which includes new notification and approval requirements. The UK Government is currently reviewing the responses received during the consultation process in October 2018. Failure or material delays to successfully acquire and/or dispose of assets may leave the Group increasingly exposed to portfolio concentration risk on both the supply and demand side. Over-concentration or inappropriate balance of the Group's portfolio may mean that a disruption in one asset or revenue stream in the Group's portfolio may have a disproportionate impact on the Group as a whole.

There can be no assurance that economic interests taken in businesses or assets will prove to be good investments, or that any acquired business will be successfully integrated into the Group. Furthermore, the Group may be required to refinance indebtedness incurred to fund such acquisitions, in the capital markets or otherwise, and there is no guarantee that the Group will be able to do so on favourable terms or at all. Any of these factors could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group may fail to attract and retain senior management, skilled personnel and capabilities

The attraction, development, retention, reputation and succession of senior management and individuals with key skills are critical factors in the successful execution of the Group's strategy, and operation of the Group's businesses. This is especially relevant in the highly competitive markets in which the Group currently or plans to operate and at times when the business is subject to high levels of public scrutiny. Insufficient capability and capacity in high calibre senior management and individuals, or any failure to make appropriate succession plans, could compromise achievement of the Group's strategic objectives and could have a material adverse effect on its business, results of operations and overall financial condition.

Changes to the Group's structure and business model, including entry into new and emerging markets, could make attracting, retaining and motivating employees with the right capabilities in key roles across the business more challenging. Employee engagement may decrease and industrial relations could worsen. This primarily affects areas of the operational work force in upstream activities, the engineers in British Gas and the staff in North America Home Services, and could also be triggered by changes to employment terms and conditions, employment related court decisions, changes to pension arrangements, and as a response to a wider climate of trade union unrest.

Labour disputes could have an adverse impact on the Group's business

The Group, and some of the third parties it relies upon, has a significant unionised workforce. Labour disputes or unrest, such as strikes, walkouts, claims or other labour disturbances may disrupt its business. A

significant strike or other labour dispute could impact the Group's ability to provide upstream operations and downstream residential and business services in one or more of its key markets and could impact the customer service offered to residential and business supply customers. Any such disruption to the Group's business could negatively impact its reputation and may result in the loss of customers to competitors. The Group has not taken out any insurance to cover losses due to business disruptions caused by labour issues. Consequently, its reputation, financial position and operating results may be adversely affected by labour unrest.

The Group may be significantly impacted by changing tax laws and tax rates

The Group is subject to tax rates and tax legislation applicable in the markets and jurisdictions in which it operates. In particular, the Group is impacted by significantly higher rates of tax in its E&P businesses, most notably in the UK, where the statutory tax rate is 40 per cent. and in Norway where the statutory tax rate is 78 per cent. The Group's E&P businesses are typically subject to different tax rates and regimes than those that apply to its ES&S businesses. Consequently, the Group is exposed to changes, both in the general corporate tax regime and specific tax regimes in relation to upstream production or other business segments. Tax laws, tax rates and interpretation of legislation and compliance and disclosure requirements, with associated costs and penalties change regularly.

The Organisation for Economic Co-operation and Development/G20 Inclusive Framework on Base Erosion and Profit Shifting (the **BEPS Framework**) aims to generate changes to tax policy and systems across many countries, including those where the Group has operations, in order to mitigate cross-border corporate tax avoidance. Such changes could significantly reduce the certainty of tax outcomes for all taxpayers including the Group's entities. In addition to measures put in place to implement the BEPS Framework, any action by governments in jurisdictions in which the Group operates to increase domestic tax rates, impose additional taxes, revise tax legislation or its interpretation could have a material adverse effect on the Group's business, results of operations and overall financial condition.

Liquidity risk, including risk relating to margin obligations as a result of existing contracts, is inherent in the Group's operations

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due. Exposure to adverse conditions in debt or capital markets may hinder or prevent the Group from obtaining the financing required to properly carry on its business activities. The liquidity risk within the Group is increased by the margin cash arrangements contained in certain wholesale commodity contracts. As the Group is a net purchaser of commodities, this means that it is generally required to deposit cash as collateral with margin counterparties when wholesale prices fall. Further collateral can be required in times of price or weather volatility and depending on which markets the Group uses to access for price hedging and for physical supply of commodities. Cash forecasts identifying the liquidity requirements are produced at least monthly and these are assessed for different scenarios, including the impact of significant changes in commodity prices or a credit rating downgrade. However, the Group's ability to access liquidity during periods of liquidity stress may be constrained as a result of current and future economic and market conditions. A reduction of the Group's liquidity could have a material adverse effect on its business, results of operations and overall financial condition.

A downgrade in the Group's credit rating may increase its costs of funding and limit its ability to trade in commodity markets

The Group benefits from its strong credit rating (long-term debt: Baa1 stable outlook (Moody's), BBB stable outlook (Standard & Poor's)); (short-term debt: P-2 stable outlook (Moody's), A-2 stable outlook (Standard & Poor's)). Any deterioration in the Group's credit ratings may increase its costs of funding or otherwise affect its ability to obtain credit from counterparties. The Group may also need to increase its levels of margin or other security in its wholesale commodity contracts or face limits on its ability to trade in commodity markets and to implement its hedging strategy. Any of these factors could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group has funding risks relating to its defined benefit pension schemes

The Group maintains a variety of pension schemes, including defined benefit schemes and also guarantees certain liabilities under the ENGGL defined benefit pensions scheme. The aim of the Company and pension scheme trustees (as set out in each scheme's Statement of Funding Principles) is to meet the defined benefit liabilities with a portfolio of investments. The associated risks therefore relate to interest rates, inflation, returns on assets and the longevity of scheme members; the mismatch between asset and liability value

movements is a consequence of targeting higher returns than those available from assets effectively matching the liabilities. The defined benefit schemes' investment portfolios contain a high proportion of assets that are expected to provide a better return in the long term than alternative investments such as bonds; however, in the short term, the difference between the value of liabilities and assets may vary significantly, potentially resulting in a deficit having to be recognised on the Group's balance sheet, alongside an increase in the P&L expense and the funding requirements (cash and possibly contingent assets). The current business environment, with changing long-term interest and inflation rates, long-term gilt yields, corporate bond yields, equity values and credit spreads could also potentially result in a large deficit having to be recognised. A material weakening of the Group's credit rating could result in higher pension contributions. Furthermore, a quicker than expected increase in life expectancy and/or employee pensionable salaries increasing above the rates assumed in the previous scheme valuation could be expected to increase the defined benefit liabilities. Changes in the accounting standards relating to defined benefit pension liabilities could also lead to increasing deficits arising in the Group's pension schemes. The pension schemes in the UK are subject to triennial actuarial valuations, the latest valuation date being 31 March 2018. If these valuations identify that the pension schemes are in deficit, this could, subject to agreement between the Company and the pension scheme trustees, result in additional deficit repair contributions being required, further changes to members' benefits and/or the Group offering more contingent assets or asset backed contributions as additional security. Any further requirement to make significant immediate cash contributions into one or more of the Group's defined benefit schemes to cover any such deficits could have a material adverse effect on the Group's business, results of operations, and overall financial condition.

Unanticipated actions by the pension regulators in relevant jurisdictions to the Group and/or any material revisions to existing pensions legislation could require accelerated and increased contributions to the Group's pension schemes before, or concurrently with, any increased return to shareholders beyond the normal dividend, which may restrict the Group's financial flexibility. The pension scheme trustees could also seek accelerated and increased contributions in the event of the Group planning to make material disposals, execute a share buyback programme or take on more leverage through acquisitions or investment, which may restrict the Group's ability to carry out such transactions or investments. This could therefore have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group's business may be affected by the default of counterparties in respect of monies owed to the Group

As a consequence of its normal operations, the Group often has significant amounts owed to it by its counterparties. In addition, the Group often holds large cash balances on deposit with financial institutions. There is a risk of a counterparty default, which may, among other things, reduce the Group's cash flows. The Group's policy to limit counterparty exposures by setting credit limits for each counterparty, where possible by reference to published credit ratings, cannot eliminate such exposure or absolutely mitigate such risk, and such a counterparty default may have a material adverse effect on the Group's business, results of operations and overall financial condition. The Group may also, from time to time, be owed amounts by its retail and wholesale customers. A significant number of defaults could also adversely affect the Group's business, results of operations and financial condition.

The Group is exposed to shareholder activism

As shareholder activism continues to grow, UK publicly listed companies, particularly consumer companies, could be at risk of activists or takeover activities. An activist shareholder can leverage the equity stake they hold in a company to put pressure on its board or management. The goals of activist shareholders, who often have a comparatively small stake in a company, can be both financial, aimed at increasing shareholder value, or non-financial changes in corporate policy, such as disinvestment from particular countries and adoption of environmentally or ethically friendly policies. This can take several forms, including proxy battles, publicity campaigns, shareholder resolutions, litigation, and negotiations with management.

Any campaign by investors to take control of the Group could cause significant management distraction, be costly to defend or respond to and could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is exposed to currency fluctuations

The Group has cross-border operational exposure in U.S. and Canadian dollars, Norwegian Krone, and Euros, as well as a number of other currencies. Operational and capital expenditure cash flows may also

be in currencies other than Sterling, the Group's reporting currency. The Group's profitability may be adversely affected if the results and cash flows associated with these international operations fall or cash outflows rise because of currency fluctuations against Sterling.

It is the Group's policy to use hedging instruments to manage the impact of currency fluctuations. To the extent that any of the Group's potential exposure remains unhedged, or such hedging is ineffective, the value of its investments may be affected by fluctuations in currency. Adverse movements in currency rates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is exposed to interest rate fluctuations

The Group is exposed to movements in interest rates, which affect the amount of interest paid on borrowings and the return on its cash investments. If interest rates were to increase, the amount of interest paid on floating rate borrowings would increase, as would the cost of funding investments. The Group uses derivative financial instruments, such as interest rate swaps, to manage interest rate risk on long-term borrowings. To the extent that any of the Group's interest rate exposure remains unhedged, or such hedging is ineffective, adverse movements in interest rates could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group's financial instruments may be exposed to benchmark reforms

The interest rates of some of the Group Notes, swaps and revolving credit facilities are linked to reference rates such as the EURIBOR or LIBOR which are deemed to be benchmarks (each a **Benchmark** and together, the **Benchmarks**) and which are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the relevant Benchmarks to perform differently than in the past, or have other consequences which cannot be predicted.

Key international proposals for reform of Benchmarks include (i) IOSCO's Principles for Oil Price Reporting Agencies (October 2012) and Principles for Financial Benchmarks (July 2013), (ii) ESMA-EBA's Principles for the benchmark-setting process (June 2013), and (iii) the Benchmarks Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. In addition to the aforementioned reforms, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Any changes to a Benchmark as a result of the Benchmarks Regulation or other initiatives could have an adverse effect on the costs of obtaining exposure to a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks.

The potential elimination of the Benchmarks, or changes in the manner of administration of any Benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any instruments linked to such Benchmark. Any such consequence could have a material adverse effect on the value of and return on any such instrument.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

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

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner, which achieves a similar effective return

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

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

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

Notes that are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

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

The terms and conditions of the Notes contain provisions, which may permit their modification without the consent of all investors and confer significant discretions on the Trustee, which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

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

The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of any successor in business to the Issuer or of a Subsidiary either of the Issuer or any successor in business to the Issuer as principal debtor under any Notes in place of the Issuer or any successor in business to the Issuer, in the circumstances described in Conditions 15 and 16 of the terms and conditions of the Notes.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

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

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

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

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

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

Future discontinuance of LIBOR or any other benchmarks may adversely affect the value of Floating Rate Notes which reference LIBOR or such other benchmarks

On 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, which regulates LIBOR, questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and made clear the need to transition away from LIBOR to alternative reference rates. He noted that there was support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA's intention not to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. Subsequent speeches by Andrew Bailey and other FCA officials have emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions of the Notes, this may (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Other interbank offered rates suffer from similar weaknesses to LIBOR and although work continues on reforming their respective methodologies to make them more grounded in actual transactions, they may be discontinued or be subject to changes in their administration. The above-mentioned risks related to LIBOR may therefore also impact other benchmarks in the future. Investors in Floating Rate Notes which reference such other benchmarks should be mindful of the applicable interest rate fall-back provisions applicable to such Notes and the adverse effect this may have on the value or liquidity of, and return on (which may include payment of a lower Rate of Interest), any Floating Rate Notes which reference any such benchmark.

Risks related to the market generally

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

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

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

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

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

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

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

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Financial Conduct Authority shall be incorporated in and form part of, this Base Prospectus:

- (a) the auditors' report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2018 which appear on pages 114 to 219 (together with the section titled "*Additional Information – Explanatory Notes (Unaudited)*" on pages 235 to 237) of the annual report for the year ended 31 December 2018, including the information set out at the following pages, in particular:

Independent Auditors' Report to members of Centrica plc	Pages 114 to 123
Group Income Statement	Page 124
Group Statement of Comprehensive Income	Page 125
Group Statement of Changes in Equity	Page 126
Group Balance Sheet	Page 127
Group Cash Flow Statement	Page 128
Notes to the Financial Statements	Pages 129 to 208
Company Statement of Changes in Equity	Page 209
Company Balance Sheet	Page 210
Notes to the Company Financial Statements	Pages 211 to 219
Additional Information – Explanatory Notes (Unaudited)	Pages 235 to 237

- (b) the auditors' report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017 which appear on pages 102 to 200 (together with the section titled "*Additional Information – Explanatory Notes (Unaudited)*" on pages 216 to 217) of the annual report for the year ended 31 December 2017, including the information set out at the following pages, in particular:

Independent Auditors' Report to members of Centrica plc	Pages 102 to 109
Group Income Statement	Page 110
Group Statement of Comprehensive Income	Page 111
Group Statement of Changes in Equity	Page 112
Group Balance Sheet	Page 113
Group Cash Flow Statement	Page 114
Notes to the Financial Statements	Pages 115 to 189
Company Statement of Changes in Equity	Page 190
Company Balance Sheet	Page 191
Notes to the Company Financial Statements	Pages 192 to 200
Additional Information – Explanatory Notes (Unaudited)	Pages 216 to 217

- (c) the Terms and Conditions of the Notes contained in the Base Prospectus dated 26 September, 2012 (pages 33 to 57), the Base Prospectus dated 27 September, 2011 (pages 38 to 59), the Base Prospectus dated 28 August, 2009 (pages 35 to 56), the Base Prospectus dated 26 September, 2008 (pages 33 to 54), the Base Prospectus dated 28 September, 2007 (pages 32 to 53) and the Base Prospectus dated 8 November, 2005 (pages 30 to 50), in each case prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable

(whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London. Documents may also be viewed electronically and free of charge at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

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

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

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

The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*" below) that it will comply with section 87G of the Financial Services and Markets Act 2000.

Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This does not affect any Notes issued prior to the date of this Base Prospectus.

Alternative Performance Measures

Certain alternative performance measures (**APMs**) are included or referred to in this Base Prospectus (including the 31 December 2018 financial statements incorporated by reference). APMs are non-GAAP measures used by the Group within its financial publications to supplement disclosures prepared in accordance with other regulations such as International Financial Reporting Standards (**IFRS**). We consider that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric's components and calculation method can be found at pages 235 to 237 (incorporated by reference herein) of the Issuer's Annual Report and Accounts for the year ended 31 December 2018.

FORM OF THE NOTES

BEARER NOTES

Initial Issue

Each Tranche of Bearer Notes (including Exchangeable Bearer Notes) will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and together with a Temporary Global Note, the **Global Notes**, each a **Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

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

Upon deposit of the Temporary Global Note(s) with the Common Safekeeper or the Common Depository, as the case may be, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

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

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear and/or Clearstream, Luxembourg for its share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear and/or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date either:

- (i) if the applicable Final Terms indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable, in whole, but not in part, for definitive Bearer Notes; or
- (ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership (in a form to be provided) for interests in a Permanent Global Note or, if so provided in the applicable Final Terms, for definitive Bearer Notes or, if the Temporary Global Note is also an Exchangeable Bearer Note, certificated Registered Notes.

Permanent Global Notes

Each Permanent Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for:

- (a) definitive Bearer Notes with, where applicable, interest coupons and talons attached either:
 - (i) only upon the occurrence of an Exchange Event; for these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) if the Permanent Global Note is held on behalf of Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange; or
 - (ii) at any time at the Issuer's request; or
- (b) if the Permanent Global Note is an Exchangeable Bearer Note, certificated Registered Notes upon the holder of an interest in such Permanent Global Note giving notice to the Principal Paying Agent of its election to exchange the whole of such Global Note for certificated Registered Notes.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The exchange of a Permanent Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any Noteholder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Bearer Notes.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, if the Permanent Global Note is an Exchangeable Bearer Note, the Permanent Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date in part on one or more occasions for certificated Registered Notes upon the holder of an interest in such Permanent Global Note giving notice to the Principal Paying Agent of its election to exchange a part of such Global Note for certificated Registered Notes.

Exchange Date means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in

the case of an exchange for certificated Registered Notes five days, after that on which notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Legend

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons and talons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons or talons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons or talons.

Transfers

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

REGISTERED NOTES

Initial Issue

Each Tranche of Registered Notes will initially be issued in either:

- (i) uncertificated form (**uncertificated Registered Notes**), comprising Registered Notes which are for the time being uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time); or
- (ii) certificated form (**certificated Registered Notes**).

Uncertificated Registered Notes will initially be credited to the subscribers' CREST accounts on the issue date thereof upon certification as to non-U.S. beneficial ownership.

Certificated Registered Notes will be represented by registered certificates (**Certificates**) and will initially be delivered to the subscribers thereof upon certification as to non-U.S. beneficial ownership. Each Certificate shall represent the entire holding of certificated Registered Notes of each Series by the same holder.

Certificates will, on issue, be delivered to the subscribers thereof upon certification as to non-U.S. beneficial ownership.

Transfers

Title to Registered Notes will pass upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement, unless applicable law provides otherwise or provides for additional formalities for transfer of title.

Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Registered Note is registered in the name of any nominee for, a clearing system, then:

- (i) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an Electronic Consent as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall

be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Registered Note and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the **relevant clearing system**) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)¹

[Date]

CENTRICA PLC

Legal Entity Identifier (LEI): E26EDV109X6EEPBKVH76
Issue of [Currency] [Aggregate Nominal Amount of Tranche] [Title of Notes] due []
under the U.S.\$10,000,000,000
Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 30 May 2019 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC, as amended or superseded. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published via the regulatory news service maintained by the London Stock Exchange (www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the [Offering Circular/Base Prospectus] dated [original date] and incorporated by reference in the Base Prospectus dated 30 May 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC and must be

¹ For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

read in conjunction with the Base Prospectus dated 30 May 2019 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**) including the Terms and Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published via the regulatory news service maintained by the London Stock Exchange (www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

1. Issuer: Centrica plc
2. (i) Series Number: []
- (ii) Tranche Number: []
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about []]/[Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (i) Series: []
 - (ii) Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]
6. (i) Specified Denomination(s): []
- (ii) Calculation Amount: []
7. (i) Issue Date [and Interest Commencement Date]: []
- (ii) Interest Commencement Date (if different from the Issue Date): [[]/Issue Date/Not Applicable]
8. Maturity Date: [[]/Interest Payment Date falling in or nearest to []]
9. Interest Basis: [[] per cent. Fixed Rate]
 [[Reference Rate] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 (further particulars specified below)
10. Change of Interest Basis: [[]/Not Applicable]
11. Put/Call Options: [General Investor Put]
 [Change of Control Investor Put]
 [Issuer Call]
 [(further particulars specified below)]

12. [Date [Board] approval for issuance of Notes []]
obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [] per cent. per annum payable
in arrear on each Interest Payment Date
 - (ii) Interest Payment Date(s): [[] in each year up to and including the
Maturity Date]
 - (iii) Fixed Coupon Amount(s): [] per Calculation Amount
 - (iv) Broken Amount(s): [[] per Calculation Amount, payable on
the Interest Payment Date falling [in/on] []]
[Not Applicable]
 - (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
 - (vi) Determination Date(s): [[] in each year] [Not Applicable]
14. Floating Rate Note Provisions [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: []
 - (ii) Business Day Convention: [Floating Rate Convention/Following Business
Day Convention/Modified Following Business
Day Convention/Preceding Business Day
Convention]
 - (iii) Additional Business Centre(s): []
 - (iv) Manner in which the Rate of Interest and Interest Amount is to be
determined: [Screen Rate Determination/ISDA
Determination]
 - (v) Party responsible for calculating the Rate of Interest and Interest Amount
(if not the Principal Paying Agent): []
 - (vi) Screen Rate Determination:
 - Reference Rate: Reference Rate: [] month
[LIBOR/EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
 - (vii) ISDA Determination:
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
 - (viii) Margin(s): [+/-] [] per cent. per annum
 - (ix) Linear Interpolation: [Not Applicable/Applicable – the Rate of
Interest for the [long/short] [first/last] Interest

		Period shall be calculated using Linear Interpolation]
(x)	Minimum Rate of Interest:	[] per cent. per annum
(xi)	Maximum Rate of Interest:	[] per cent. per annum
(xii)	Day Count Fraction:	[[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA)]
15.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(i)	Accrual Yield:	[] per cent. per annum
(ii)	Reference Price:	[]
(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
PROVISIONS RELATING TO REDEMPTION		
16.	Notice periods for Condition 7(b):	Minimum period: [] days Maximum period: [] days
17.	Issuer Call:	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[]
(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[] per Calculation Amount] [Spens Amount] [Make-Whole Amount]
(iii)	Reference Bond:	[[]/FA Selected Bond/Not Applicable]
(iv)	Quotation Time:	[]
(v)	Redemption Margin:	[[] per cent/Not Applicable]
(vi)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[]
	(b) Maximum Redemption Amount:	[]
(vii)	Notice periods:	Minimum period: [] days Maximum period: [] days
18.	General Investor Put:	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[]
(ii)	Optional Redemption Amount:	[] per Calculation Amount
(iii)	Notice periods:	Minimum period: [] days Maximum period: [] days
19.	Change of Control Investor Put:	[Applicable/Not Applicable]
(i)	Optional Redemption Amount:	[] per Calculation Amount

- (ii) Notice periods: Minimum period: [] days
Maximum period: [] days
20. Final Redemption Amount of each Note: [] per Calculation Amount
21. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

- (i) Form [Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]*
[Temporary Global Note exchangeable for [definitive Bearer Notes/certificated Registered Notes] on and after the Exchange Date]*
[Permanent Global Note exchangeable for [definitive Bearer Notes/certificated Registered Notes] [on [60/5] days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
[The Notes are Exchangeable Bearer Notes]
[Registered Notes:
[certificated]/[uncertificated] Registered Notes]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]
- (ii) New Global Note: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should

the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

23. Additional Financial Centre(s): [Not Applicable/[]]

THIRD PARTY INFORMATION

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

Signed on behalf of Centrica plc:

By:.....
Duly authorised

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

- Ratings: [The Notes to be issued [(have been)/[are expected to be]] rated [] by [].]

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

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

4. YIELD

- Indication of yield: []

5. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) CFI: [[], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
- (iv) FISN: [[], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[]]
- (vi) Names and addresses of additional Agents/ Paying Agent(s) (if any): []
- (vii) Names of Managers: [Not applicable/[]]

- (viii) Name of Dealer: [Not applicable/[]]
- (ix) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]
- (x) Prohibition of sales to Belgian Consumers: [Applicable]/[Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note, each definitive Note and each Certificate, in the case of definitive Notes and Certificates only if permitted by the London Stock Exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note or Certificate will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, definitive Note and Certificate. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms and conditions are to apply to the relevant Notes.

This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed (such Trust Deed as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 7 September 2001 between Centrica plc (the **Issuer**) and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include all persons for the time being trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the **Terms and Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below.

References herein to the **Notes** shall be references to the Notes of this Series.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 27 September 2018 and made between the Issuer, the Trustee and HSBC Bank plc as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any additional or successor issuing and principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes (as defined below) have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes and Certificates do not have Coupons or Talons attached on issue.

Subject as provided in Condition 1, any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the bearer of the Bearer Notes and (in the case of Registered Notes) the persons in whose names the Registered Notes are registered. Any reference herein to **Couponholders** shall mean the bearers of the Coupons and shall, unless the context otherwise requires, include the bearers of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection by prior arrangement during normal business hours at the principal office of the Trustee, at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (such Principal Paying Agent, Paying Agents, Transfer Agents and the Registrar being together referred to as the **Agents**). The applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in

these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

In these Terms and Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. Form, Denomination and Title

The Notes are in bearer form (**Bearer Notes**, which expression includes Notes that are specified to be Exchangeable Bearer Notes) or in registered form (**Registered Notes**) as specified in the applicable Final Terms and serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms, provided that the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Bearer Notes are represented either by a note in global form (**Global Note**) or by definitive Notes in bearer form (**definitive Bearer Notes**).

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest Specified Denomination of the Exchangeable Bearer Notes.

The Registered Notes may be in uncertificated form (**uncertificated Registered Notes**), comprising Registered Notes which are for the time being uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time) (the **Uncertificated Securities Regulations**) or in certificated form (**certificated Registered Notes**).

Certificated Registered Notes are represented by registered certificates (**Certificates**) and each Certificate shall represent the entire holding of certificated Registered Notes of each Series by the same holder.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

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

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery. Title to the Registered Notes will pass upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (unless applicable law provides otherwise or provides for additional formalities for transfer of title) and on which shall be entered the names and addresses of the holders of Registered Notes and the particulars of the Registered Notes held by them and of all transfers of Registered Notes, distinguishing between certificated and uncertificated Registered Notes in accordance with the Uncertificated Securities Regulations.

The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon (or on the Certificate representing it) or notice of any previous loss or theft thereof (or of the related Certificate)) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Bearer Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bearer Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bearer Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of

such nominal amount of such Bearer Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bearer Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Bearer Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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

2. Exchange of Exchangeable Bearer Notes and Exchange and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of certificated Registered Notes by submission of a duly completed request for exchange (**Exchange Request**) substantially in the form provided in the Agency Agreement, copies of which are available from the specified office of the Registrar or any Transfer Agent and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Exchange and Transfers of Registered Notes

Exchange of certificated Registered Notes for uncertificated Registered Notes and *vice versa* shall be effected in accordance with the Uncertificated Securities Regulations and the rules, practices and procedures of a relevant system (as defined below).

One or more certificated Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such certificated Registered Notes to be transferred, together with the form of transfer endorsed in such Certificate duly completed and executed and such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of certificated Registered Notes represented by a Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

Transfers of uncertificated Notes shall be effected by means of a relevant system.

No transfer of Registered Notes will be valid unless and until entered on the Register.

In these Terms and Conditions, **relevant system** has the meaning given to it in regulation 3 of the Uncertificated Securities Regulations.

(c) Exercise of Options or Partial Redemption in respect of Registered Notes

In the case of an exercise of the Issuer's or a Noteholder's option in respect of, or a partial redemption of, a holding of certificated Registered Notes, a new Certificate, if required, shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed.

New Certificates shall only be issued against the surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of certificated Registered Notes to a holder who is already a holder of certificated Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding to the Registrar or any Transfer Agent.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery five business days after receipt by any Transfer Agent or the Registrar of the relevant Exchange Request or form of transfer together, if applicable, with the Certificate for exchange or transfer. Each new Certificate to be issued pursuant to Condition 2(c) shall be available for delivery from the relevant due date of redemption. Delivery of the new Certificate(s) shall be made either at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such Exchange Request, form of transfer, Put Notice or Certificate has been made or, at the option of the holder making such delivery or surrender as aforesaid and

as specified in the relevant Exchange Request, form of transfer, Put Notice or otherwise in writing, by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange free of charge*

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or Transfer Agent may reasonably require).

(f) *Closed Period*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s):

- (i) during the period of seven days ending on the due date for redemption of that Note;
- (ii) subject as provided below, after any such Note has been called for redemption;
- (iii) during the period of seven days immediately preceding any Record Date (as defined in Condition 6(d)) and ending on (and including) the next Interest Payment Date; or
- (iv) in respect of which a Noteholder's redemption option pursuant to Condition 7(d) has been exercised.

An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more certificated Registered Notes in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. **Status of the Notes**

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. **Negative Pledge**

So long as any of the Notes remains outstanding the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any of its Principal Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Principal Subsidiaries unless the Issuer shall, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

- (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its reasonable discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

For the purposes of these Terms and Conditions:

(a) **Excluded Subsidiary** at any time means a Subsidiary of the Issuer:

- (1) (A) which is either (x) a special purpose company whose principal assets are constituted by a project or projects or (y) is incorporated and conducts its business primarily outside the United Kingdom; and

- (B) none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Issuer or any of its Principal Subsidiaries or, where such security, guarantee or indemnity or other form of assurance, undertaking or support is provided, the liability of the Issuer and its Principal Subsidiaries thereunder is contractually limited to and cannot in any circumstances exceed at any time an amount equal to £50,000,000 or its equivalent in any other currency or currencies; and
 - (C) which has been designated as such by the Issuer by written notice to the Trustee; provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary; or
 - (2) which has a banking licence or its equivalent in any jurisdiction;
- (b) **Principal Subsidiary** means a Subsidiary of the Issuer (not being an Excluded Subsidiary):
- (1) (A) whose total assets represent not less than 20 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole; or
 - (B) whose external turnover is more than 20 per cent. of the consolidated turnover of the Issuer and its Subsidiaries,
- all as calculated by reference to the then latest audited consolidated accounts of the Issuer and the then latest audited accounts of its Subsidiaries; or
- (2) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (2) (but without prejudice to the provisions of sub-paragraph (1) above) upon publication of its next audited accounts.

A report by the directors of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

- (c) **Relevant Indebtedness** means:
 - (i) any indebtedness for or in respect of any notes, bonds or other debt securities having an original maturity of more than one year which (with the consent of the issuer of the indebtedness) are for the time being listed or traded on a stock exchange or other recognised securities market, other than any notes, bonds or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation of such acquisition; and
 - (ii) any guarantee or indemnity in respect of any such indebtedness;
- (d) **Security Interest** means any mortgage, charge, lien, pledge or other security interest, but shall not include any security interest over cash created or arising solely or principally in connection with, and for the purpose of, a defeasance arrangement; and
- (e) **Subsidiary** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

5. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of

days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR (the **Specified Time**) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 5(b)(ii)(B)(1), no offered quotation appears or, in the case of Condition 5(b)(ii)(B)(2), fewer than three offered

quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Principal Paying Agent.

Reference Rate shall mean (i) LIBOR or (ii) EURIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if “Actual/Actual (ISDA)”, or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and the London Stock Exchange and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to the London Stock Exchange and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Determination or calculation by the Trustee*

If for any reason at any time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub-paragraph 5(b)(ii) or 5(b)(iv), as the case may be, above, the Trustee (or a person appointed by it for that purpose) shall determine the Rate of Interest at such rate plus or minus (as appropriate) the relevant Margin (if any) in its absolute discretion (having regard as it shall think fit to the foregoing provisions of this Condition 5 but subject always to sub-paragraph 5(b)(iii) above), it shall deem fair and reasonable in all the circumstances and/or, as the case may be, the Trustee (or a person appointed by it for that purpose) shall calculate the Interest Amount in the manner referred to in sub-paragraph (iv) above and such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent. The Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition 5(vii).

(viii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Trustee, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation of such Note (in the case of Bearer Notes) or Certificate representing the same (in the case of certificated Registered Notes) or, in the case of uncertificated Registered Notes, in compliance with the rules from time to time laid down by the Issuer in a manner consistent with the rules, practices and procedures of a relevant system, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to

an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) Payments in respect of Registered Notes

Payments of principal and interest on each Registered Note will be made (subject, in the case of a payment of principal in respect of a certificated Registered Note, to the presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relative Certificate at the specified office of the Registrar or any of the Paying Agents) by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the certificated Registered Note appearing in the Register maintained by the Registrar at the close of business on the seventh business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate

equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below) and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date at its address shown in the Register on the Record Date and at its risk.

For these purposes:

Designated Account means the account maintained by the holder with a Designated Bank and identified as such in the Register; and

Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of payment in euro) any bank which processes payments in euro.

In the case of uncertificated Registered Notes, such steps will be taken as the Trustee shall consider necessary having regard to the Uncertificated Securities Regulations and to the rules, practices and procedures of a relevant system to indicate the making of such payment, and may include, if the Trustee thinks fit, a requirement for such uncertificated Registered Note to be changed to a certificated Registered Note before payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post.

(e) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Bearer Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre specified in the applicable Final Terms; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(g) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. Redemption and purchase

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at 100 per cent. of its nominal amount in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for tax reasons*

Subject to Condition 7(e) the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if as soon as practicable before giving such notice:

- (i) the Issuer satisfies the Trustee that, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Noteholders and Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In this Condition 7(b) **authorised signatory** means a director, company secretary, or any other person authorised by the board of directors of the Issuer to provide certificates in relation to the Notes.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (i) not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

If Spens Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

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

In this Condition 7(c):

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

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

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

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

Reference Bond shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

Reference Bond Price means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest

and lowest such Reference Government Bond Dealer Quotations, or (B) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

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

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

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

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 7(c).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7(c) by the Agent, shall (in the absence of negligence, wilful default or bad faith) be binding on the Issuer, the Agent, the Trustee, the Paying Agents, the Registrar (if applicable) and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders*

(i) *General Investor Put*

If General Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note or the Certificate representing the same at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of certificated Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify (a) a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and (b) in the case of certificated Registered Notes, the nominal amount thereof to be redeemed and, if less than

the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which the new Certificate in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on its instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper (as the case may be) for Euroclear or Clearstream, Luxembourg to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7(d)(i) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A holder of uncertificated Registered Notes shall exercise the right to require redemption by complying with the rules, practices and procedures of a relevant system.

(ii) *Change of Control Investor Put*

If Change of Control Investor Put is specified as being applicable in the applicable Final Terms, the following provisions shall apply to the Notes.

(a) A **Put Event** will be deemed to occur if:

(A) any person (being an individual, partnership, company, corporation, unincorporated organisation, trust or joint venture, or any governmental agency or political subdivision thereof) or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person or persons acting on behalf of any such person(s) (the **Relevant Person**) at any time directly or indirectly own(s) or acquire(s): (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the total voting rights attached to the issued or allotted share capital of the Issuer that are normally exercisable at a general meeting of the Issuer (such event being a **Change of Control**), provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) pro rata interest in the share capital of the Relevant Person as such shareholders have or, as the case may be, had in the share capital of the Issuer; and

(B) on the date (the **Relevant Announcement Date**) that is the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency (as defined below):

(1) an investment grade credit rating (*Baa3/BBB-*, or *equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+*, or *equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or

(2) a non-investment grade credit rating (*Ba1/BB+*, or *equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in

the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or

- (3) no credit rating, and no Rating Agency, assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that, if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (1) will apply; and

- (C) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

- (b) If a Put Event occurs, the holder of each Note shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) each such Note on the Put Date (as defined below) at an amount equal to its Final Redemption Amount (the **Optional Redemption Amount**) together with interest accrued to but excluding the date of redemption or purchase. Such option (the **Put Option**) shall operate as set out below.
- (c) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7(d)(ii).
- (d) To exercise the Put Option under this Condition 7(d)(ii) the holder of the Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note or the Certificate representing the same at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of certificated Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar, falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, accompanied by a duly signed and completed Put Notice (as defined in Condition 7(d)(i)). The Note (in the case of Bearer Notes) should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiry of the Put Period (the **Put Date**), failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 11) at any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 8) in respect of that Coupon. Payment in respect of any such Note will be made on the Put Date either (i) by transfer to the bank account (if any) specified in the relevant Put Notice or (ii) if no bank account is so specified, by cheque posted to the address specified in the relevant Put Notice. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on its instruction by Euroclear or Clearstream, Luxembourg or any common depository or common safekeeper (as the case may be) for Euroclear or Clearstream Luxembourg to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. The Issuer shall redeem or purchase the relevant Notes in accordance with this Condition 7(d)(ii) unless such Notes have been previously redeemed and cancelled.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7(d)(ii) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may

elect by notice to the Issuer to withdraw the Put Notice and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A holder of uncertificated Registered Notes shall exercise the right to require redemption by complying with the rules, practices and procedures of a relevant system.

If 80 per cent. or more in nominal amount of the Notes outstanding as at the day immediately preceding the day on which the Put Event Notice was given have been redeemed pursuant to this Condition 7(d)(ii), the Issuer may, on not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders given within 30 days after the Put Date, redeem, at its option, all, but not some only, of the remaining Notes at the Optional Redemption Amount plus interest accrued to but excluding the date of such redemption.

- (e) If the rating designations employed by either Moody's or S&P are changed from those which are described in paragraph (a)(B) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and paragraph (a)(B) above shall be read accordingly.
- (f) The Trustee is under no obligation to ascertain whether a Put Event or Change of Control, or any event which could lead to the occurrence of, or could constitute, a Put Event or Change of Control, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.
- (g) In these Terms and Conditions:

Change of Control Period means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

Rating Agency means S&P Global Ratings Europe Limited (**S&P**) or Moody's Investors Service Ltd (**Moody's**) or their respective successors or any rating agency (a **Substitute Rating Agency**) substituted for any of them by the Issuer from time to time with the prior written approval of the Trustee; and

Relevant Potential Change of Control Announcement means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto relating to any potential Change of Control provided that within 180 days following the date of such announcement or statement a Change of Control occurs.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^Y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(g) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) presented for payment in the United Kingdom; or
- (ii) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of its having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional

amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)).

As used herein:

- (i) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 and, in the case of Registered Notes, cheques shall have been despatched and/or payment made in accordance with mandate instructions in accordance with Condition 6.

9. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of default

(a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement or appointment, including the cost of its managements' time and/or other internal resources, calculated using its normal hourly rates in force from time to time), (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii), (iii) (other than the winding-up or dissolution of the Issuer), (iv), (v) and (vi) below only if the Trustee has certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an **Event of Default**) occurs:

- (i) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (ii) there is a failure in the performance of any obligation under the Notes or the Trust Deed (other than an obligation to make payment of any principal or interest thereunder) which:
 - (A) in the opinion of the Trustee, is incapable of remedy; or
 - (B) being in the opinion of the Trustee capable of remedy, continues for the period of 30 days (or such longer period as the Trustee may permit) after written notification requiring such failure to be remedied has been given to the Issuer by the Trustee; or
- (iii) (except for the purpose of a reconstruction, an amalgamation or, in the case of a Principal Subsidiary, a voluntary winding-up, in each case the terms of which have previously been approved in writing by the Trustee) an order is made (and not discharged or stayed within a period of 30 days) or an effective resolution is passed for winding up the Issuer or any of its Principal Subsidiaries or an administration order is made in relation to the Issuer or any of its Principal Subsidiaries; or

- (iv) an administrative or other receiver is appointed of the whole or substantially the whole of the assets of the Issuer or any of its Principal Subsidiaries and is not removed, paid out or discharged within 30 days or, following such 30 day period, the appointment is not being disputed in good faith; or
- (v) the Issuer or any of its Principal Subsidiaries makes a general assignment for the benefit of its creditors; or
- (vi)
 - (A) any loan or other indebtedness for borrowed money (as defined in the Trust Deed) of the Issuer or any of its Principal Subsidiaries, amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies, becomes due and repayable prematurely by reason of an event of default (however described) or is not repaid on its final maturity date (as extended by any applicable grace period); or
 - (B) any security given by the Issuer or any of its Principal Subsidiaries for any loan or indebtedness for borrowed money amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies becomes enforceable and steps are taken to enforce the same; or
 - (C) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee or indemnity given by it in respect of any loan or indebtedness for borrowed money amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies.

(b) Enforcement

The Trustee may, in its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

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

11. Replacement of Notes, Coupons and Talons

Should any Bearer Note, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Certificates) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates, Bearer Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

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

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent; and
- (ii) so long as the Notes are listed on the London Stock Exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the London Stock Exchange (or any other relevant authority); and
- (iii) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in the certain limited circumstances specified in the Agency Agreement and the Trust Deed, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of the London Stock Exchange on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on the London Stock Exchange's regulated market or are admitted to the Official List of the UK Listing Authority and the rules of the London Stock Exchange or the UK Listing Authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Bearer Notes are issued, there may, so long as any Global Notes representing the Bearer Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on the London Stock Exchange's regulated market or are admitted to the Official List of the UK Listing Authority and the rules of the London Stock Exchange or the UK Listing Authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Bearer Notes are represented by a Global Note, such notice may be given by any holder of a Bearer Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons, these Terms and Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented. An Extraordinary Resolution passed at any

meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes, the Coupons, these Terms and Conditions or the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interest of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. Substitution

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders or Couponholders, to the substitution of any successor in business to the Issuer or of a Subsidiary either of the Issuer or any successor in business to the Issuer in place of the Issuer or any successor in business to the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons, provided in the case of a Subsidiary either of the Issuer or of any successor in business to the Issuer the obligations of such Subsidiary in respect of the Trust Deed, the Notes and the Coupons shall be guaranteed by the Issuer or such successor in business in a form satisfactory to the Trustee. Any such substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

17. Indemnification of the Trustee and its Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement or appointment, including the cost of its managements' time and/or other internal resources using its normal hourly rates in force from time to time.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the Issue Date, the amount and date of the first payment of interest thereon and/or the Issue Price and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bearer or registered notes of other Series in certain circumstances where the Trustee so decides.

19. Contracts (Rights of Third Parties) Act 1999

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

20. Governing Law

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes (which include making a profit and making acquisitions).

DESCRIPTION OF THE ISSUER

The legal and commercial name of the Issuer is Centrica plc. The Issuer was registered and incorporated in England and Wales under registration number 03033654 and operates under the Companies Act 2006 as a public limited company. The Issuer was incorporated on 16 March 1995 and its shares were first traded on the London Stock Exchange on 17 February 1997. The Issuer's registered office is located at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD and the telephone number is 01753 494 000.

The Issuer is the parent company of the group (the **Group**) comprising Centrica plc and all its subsidiary undertakings. As the parent company of the Group, the Issuer is dependent on receiving dividends and revenues from its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

The directors and senior management of the Issuer, their position and principal activities outside the Group, where those are significant, are as follows as at the date of this Base Prospectus:

Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
Charles Berry	Chairman	Chairman of The Weir Group plc Member, Steering Group, Hampton-Alexander Review
Iain Conn	Group Chief Executive Officer	Member of the Council, Imperial College London Chairman, Advisory Board, Imperial College Business School Member, CBI: President's Committee Non-Executive Director, BT Group plc Member, British Museum Chairman's Advisory Group Member, Magritte Group Member, European Round Table of Industrialists Member, British American Business International Advisory Board Trustee, Movement to Work Member, Trilateral Commission Director, Centre for European Reform's Advisory Board Member, Advisory Board, European Centre for Energy & Resource Security (EUCERS), Department of War Studies, King's College, London Fellow, City & Guilds of London Institute Fellow Institution of Chemical Engineers Fellow, Royal Academy of Engineering Fellow, Royal Society of Edinburgh Member and Liveryman, Worshipful Company of Engineers

Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
Chris O'Shea	Group Chief Financial Officer	<p>Treasurer and member of the Parochial Church Council of St John's and St Mary's in Stratfield Mortimer</p> <p>Committee Member and Chairman of the Tax Committee for 100 Group of UK Finance Directors</p> <p>Member of the Advisory Board of the Oxford University Centre for Business Taxation</p>
Joan Gillman	Non-Executive Director	<p>Director, Airgain Inc</p> <p>Director, InterDigital Inc</p> <p>Director, Transit Wireless LLC</p> <p>Director, Cumulus Media, Inc.</p>
Richard Hookway	Chief Executive, Centrica Business	<p>Non-Executive Director, EDF Energy Nuclear Generation Group</p> <p>Member of CBI's Energy and Climate Change Board</p> <p>Non-Executive Director, Lake Acquisitions Limited</p>
Pam Kaur	Non-Executive Director	<p>Group Managing Director and Head of Wholesale Market and Credit Risk, HSBC Holdings plc</p> <p>Council member of the Institute of Chartered Accountants in England and Wales</p> <p>Chairman, Financial Services Faculty Board</p>
Kevin O'Byrne	Non-Executive Director	<p>Group Chief Financial Officer, J Sainsbury plc</p> <p>Director, Sainsbury's Supermarket Limited</p>
Stephen Hester	Non-Executive Director	<p>Group Chief Executive, RSA Insurance Group plc</p>
Sarwjit Sambhi	Chief Executive, Centrica Consumer	<p>Director, Association of Electricity Producers Limited trading as Energy UK</p>

Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
Carlos Pascual	Non-Executive Director	<p>Non-resident Senior Fellow, Centre on Global Energy Policy, Columbia University</p> <p>Senior Vice President for global energy, IHS Markit</p> <p>Adviser, Repsol, S.A</p> <p>Director, Evercore Mexico Trust Fund</p>
Steve Pusey	Non-Executive Director	<p>Member, The Invicta Film Partnership No.43, LLP</p> <p>Member, Cumberland House BPRA Property Fund LLP</p> <p>Non-Executive Director, FireEye Inc.</p> <p>Non-Executive Director, Apax Partners</p> <p>Board member, GlobalLogic</p> <p>Director, The Pusey Group Limited</p> <p>Huawei Customer Strategy Board</p> <p>Board member, Vista Inc Private Equity Advisory Board</p>
Scott Wheway	Non-Executive Director	<p>Chairman, AXA UK plc</p> <p>Senior Independent Director, Santander UK plc</p> <p>Non-Executive Director, Santander UK Group Holdings plc</p>

Centrica plc Senior Management

Name	Position	Outside Directorships/Activities
Charles Cameron	Director of Technology & Engineering	N/A
Justine Campbell	Group General Counsel & Company Secretary	N/A

Jill Shedden	Group HR Director	Non-Executive Director, Thames Water Utilities Limited
Mike Young	Group Chief Information Officer	N/A

The business address of the directors and the senior management (as described above) of the Issuer is c/o Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD. There are no potential conflicts of interest between the duties to the Issuer of the directors or the senior management (as described above) of the Issuer and their private interests and/or other duties.

DESCRIPTION OF THE CENTRICA GROUP

Background and Formation

The Issuer is a multinational energy and services company. Its principal activity is the supply of electricity and gas and related services to businesses and consumers in the United Kingdom, Ireland and North America. It was listed in 1997 following a demerger from British Gas plc. The gas sales and trading, services and retail business of British Gas plc, together with the gas production business of the North and South Morecambe gas fields, were transferred to the Issuer, which maintains the British Gas retail brand. The Group at the time comprised British Gas Trading Limited, British Gas Services Limited, British Gas Energy Centres Limited and Accord Energy Limited, together with the Morecambe gas field production activities owned through Hydrocarbon Resources Limited and various other subsidiaries.

Since 1997, the Group has made numerous acquisitions and disposals and has developed organically. As at 31 December 2018, the Group had a total gross revenue of approximately £29.7 billion (as described on page 124 of the annual report of the Issuer for the year ended 31 December 2018) and, during 2018, employed on average over 30,500 people. The principal operations of the Group as at the date of this Base Prospectus are described briefly below.

The Group's Strategy

In July 2015, the Group completed a fundamental and wide-ranging strategic review which concluded that Centrica's strength lies in being a customer-facing business, with a purpose to provide energy and services to satisfy the changing needs of its customers.

The Group's activities and priorities have therefore been re-focused away from its asset business and towards its customer-facing businesses: energy supply; services; distributed energy and power; the connected home; and energy marketing and trading. The Group also announced in July 2015 that it would reduce and limit the scale of its operations in exploration and production (**E&P**) and central power generation. The E&P division now consists of a 69 per cent. stake in Spirit Energy, an entity formed in 2017 combining Centrica's E&P business with that of Bayerngas Norge, and Centrica Storage Limited (**Centrica Storage**). The Group considers its customer-facing businesses as a source of competitive advantage given their distinctive positions and capabilities, including strong market shares, good brands and deep capability in energy services. By 2020, these areas will have received additional operating and capital resources of about £1.5 billion when compared to 2015.

In order to realise value from a more aligned and coherent approach to the end-customer, and to ensure that capability is developed globally and efficiently in support of the Group's customer-focused strategy, in February 2017 the Group established two new customer-facing global divisions: Centrica Consumer and Centrica Business. The Group's main existing business units have since been re-organised under these divisions. Centrica Consumer comprises the UK Home, Ireland, North America Home and Connected Home business units, with a strategic framework developed around five areas of offer – energy supply, services, peace of mind, home energy management and home automation. Centrica Business comprises the UK Business, North America Business, Distributed Energy & Power (**DE&P**), Energy Marketing & Trading (**EM&T**) and Central Power Generation business units, with a strategic framework developed around five areas of offer – energy supply, wholesale energy, energy insight, energy optimisation and energy solutions.

The Group's 'Centrica Innovations' function targets small early stage investments which help identify, incubate and accelerate new technologies and innovations which have synergies with the Group's existing offering and vision for offers, products and services for customers.

The E&P and Central Power Generation businesses continue to play a role in the Group's portfolio by providing diversity of cash flows and the balance sheet strength that goes with this. In December 2017, the Group combined its European E&P business with Bayerngas Norge AS to create the Spirit Energy business, with the Group owning a 69 per cent. stake in the new entity. The transaction created a strong and sustainable self-financing European E&P business, by combining Centrica's relatively near-term production profile with Bayerngas Norge AS's more recently on-stream producing assets and development portfolio. Spirit Energy is expected to deliver annual production in the 45-50 million barrels of oil equivalent (mmbobe) range. In Central Power Generation, during 2017 the Group rationalised its thermal power generation portfolio with the sale of its two largest gas-fired power stations at Langage and Humber, and completed its exit from wind power generation ownership. Its growth is focused on peaking units and distributed generation. In February 2018, the Group

announced its intention to divest its 20 per cent. interest in the UK operating nuclear fleet of power stations by the end of 2020.

In addition to this re-organisation and portfolio shift, the Group is targeting improvements in cost efficiency. Since 2015, the Group has announced three cost efficiency programmes to deliver a total of £1.75 billion of savings from its like-for-like 2015 base of operating costs and controllable cost of goods by 2021. As at 31 December 2018, £940 million of the savings had been delivered and the path to £1.75 billion was well defined.

The Group also set out its financial framework in 2015, including targeting adjusted operating cash flow growth of 3-5 per cent. per annum on average at flat real commodity prices, a progressive dividend policy linked to this cash flow growth, controllable costs increasing by less than inflation each year, capital expenditure limited to less than 70 per cent. of adjusted operating cash flow, the retention of strong investment grade credit ratings and a return on average capital employed of 10-12 per cent.

This financial framework remains the basis for the Group's financial guidance. However, in February 2018, the Group provided some specific guidance for the period between 2018 and 2020. This includes targeting capital expenditure of no more than £1.2 billion per annum and maintaining the current level of the dividend per share at £0.12, subject to generating adjusted operating cash flow within the targeted range of £2.1-£2.3 billion per annum on average, and net debt remaining within a £2.7-£3.7 billion range, which was updated in February 2019 to reflect the adoption of IFRS 16. In February 2019, the Company indicated that the targeted range for adjusted operating cash flow was under some pressure as a result of a number of factors, including the impact of the price cap on default energy tariffs.

In May 2019, the Group announced that, at the time of publishing its Interim Results in July 2019, it intends to present a strategic update which will include reflections on the current business portfolio, updated future expectations for the customer-facing divisions and a further update to the Group's financial framework.

The Group's focus for the period to 2020 is on performance delivery and financial discipline, as it targets customer-led gross margin growth and drives further cost efficiency, while maintaining capital discipline and a strong balance sheet. In summary, the Group believes it is well placed to build on its existing strengths and the strategy is aimed at establishing it as a leading energy and services provider, able to serve its customers' needs and deliver long-term shareholder value through returns and growth.

The ability of the Issuer to deliver on this strategy is subject to a number of risks. Please see "Risk Factors" for further information.

Centrica Consumer

Centrica Consumer consists of four business units: UK Home, Ireland, North America Home and Connected Home.

UK Home

UK Home is a national supplier of gas and electricity to customers in Britain's domestic market, predominantly under the British Gas brand, and is regulated by Ofgem. The majority of its domestic customers are now dual fuel customers. As of 31 December 2018, UK Home supplied gas and/or electricity to over 7.3 million customers, with 12.1 million customer accounts and had 7.5 million customer accounts for the supply of energy related maintenance and repair services in England, Scotland and Wales, many of which are provided in connection with insurance products sold by the Group.

British Gas Insurance Limited is an insurer which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority to carry out these functions. British Gas Services Limited is also authorised and regulated by the Financial Conduct Authority, and sells insurance based service and repair products. The services provided include maintenance and repair contracts and on-demand services for central heating, plumbing and drains, home electrics and kitchen appliances. It owns the franchise business Dyno-Rod, a UK drain specialist, as well as its related plumbing business, and its digital platform enabled on-demand services offering, 'Local Heroes', which provides access to local tradesmen backed by a British Gas guarantee is now operating across the UK. In addition, UK Home is one of the UK's largest national installers of domestic central heating boilers and systems.

British Gas Home Insurance is arranged and administered by British Gas Services Limited with policies being underwritten by carefully selected insurers. British Gas started operating as a broker from 6 August 2018.

Prior to this, British Gas operated as an introducer for AXA Insurance who were the administrator and underwriter for home insurance policies.

In April 2017 UK Home launched its British Gas Rewards programme which makes personalised offers and rewards for customers. Over 2 million customers have signed up to date. UK Home also remains focused on delivering cost efficiencies to maintain a competitive pricing position, with around 60 per cent. of the Group's additional £500m target by 2020 expected to be delivered in UK Home.

Ireland

In June 2014, the Group acquired Bord Gáis' gas and electricity supply business in the Republic of Ireland, including the Whitegate gas-fired power station, for €214 million (approximately £172 million). The transaction provided a vertically integrated energy supply business in an adjacent downstream market to the UK and a platform for growth. The business had approximately 700,000 gas and electricity accounts in Ireland as at 28 February 2019.

North America Home

As at 31 December 2018, North America Home had over 2.5 million residential gas and electricity customer accounts, predominantly under the Direct Energy brand in deregulated markets. Its principal markets include the province of Alberta in Canada, the northeastern United States and the state of Texas. The business has been built from three major acquisitions: (i) Direct Energy in 2000; (ii) CPL Retail Energy LP and WTU Retail Energy L.P. in Texas in 2002; and (iii) the acquisition of around one million residential gas and electricity customers in Alberta from the ATCO Group in 2004. These larger-scale acquisitions have been supplemented with a number of smaller acquisitions over the years.

North America Home also provides heating, ventilation and air-conditioning services, plumbing, electrical services, home protection plans and energy advisory activities, across the United States and in Canada in the form of contracts and on-demand services. As at 31 December 2018, North America Home had approximately 892,000 services customer accounts across North America, and in addition completed approximately 775,000 installations or on-demand jobs in 2018.

In April 2019, the Group disposed of the Clockwork portfolio of businesses to Authority Brands, a home services franchise platform backed by funds advised by Apax Partners for \$300 million. The Clockwork portfolio included certain owned customer-facing operations in plumbing, heating and air-conditioning, and electrical services, and a franchises business operating in the same trades and under the same brand names in the United States.

Connected Home

Connected Home is one of the Group's focus areas for growth. It offers products, services and subscriptions focused on the Centrica Consumer strategic pillars of peace of mind and home automation.

Since 2015, the business has launched a number of products including the Hive Active Heating second generation smart thermostat, the Hive Active Plug, the Hive Window and Door Sensor, the Hive Motion Sensor, the Hive Active Light, Hive Leak and the Hive View Indoor and Outdoor camera in the UK and other geographies. In connection with Hive View, the business launched camera storage subscription.

The business continues to look to develop new and innovative products, and as at 31 December 2018 had sold connected home products to approximately 1,344,000 customers and sold approximately 2.8 million products under the Hive brand.

The business has also introduced new partnerships, including with EE in the UK, enabling customers to bundle Hive products with their monthly mobile subscription and Wave, a joint venture between Anglian Water and NWG Business, through which Hive Leak is being offered to their SME customers.

Centrica Business

Centrica Business consists of five business units: UK Business, North America Business, Distributed Energy & Power, Energy Marketing & Trading and Central Power Generation.

UK Business

Through UK Business, the Group is one of Britain's largest suppliers of gas and electricity to the UK commercial sector and, as at 31 December 2018, supplied approximately 649,000 supply points. UK Business

also provides central heating installation and maintenance services as well as other commercial services such as electrical installation to a broad range of businesses and public sector clients. It continues to develop further its business services capabilities, through the provision of its careplan products, its connections and metering business and the development of an increasing number of bundled products.

North America Business

North America Business is an industry leader in the wholesale power and gas space, and is now the third largest commercial and industrial electricity supplier in North America by customer numbers. In addition to serving approximately 180,000 customers across approximately 500,000 sites, North America Business engages in a variety of power and gas transactions, including: scheduling generation power flow; scheduling and shipping gas transport across pipelines; supplying power generation; and managing generation and pipeline capacity assets.

North America Business helps businesses, organisations and government entities of all sizes across North America employ energy strategies that help their businesses. These include products for electricity supply, natural gas supply, energy management solutions (which includes wireless electricity monitoring and demand response) and much more. Its principal markets include Texas, the north-eastern United States and Canada.

North America Business continues to work closely with the DE&P business, and is an important sales channel for distributed energy products, such as solar, energy efficiency, demand response, combined heat and power and backup generation options. The Group continues to focus on building a strong gas position in the north-eastern United States, in addition to expanding its offering into new geographies.

Distributed Energy & Power (DE&P)

Distributed energy, including energy efficiency, flexible generation and new technologies, energy management and optimisation, is one of the Group's focus areas for growth. DE&P is focussed on the Centrica Business strategic pillars of energy insight, energy optimisation and energy solutions. In 2017, the Group launched 'Centrica Business Solutions' as the go to market brand for the DE&P business globally and as at 31 December 2018, the total number of DE&P active customer sites was 5,560, an increase of 16 per cent. over the previous 12 months.

The combination of existing capabilities and a number of acquisitions means the Group now has in-house capabilities and experience across a range of services including energy analytics, solar photovoltaics, combined heat and power, electrical design & installation, asset optimisation and multi-technology energy performance contracting. DE&P now has subsidiaries in the UK, Ireland, United States, Canada, Italy, The Netherlands, Mexico, Germany, France, Belgium, Romania and Hungary, together with channel partner relationships in a number of other territories.

Through DE&P, the Group also owns and operates two UK gas-fired peaking power plants at Glanford Brigg and Peterborough that participate in merchant power generation and flexibility markets. The Group has supplemented these assets with the development of four new assets: (i) a 49MW battery storage facility at Roosecote in the UK (completed in 2018); (ii) 50MW of distributed generation fast response gas-fired plants at each of Brigg and Peterborough in the UK (also completed in 2018); and (iii) an ongoing construction project to refurbish and upgrade its previously mothballed King's Lynn power station in the UK to create a 370MW power generation asset. In December 2016, these four projects were all awarded 15 year capacity market contracts due to start in October 2020, and in total, they represent around £180 million of new investment.

The Group continues to innovate in local energy markets and is part way through a three year trial in Cornwall. The trial seeks to test the use of flexible demand, generation and storage of energy, and allow participants to sell flexible energy capacity to both the grid and the wholesale energy market, rewarding local people and businesses for being more flexible with their energy.

Energy Marketing & Trading (EM&T)

EM&T is focused on the Centrica Business strategic pillars of energy optimisation and wholesale energy. As part of the Group's strategy, the Group has identified EM&T as an area for growth and continues to expand its market presence in liquefied natural gas (**LNG**) whilst also leveraging its optimisation and risk management capabilities and route to market services.

EM&T is responsible for managing commodity risk and providing wholesale market access for the Group. It also sources energy on behalf of the Group's energy supply and services operations in the United

Kingdom. To do this, it uses a combination of the Group's long-term procurement contracts and short-term arrangements to balance energy supplies and customer demand and to optimise the price paid by the Group. To offset adverse fluctuations in prices, the Group also enters into various hedging agreements, including gas storage, and utilises over-the-counter and exchange-traded instruments to optimise the prices paid by the Group. The Group currently has long-term gas supply contracts with Equinor (Statoil) and Gazprom.

EM&T is expanding its global presence in LNG and currently has long-term LNG supply contracts with Qatargas and Cheniere Energy Partners, L.P. (**Cheniere**). The Group expects the Cheniere LNG offtake contract to commence in September 2019. To support its offtake commitments, EM&T has entered into seven year charters for two LNG vessels with Gaslog Ltd, the first of which will commence in 2019. In February 2019, the Group announced that it and Tokyo Gas Co., Ltd had on a joint purchasing basis, entered into an agreement with Mozambique LNG1 Company Pte. Ltd to co-purchase approximately 2.6 million tonnes of LNG per annum on a delivered ex-ship basis from the start-up of production until the early 2040s. The Group currently expects to take delivery of its first LNG cargo under this contract around 2023-2024. This contract is subject to certain conditions precedent, which are expected to be satisfied in 2019. The transaction provides the Group with flexible cargoes on a long term basis and is expected to allow the Group to primarily benefit from any differential between UK and Japanese gas prices as well as those in other markets.

EM&T's marketing and trading activity covers long-term to short-term gas and power markets and certificates. EM&T provides hedging and optimisation strategies, as well as a route to market, for customers with decentralised generation assets and in addition provides real time optimisation and flexibility on European gas markets. In October 2016, the Group completed its £210 million acquisition of Denmark-based Neas Energy A/S (**Neas**), one of Europe's leading providers of energy management and revenue optimisation services for decentralised third-party owned assets. This acquisition has helped the Group to accelerate its route to market strategy, providing asset owners with access to wholesale commodity markets, and complements optimisation activity in DE&P.

Central Power Generation

The Group continues to own a 20 per cent. equity stake in Lake Acquisitions Limited which indirectly owns 100 per cent. of EDF Energy Nuclear Generation Limited, the owner of eight operational nuclear power stations in the UK with a total capacity of 8.9GW. In February 2018, the Group announced its intention to divest this 20 per cent. interest. It also retains a tolling arrangement relating to the Spalding gas-fired power station which is due to end in 2021.

Exploration and Production (E&P)

The E&P divisions consists of Spirit Energy and Centrica Storage. The role of E&P in the Group's portfolio is to provide cash flow diversity and balance sheet strength.

The Group announced in 2015 that its E&P focus would be North West European assets. In line with this strategy, in 2017, it completed the disposals of its remaining portfolio of gas assets in Trinidad and Tobago for £26 million and its interest in the joint venture portfolio of assets in Canada for £255 million.

Spirit Energy's principal producing fields are Kvitebjorn, Staffjord, Ivar Aasen, Cygnus, and Morecambe. Spirit Energy also has a number of development options and continues to focus its investment on the most attractive opportunities in its portfolio. In May 2018, a positive final investment decision was made on the Nova oil field development in which Spirit Energy has a 20 per cent. interest. The Oda project was delivered earlier than planned with the first oil achieved on 16 March 2019.

In September 2018, Spirit Energy acquired a 50 per cent. interest from Hurricane Energy plc in the two production licences which form the Greater Warwick Area, West of Shetland, supporting its strategy for growth in North West Europe and building on recent exploration success in Norway. Hurricane Energy plc will operate the licence during the exploration and appraisal phases (commencing in Q2 2019) and if they are successful, Spirit Energy will assume operatorship of the development and production phases.

Spirit Energy also holds a 25 per cent. interest in the Bowland shale exploration license in Lancashire. Two appraisal wells were drilled at the Preston New Road site in 2018, of which one has been fractured and production tested. This demonstrated the potential for future economic gas production, if current regulatory restrictions on seismic events during fracturing are relaxed.

Centrica Storage was granted consent by the Oil and Gas Authority (**OGA**) to produce indigenous gas and associated liquids from the Rough asset (comprising two offshore installations and a terminal at Easington, Yorkshire) in early January 2018, permanently ending the Rough asset's status as a storage facility. With the

cessation of gas storage activities, Centrica Storage is now looking to produce all the recoverable indigenous gas and associated liquids from the Rough field, and in January 2018 commenced the sale of its cushion gas to British Gas Trading Limited. In August 2018, Centrica Storage was awarded a contract by the Tolmount joint venture and infrastructure partners (Premier Oil, Dana Petroleum and Humber Gathering System Limited) to process gas from the Tolmount field in the Southern North Sea. The contract will extend the life of Centrica Storage's gas terminal at Easington until at least 2030.

Centrica Innovations

Centrica Innovations was set up in order to invest in physical and digital technologies. The Group expects to invest up to £100 million in start-ups, incubation and acceleration programmes between 2017 and 2021. To date, Centrica Innovations has made 4 seed and growth stage investments, invested in accelerators with Powerhouse Ventures (California), HAX (California) and NDRC at ArcLabs (Ireland), sponsored the Centrica Active Ageing Challenge, and incubated Centrica Mobility Ventures and Centrica HEM (Home Energy Management).

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

United Kingdom Taxation

The comments below are based on the Issuer's understanding of current United Kingdom law (as applied in England and Wales) and published HM Revenue and Customs practice (which may not be binding on HM Revenue and Customs) and describe certain aspects of the United Kingdom tax treatment in respect of the Notes. Some comments do not apply to certain classes of persons (such as dealers and persons connected with the Issuer) to whom special rules may apply. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective holders of Notes should be aware that the particular terms of issue of any Series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and other Series of Notes. The United Kingdom tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers. References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

Interest on the Notes

- (1) Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax as long as the Notes are and continue to be listed on a **recognised stock exchange** within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is such a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest may be paid on the Notes without withholding or deduction for or on account of United Kingdom income tax.
- (2) Payments of interest on the Notes may also be made without withholding or deduction for or on account of United Kingdom income tax by a company if, at the time the payments are made, the Issuer reasonably believes that the beneficial owner of the Note is within the charge to United Kingdom corporation tax in respect of that interest or falls within a list of specific tax exempt entities and bodies as set out in Chapter 11 of Part 15 of the Income Tax Act 2007, provided that HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.
- (3) In addition to the exemptions referred to above, where the maturity of the Notes is less than 365 days and those Notes are not issued with the intention, or under a scheme or arrangement the effect of which is, that such Notes form part of a borrowing with a total term of more than 364 days, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
- (4) In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent) subject to the availability of other exemptions or reliefs under domestic law or to any direction to the contrary from HM Revenue and Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.
- (5) If Notes are redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for United Kingdom tax purposes. In that event, payments thereof would be subject to the treatment outlined in paragraphs (1) to (4) above.
- (6) Any amount treated as interest on a Note issued by the Issuer is expected to have a United Kingdom source and accordingly may be chargeable to United Kingdom income tax by direct assessment even

where such interest is paid without withholding and irrespective of the residence of the Noteholder. However, where the interest is paid without withholding or deduction on account of United Kingdom tax, the interest is not chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest is received or to which those Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are certain exemptions for interest received by certain specified categories of agent (such as some brokers and investment managers).

- (7) Noteholders should note that the provisions relating to additional amounts referred to in “*Terms and Conditions of the Notes – Taxation*” above would not apply if HM Revenue and Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Other United Kingdom Taxation Considerations

- (8) Noteholders which are companies within the charge to United Kingdom corporation tax may be subject to United Kingdom corporation tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular, Noteholders within the charge to United Kingdom corporation tax should have regard to the provisions of the “loan relationship” legislation contained in the Corporation Tax Act 2009.
- (9) Noteholders who are individuals or trustees and who are resident in the United Kingdom or who carry on a trade in the United Kingdom to which the Notes are attributable may be subject to United Kingdom income or capital gains tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular such Noteholders should have regard to the chargeable gains legislation, the “accrued income scheme” and the “deeply discounted securities” legislation.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer believes that it is not a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, under proposed U.S. Treasury Regulations, such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulation. Additionally, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding with respect to foreign passthru payments unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes of a Series (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from Notes of such Series issued prior to the expiration of the grandfathering period are issued after the expiration of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all notes of such Series, including grandfathered Notes of such Series, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

The Proposed Financial Transactions Tax

- (1) On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.
- (2) The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.
- (3) Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.
- (4) However, the FTT proposal remains subject to negotiation between the participating Member States, the scope of any such tax is uncertain and the timing of its implementation remains unclear. Additional EU Member States may decide to participate.

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

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement, originally dated 7 September, 2001, as supplemented and/or amended and/or restated from time to time and as most recently amended and restated on 30 May 2019 (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Terms and Conditions of the Notes*” above.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer and sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated in this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression “**retail investor**” means a person who is (one or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or

disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

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

Prohibition of sales to Belgian consumers

The Notes will not be offered, sold to or otherwise made available to “consumers” (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time.

Belgian private placement selling restriction

The offering of Notes has not been and will not be notified to the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers) nor has this Base Prospectus been, nor will it be, approved by the Belgian Financial Services and Markets Authority.

The Notes may not be distributed in Belgium by way of an offer of the Notes to the public, as defined in Article 3, §1 of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended, save in those circumstances (commonly called “private placement”) set out in Article 3 §2 of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended. Accordingly, the Offering of Notes may not be advertised and each of the Dealers has represented and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than as set out in Article 3 §2-4 of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended.

This Base Prospectus may be distributed in Belgium only to such investors for their personal use and exclusively for the purposes of this offering of Notes. Accordingly, this Base Prospectus may not be used for any other purpose nor passed on to any other investor in Belgium.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

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

GENERAL INFORMATION

Authorisation

The establishment and updates of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 28 June, 2001, 4 September, 2002, 20 October, 2005, 21 September, 2006, 20 September, 2007, 18 September, 2008, 28 July, 2009, 26 July, 2010, 16 September, 2011, 25 September, 2012, 26 September, 2013, 22 September, 2014, 14 September, 2015, 19 September, 2016, 20 September, 2017, 20 September, 2018 and 14 May, 2019 and the resolutions of the committee of the Board of Directors of the Issuer passed on 19 September 2008, 28 August, 2009, 29 September, 2010, 23 September, 2011, 25 September, 2012 and 26 September, 2013.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 4 June, 2019.

Documents Available

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

- (a) the Articles of Association of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the two financial years ended 31 December 2017 and 2018 together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (d) the Agency Agreement, the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future series prospectuses, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes are expected to be accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, ISIN, CFI and FISN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Legal Entity Identifier

The Issuer's Legal Entity Identifier is E26EDV109X6EEPBKVH76.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and its Subsidiaries taken as a whole since 31 December 2018 and there has been no material adverse change in the financial position or prospects of the Issuer and its Subsidiaries taken as a whole since 31 December 2018.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), nor have there been such proceedings in the 12 months preceding the date of this document, which may have or have in such period had a significant effect on the financial position or profitability of the Issuer and/or the Group.

Auditors

Deloitte LLP, registered to perform audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Issuer and its subsidiaries in accordance with IFRS and the annual non-consolidated published accounts of the Issuer in accordance with generally accepted auditing standards in the United Kingdom for each of the financial years ended on 31 December 2018 and 31 December 2017. The auditors of the Issuer have no material interest in the Issuer.

Transactions with the Dealers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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