

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT (REGULATION S))) LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications to them from time to time each time you receive any information from the Issuer, the Arranger or the Dealers, (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities that may be offered, prospective investors must be non-U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) located outside the United States. This Base Prospectus is being sent to you at your request, and by accessing this Base Prospectus you shall be deemed to have represented to the Issuer, the Arranger and the Dealers that (1) (a) you are not a U.S. Person and (b) you will purchase any securities that may be offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission. You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as "relevant persons"). This Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arranger or the Dealers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Issuer, the Arranger and the Dealers, to inform themselves about, and to observe, any such restrictions.

BASE PROSPECTUS



BABCOCK INTERNATIONAL GROUP PLC

(incorporated as a public limited company in England and Wales)

£1,800,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "FCA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") on markets in financial instruments.

Babcock International Group PLC (the "**Issuer**" or "**Babcock**") has been assigned a rating of BBB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). Tranches of Notes to be issued under the Programme will be rated or unrated. Each of Fitch Ratings Ltd ("**Fitch**") and Moody's Investors Service Ltd ("**Moody's**") may in the future rate Notes issued under the Programme. Each of Fitch and Moody's is established in the European Union (the "**EU**") and registered under the CRA Regulation. Where a Tranche (as defined herein) of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

ARRANGER

NATWEST MARKETS

DEALERS

BARCLAYS

HSBC

LLOYDS BANK CORPORATE MARKETS

NATWEST MARKETS

BNP PARIBAS

J.P. MORGAN

MUFG

SANTANDER CORPORATE &

INVESTMENT BANKING

SMBC NIKKO

6 September 2018

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IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms (as defined below) for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Final Terms/Drawdown Prospectus

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed to the extent described by a document specific to such Tranche called final terms (the "**Final Terms**") or, as the case may be, as supplemented, amended and/or replaced to the extent described in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorised information

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

None of the Arranger, the Dealers, the Agents or the Trustee has separately verified the information contained in this Base Prospectus. None of the Arranger, the Dealers, the Agents or any of their respective affiliates has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or for any other statement, made or purported to be made by the Arranger, a Dealer or an Agent or on such person's behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Arranger, each Dealer and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Prospectus or any such statement. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, 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 Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

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

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**EUR**" or "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**Sterling**" or "**£**" are to pounds sterling, the lawful currency of the United Kingdom.

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

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency ("**CRA**") established in the EEA and registered under the CRA Regulation, or (2) issued by a CRA which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a CRA which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a CRA established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a CRA not established in the EEA but is endorsed by a CRA established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a CRA not established in the EEA which is certified under the CRA Regulation.

Notice to investors

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.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the 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, 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. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will 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 the 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 the 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.

BENCHMARK REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (as amended, the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, 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 Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW

The following information is derived from, and should be read in conjunction with, the full text of this Base Prospectus and the information incorporated by reference herein. You should read the whole document and the information incorporated by reference herein and not just rely on the overview information, which should be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on consideration of this Base Prospectus and the information incorporated by reference herein as a whole.

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

Issuer:	Babcock International Group PLC
Size:	Up to £1,800,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> " below.
Arranger:	NatWest Markets Plc
Dealers:	Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, NatWest Markets Plc and SMBC Nikko Capital Markets Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent:	HSBC Bank plc
Registrar:	HSBC Bank plc
Paying Agents and Transfer Agents:	HSBC Bank plc
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and relevant Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.
Clearing Systems:	Euroclear Bank SA/NV (" Euroclear ") and/or Clearstream Banking S.A. (" Clearstream, Luxembourg ") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Method of Issue:	The Notes will be issued in Series. Each Series may be issued in one or more Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the

relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.

Forms of Notes:

Notes may be issued in bearer form or in registered form.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Classic Global Note, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each New Global Note, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached.

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

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

Status of the Notes:

The Notes will constitute unsubordinated and (subject as referred to in "*Negative Pledge*" below) unsecured obligations of the Issuer as described in "*Terms and Conditions of the Notes – Status*".

Issue Price:

Notes may be issued at any price on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities:

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses

or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.

- Redemption:** Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms.
- Optional Redemption:** The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
- Redemption or Purchase on Change of Control:** The Notes of a Noteholder may be redeemed or purchased prior to their stated maturity at the option of such Noteholder on a change of control (as described in Condition 9(f) (*Redemption and Purchase – Redemption or Purchase on Change of Control*)), to the extent specified in the relevant Final Terms.
- Tax Redemption:** Except as described in "*Optional Redemption*" and "*Redemption or Purchase on Change of Control*" above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption and Purchase - Redemption for tax reasons*).
- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or its equivalent in any other currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Acceleration:** The Notes will have the benefit of a cross acceleration as described in Condition 13 (*Events of Default*).
- Taxation:** All payments in respect of Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of withholding taxes of any Tax Jurisdiction (as defined in the Conditions) unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required, all as described in "*Terms and Conditions of the Notes – Taxation*".
- Governing Law:** The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Japan, see "*Subscription and Sale*" below.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

According to the Issuer's assessment, the following factors may affect the Issuer's ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. According to the Issuer's assessment, the factors described below in this "Risk Factors" section represent the material/principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered material/principal risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND THE BABCOCK GROUP

The Babcock Group depends and will continue to depend heavily on winning and retaining large contracts with a relatively limited number of major customers, whether in the United Kingdom ("UK") or overseas, especially the UK government customers and other UK public sector bodies and agencies, for a substantial proportion of its revenue

Historically, Babcock and its subsidiary undertakings from time to time (together, the "**Babcock Group**") has derived a substantial proportion of its revenue from contracts with a relatively limited number of major customers, particularly government customers or other public sector bodies or agencies. Babcock Group's single biggest customer is the UK Ministry of Defence (the "**MoD**"). The Babcock Group expects that such customers and contracts will continue to account for a significant proportion of the Babcock Group's total revenue for the foreseeable future. The contracts that the Babcock Group bids for often entail a substantial transfer of risk from the customer to the bidder as these customers generally have significant purchasing and bargaining power with suppliers and may use that power to seek to amend or renegotiate existing contracts to include, or be willing only to agree contracts on, terms less favourable to contractors, including companies in the Babcock Group, than may historically have been the case.

The Babcock Group's major customers may be affected by political and public spending decisions

The Babcock Group has customers that are large, complex organisations, including central and local government departments, other public sector bodies or commercially owned entities in sectors subject to specific regulation. Many of them rely to a greater or lesser extent on public funding. These customers may be affected by financial, budgetary, regulatory or political constraints which could have a significant impact on the size, scope, timing and duration of contracts and orders with/placed by them and therefore on the level of business which the Babcock Group will derive from such customers. The loss, expiration, suspension, cancellation or termination of any of these contracts for any reason could have a material adverse effect on the Babcock Group's future results of operations and financial condition. Furthermore, a decrease in the amount of business undertaken from these customers, for any reason, including a change in attitudes to the outsourcing of services generally or in a particular sector due to the poor performance or behaviour of other service providers or incidents in which the Babcock Group was not involved, could result in an adverse effect on the Babcock Group's business, financial condition or operating or financial results.

Loss of reputation with any of the Babcock Group's major customers could lead to loss of business across Babcock Group's customer base and significant economic damage

Damage to the reputation of the Babcock Group, whether justified or not, has the potential, given the relatively narrow customer base and the size of the contracts at stake, to impact severely the ability to win or retain business streams and therefore could materially adversely affect the business, financial condition, results of operations and prospects of the Babcock Group.

Babcock Group is dependent on being able to comply with applicable customer or industry specific requirements or regulations

In order to enter into and perform contracts with its customers, the Babcock Group needs to obtain and retain the necessary eligible status, approvals, consents and/or licences, and meet the standards required by them of their suppliers and contractors. The loss, expiration, suspension, cancellation or termination of any one of these contracts for any reason, failure to obtain or retain the necessary eligible status, approvals, consents and/or licences to contract with any such customer, or loss of reputation with any such customer (including as a result of loss of reputation by other outsourcing service providers or service providers generally), could have a material adverse effect on the business with this customer base and on the Babcock Group's future results of operations and financial condition.

The operations of the Babcock Group carry significant health and safety and environmental risks and the Babcock Group will be exposed to the risk of losses and reputational damage from safety incidents and accidents

Due to the nature of the services provided by the Babcock Group, many of its operations, if not properly managed and conducted, entail the risk of significant harm to employees, third parties, members of the public or the environment. Some, for example, the mission critical operations of the Babcock Group's helicopter services, involve an inherent degree of risk that is compounded by the nature of the services provided (offshore oil and gas crew change services, fire-fighting, search and rescue, air ambulance and emergency services) or the environments in which they operate (low altitude flying in adverse weather conditions, terrains or operational conditions). Serious accidents in the workplace can have a major impact on the lives of those employees involved as well as their families, friends, colleagues and communities.

In the event that an incident or accident is caused, perceived to be caused, or contributed to, by failings on the part of the Babcock Group or their employees or contractors (for example as a result of negligence, or poor health and safety systems and controls), this could result in significant adverse publicity, interruption of services to customers, payment of substantial damages not all of which may be insured, fines and the potential loss or suspension of required licences or authorisations and disqualification from future tenders. Moreover, safety-related incidents experienced by other service providers (for example, other helicopter operators), who operate in the same or similar markets as the Babcock Group could impact customer confidence generally and lead to a reduction in customer contracts for the Babcock Group.

Failure to maintain a strong record of safety and reliability that is satisfactory to customers may adversely affect the Babcock Group's reputation, relationship with customers and financial conditions or operating and financial results.

Failure to realise the pipeline of opportunities and to secure rebids can involve significant wasted costs, missed opportunities for growth and loss of revenue

The realisation of the pipeline of opportunities for new bids and rebidding for existing contracts can involve a lengthy and costly bidding process. Bid and rebid success rates determine how much of the pipeline of opportunities is realised and turned into profitable business and how much existing business is retained. Bidding for large and complex contracts is time consuming (it can take many months or even run into years) and is expensive, as can be mobilising on new contract wins. Also, by their nature, large, longer-term contracts are irregular and relatively infrequent in coming to market. The Babcock Group may also face competition in the bidding process either from existing competitors or new market entrants, and expense, delay or loss of awarded contracts if their competitors protest or challenge awards of contracts to them. Unsuccessful major bids or rebids could involve significant wasted bid costs and may impact on the strategic objectives of the Babcock Group. The inability to secure a major new contract could represent a significant missed opportunity for growth, and losing rebids on existing contracts could lead to loss of significant existing revenue and profit stream. If the Babcock Group fails to realise pipeline opportunities, particularly having invested time and money in the bidding process, there could be a material adverse effect on the business, financial condition, results of operations and prospects of the Babcock Group. The Babcock Group may also experience a lack of success in exporting its business model outside the UK, which may materially impact its growth and strategic prospects. Geopolitical factors, for example, the terms of the UK's exit from the EU could lead to significant tensions between trading countries.

The Babcock Group's businesses depend on its ability to attract, train and retain senior management and highly skilled employees

The Babcock Group's success depends on the continued service and performance of its highly qualified and experienced senior management and business development teams. The continuing success of the Babcock Group relies on its ability to plan for management succession and to attract, train and retain qualified and experienced management and business development executives.

A loss of one or more of the members of the Babcock Group's senior management without adequate replacement could have a material adverse effect on the prospects for or performance of the Babcock Group. Insufficient experienced business development or bidding resources can impair the ability of the Babcock Group to achieve strategic aims and financial targets.

The Babcock Group's success also depends on its ability to recruit, train and retain highly skilled and suitably qualified employees, who represent a substantial amount of its intellectual capital, to serve its customers effectively. Competition for skilled personnel in the industries in which the Babcock Group operates is intense. The cost of recruiting or retaining the suitably qualified and experienced employees needed by the Babcock Group might increase significantly depending on market conditions which could impact the Babcock Group's contract profitability. Employees who are highly trained are likely to remain a limited resource for the foreseeable future. Identifying, recruiting and training personnel requires substantial resources. If the Babcock Group fails to recruit and retain qualified employees, in particular suitably qualified and experienced engineers, technicians, pilots and other specialist skills groups, including by failing to maintain compensation awards at an appropriate level, this could lead to a failure to fulfil contractual obligations, the inability to pursue business in new areas or a loss of reputation, any of which could have a material adverse effect on the business, financial condition or operating or financial results of the Babcock Group.

Failure to deliver secure IT systems and to combat cyber and other security risks to information and physical sites could adversely affect the ability of the Babcock Group to win future contracts and in the event of a breach of security could lead to business disruption and reputational damage

The ability of the Babcock Group to deliver secure IT and other information assurance systems designed to protect personal data or customer or company confidential information is a key factor for customers. Despite controls to ensure the confidentiality of such information, the Babcock Group may breach restrictions or may be subject to attack from computer programmes or malicious or hostile third parties that attempt to penetrate the network security and misappropriate confidential information. Due to advances in these programmes, IT capabilities and other developments, there is no guarantee that the Babcock Group's security measures will be sufficient to prevent breaches or cyber attacks. In addition, the risk of loss of information or data by other means due to a failure to keep it safe at all times and within its custody or control is a risk that cannot be entirely eliminated. Any such breach or compromise of security or a breach of security at a physical site could lead to loss of reputation, disruptions in business operations and inability to meet contractual obligations and have an adverse effect on the Babcock Group's ability to win future contracts and as a result its businesses, results of operations and overall financial condition.

The Babcock Group will continue to implement a new Enterprise Resource Planning ("**ERP**") system for the "back office" within certain divisions of the Babcock Group. Installing major new IT systems carry the risk of key system failures and disruption. Failure to adequately plan and resource the implementation of the new ERP system or difficulties experienced in doing so could cause both trading and financing reporting difficulties that could be material.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List of the FCA.

There may be changes in governments' policies and investment levels

Certain of the Babcock Group's businesses are dependent on national and local governments' policies with regards to maintaining and improving public infrastructure and their attitude to outsourcing of services or activities to the private sector. National and local government policy changes and public spending constraints (for example, following a UK Government Comprehensive Spending Review) are potentially material risks for the Babcock Group as they could result in decisions not to, or no longer to, outsource

services or activities or use contractors, delays in placing work, pressure on pricing or margins, withdrawal of projects, the bringing back "in-house" of services, early termination of contracts, lower contract spend than anticipated or adoption of less favourable contracting models. These customers set demanding criteria for eligibility for contracting with them, the cost of compliance with which can be significant.

There may be a decline in the UK government's defence budget or a change in its defence policy or priorities

Reductions in the MoD's budget or changes in its defence policy or spending priorities (such as changes to policy on continuous at sea nuclear deterrence or successors to existing nuclear deterrence capabilities or submarine or surface ship strength or capabilities) may adversely affect the Babcock Group's business if those reductions or changes result in the delay, cancellation, abandonment or significant reduction in scope of activities that may otherwise have been available for the Babcock Group to participate in.

As a contractor with national and local governments, public sector bodies and agencies and government-regulated customers, the Babcock Group is subject to procurement rules and regulations and procurement delays

As a contractor with governments and government-regulated customers, members of the Babcock Group must comply with specific procurement regulations and other requirements. These requirements, although customary when entering into contracts with public sector bodies, increase the Babcock Group's bidding, performance and compliance costs. If procurement requirements or eligibility to bid criteria change, eligibility to bid for such contracts may be affected or the costs of bidding for or complying with such contracts could increase and have a negative impact on the Babcock Group's financial condition and results of operations.

Failure to comply with qualification to bid criteria, procurement rules and regulations (which can change) could result in reductions in the number or values of contracts to be awarded to the Babcock Group, the Babcock Group not being allowed to participate in future tenders, or contract modifications or terminations, any or all of which could have an adverse effect on the financial condition and results of operations of the Babcock Group. Failure to comply with these rules and regulations could lead to members of the Babcock Group being unable to contract with the public sector body concerned either at all or for a period of time and could negatively impact the Babcock Group's reputation and ability to procure further public sector work in the future.

In addition, public sector projects may require relevant approvals from either national or local government ministers or senior civil servants, national or local government departments or other public sector bodies or agencies. It is possible that, due to difficulties in obtaining such approvals, projects may be delayed before procurement has started, during the tender stage or during the period between being appointed as the preferred bidder and execution of final contracts. Delays in awarding public contracts may also arise from challenges to the award of the contracts by competitors. These matters are beyond the Babcock Group's control and any resulting delays could have an adverse impact on the Babcock Group's business, financial condition, results of operations or prospects.

Like all businesses contracting with national or local government departments or other public sector bodies or agencies, the Babcock Group faces additional risks of challenge related to public sector customer compliance with procurement, state aid, *intra vires* and other legal requirements for the validity of such customers' actions, which could have an adverse impact on the Babcock Group's business, financial condition, results of operations or prospects.

The Babcock Group's contracts with national and local governments and public sector bodies and agencies or major commercial customers may contain unfavourable provisions

The Babcock Group's contracts with national and local governments and public sector bodies and agencies or major commercial customers with significant bargaining power contain provisions, and are subject to laws and regulations, that give such customers contractual rights and remedies, some of which are not typically found in commercial contracts, such as wide ranging indemnities or uncapped liabilities arising from a variety of sources which may, in some circumstances be guaranteed by Babcock or other members of the Babcock Group, and which can be onerous for the Babcock Group.

In addition, the contracts with national or local governments, public sector bodies or agencies, regulated customers and major commercial customers may in some cases permit such customers to modify or terminate the contract, in whole or in part, without, or on short, prior notice, without cause or for default based on performance. If any of the Babcock Group's contracts are terminated other than for default, the relevant member(s) of the Babcock Group would generally be entitled to payments for allowable costs and may receive some allowance for profit on the work performed but usually not for future profits. If a contract is terminated for default, the Babcock Group could be exposed to significant liability for damages or other compensation and it could have a negative impact on its ability to obtain future contracts and orders. Furthermore, on contracts for which the relevant member of the Babcock Group is a subcontractor or a member of a consortium and not the sole prime contractor, customers could terminate the prime contract or project agreement irrespective of the Babcock Group's performance.

If significant terms (such as pricing) of certain of the Babcock Group's contracts or subcontracts are modified or if certain of the Babcock Group's contracts or subcontracts are terminated by such customers and the Babcock Group is unable to win new contracts to offset the lost revenue, the Babcock Group's business, financial condition or results of operations could be materially adversely affected.

Contracts that the Babcock Group may enter into with national or local governments, public sector bodies or agencies and commercial customers can involve the transfer of employees, sometimes in large numbers. As well as involving potentially significant costs and complex administration, these transfers may require the Babcock Group to assume significant employment liabilities.

Competition within the markets in which the Babcock Group operates may reduce the Babcock Group's revenues and market share

The Babcock Group operates in competitive markets and the Babcock Group's competitors may have more extensive or more specialised support capabilities than the Babcock Group in some areas. If the Babcock Group is unable to continue to compete successfully against current or future competitors (including, in respect of outsourcing of services by customers, in-house alternatives), the Babcock Group may experience declines in revenues and market share which could have an adverse effect on the Babcock Group's business, results of operations, financial condition and prospects.

The Babcock Group is subject to extensive and increasingly stringent regulations which may increase costs and, in the event of a breach of such regulations, result in reputational damage, sanctions or the inability to continue to conduct certain lines of business. Following the UK vote to leave the European Union, the terms of British exit will have implications on the requirements or regulations that are applicable to the business of the Babcock Group, including where a licence to operate in the European Union is required

In each of the jurisdictions in which the Babcock Group operates, it has to comply with laws, regulations and administrative policies which relate to, among other matters, business and operating licensing regimes, health and safety, employment (including pensions), the environment, anti-bribery, anti-corruption, banking and tax. Each aspect of the regulatory environment in which the Babcock Group operates is subject to change, which may be retrospective.

The helicopter and aircraft business is subject to a high degree of international, European and UK government regulation. This framework governs operational standards as well as commercial activity. The Aviation sector (along with other parts of the Babcock Group) is subject to regulations in respect of (i) airworthiness and environmental certification of aircraft and related products, parts and appliances, as well as the certification of design and production organisations, (ii) the continuing airworthiness of aircraft and aeronautical products, parts, and appliances and on the approval of organisations and personnel involved in these tasks, and (iii) technical requirements and administrative procedures relating to air operations. Standards and compliance are monitored through regular inspections. In addition, the Aviation sector is required to hold aircraft operating licenses to operate their principal business and is therefore subject to Regulation (EC) No 1008/2008 (the "**Regulation**"), which sets European nationality requirements for undertakings holding aircraft operating licences, being licences or permissions which are required to operate air services ("**Aircraft Operating Licences**"). The Regulation requires that a holder of an aircraft operating license is majority owned and effectively controlled by EEA nationals. In the event that the relevant undertaking ceases to be owned and effectively controlled by EEA nationals, this could lead to aviation regulators refusing, withholding, suspending or revoking the relevant operating licence which in turn could have a material adverse effect on the business, financial condition and/or operation of the

Babcock Group. Further, members of the Babcock Group are required to obtain environmental and safety permits from various governmental authorities, such as the Office for Nuclear Regulation, the Defence Nuclear Safety Regulator, the UK Environment Agency and the Scottish Environment Protection Agency. Certain permits require periodic renewal or review of their conditions and it is not possible to predict whether the Babcock Group will be able to renew such permits or whether material changes in permit conditions will be imposed. The relevant members of the Babcock Group may not have been, or may not at all times in the future be, in complete compliance with required permits.

The Group's civil and defence-related nuclear businesses operate in a highly regulated environment. As part of the Brexit process, the UK may leave the Euratom treaty and it is unclear what agreements will replace the existing arrangements and what the impact of these new arrangements will be.

Violations of laws, regulations or permits could result in the suspension or closure of the Babcock Group's operations, the imposition of fines, the commencement of litigation or other proceedings or the imposition of other sanctions, and/or reputational damage. Other liabilities under environmental laws, including clean-up of hazardous substances, can be costly to discharge.

Whilst the Babcock Group incurs, and expects to incur, substantial capital and operating costs to comply with these laws and regulations, it is possible that any of these laws and regulations will change or become more stringent in the future, increasing compliance costs and potential liabilities, each of which (or which together) could have a materially adverse effect on the business, financial condition, results of operations or prospects of the Babcock Group.

The Babcock Group enters into contracts which may be multi-year, fixed price and/or carry strict performance conditions, which could subject them to losses in the event that costs increase but cannot be recovered, or performance conditions are not satisfied

Members of the Babcock Group enter into contracts which may be multi-year, fixed price and/or carry strict performance conditions.

Multi-year and fixed price contracts expose the Babcock Group to the risks of:

- increases in costs attributable to such contracts beyond those anticipated and provided for within such contracts at the time they are entered into;
- being bound to perform an onerous contract as a result of inaccurate pricing and forecasting; and
- increases in costs that are not met through corresponding attributable increases in revenues from such contracts,

unless and to the extent that such increases are taken into account in periodic benchmarking and/or market testing where included in such contracts.

In addition, certain contracts contain strict performance conditions, which must be adhered to throughout the life of the contract. Failure to meet the performance criteria of a contract could result in:

- the cancellation of a contract, claims for loss, or compensation arrangements under the contract being triggered;
- reputational damage; and
- an adverse effect on the ability to win any future rebids for work.

The Babcock Group also enters into contracts with "Target Cost Incentive Fees". Where these mechanisms are used, failure to deliver a project for the agreed "Target Cost" may result in lower margins being earned by the Babcock Group in respect of that project.

Such increased costs, lower returns and economic, reputational and other impacts could materially adversely affect the business, financial condition, results of operations and prospects of the Babcock Group.

The Babcock Group depends on a limited number of third-party suppliers and subcontractor services

The Babcock Group relies on specialist suppliers for certain assets, products and components and, for some of those, solely on a single supplier (for example, a majority of the helicopters deployed by the Aviation sector are provided by a small number of manufacturers). These assets, products and components are typically made to order and would not be easily replaced should the supplier fail to deliver the products. In addition, the Babcock Group is generally subject to specific procurement requirements, which may, in effect, limit the suppliers which the Babcock Group may utilise. At times of high demand, these suppliers could experience backlogs in their manufacturing schedules and some components may be in limited supply from time to time.

The Babcock Group may also be subject to adverse impacts from unusually high price increases that are greater than overall inflationary trends. The Babcock Group might not be able to increase its contract rates to pass through the increased costs to its customers. An unusually high increase in the price of parts or components that cannot be fully passed on to its customers could have a material adverse effect on the Babcock Group's business, financial condition or results of operations.

Additionally, the insolvency of, or dispute with, any of these suppliers could therefore lead to a significant disruption to the businesses of the Babcock Group. Failure or significant delay by these suppliers in providing necessary parts and services could, in the absence of alternative sources of supply, have a material adverse effect on the business of the Babcock Group.

The Babcock Group's reputation could be affected by failing to meet contractual performance criteria either directly or through sub-contractors

The Babcock Group's financial success depends on its ability to meet the contractual requirements it has entered into with its customers. On a substantial number of contracts, the Babcock Group employs sub-contractors or is a member of a consortium. The Babcock Group is, therefore, reliant not only on the performance of its own employees but also relies on the performance of its sub-contractors and consortium partners and, in particular, that they fulfil their obligations in a timely and satisfactory manner and in full compliance with applicable terms and conditions.

In addition, the Babcock Group is generally subject to specific procurement requirements, which may, in effect, limit the sub-contractors which the Babcock Group may utilise. If any of these sub-contractors fails to meet its obligations, the Babcock Group may not have readily available alternatives. Furthermore, some of the Babcock Group's sub-contractors or consortium partners may be impacted by periods of economic slowdown or recession, which could impair their ability to meet their obligations. In the event of the Babcock Group experiencing a sub-contractor or commercial partner problem, the Babcock Group may be unable to complete in a timely or satisfactory manner its contractual obligations to its customers which could result in additional costs in addressing such a problem, termination of contracts and damage to its reputation and its relationship with its customers. Any of these events could have a negative impact on the Babcock Group's results of operations and financial condition.

Any prolonged reduction in the level of activity in the oil and gas industry may have an adverse effect on the Babcock Group's business

A part of the business of the Babcock Group's Aviation sector is the provision of helicopter services to companies engaged in offshore oil and gas exploration, development and production activities. As a result, the demand for these services, as well as the impact on turnover and profitability, is dependent on the worldwide levels of activity in offshore oil and gas exploration, development and production. These activity levels are principally affected by trends in, and expectations regarding, oil and gas prices, as well as the capital expenditure budgets of oil and gas companies over which the Babcock Group does not have any control.

Any prolonged reduction in oil and gas prices could depress the level of helicopter activity in support of exploration and, to a lesser extent, production activity. Further, companies may also reduce staffing levels on both old and new installations by using new technology to permit unmanned installations and may increase the lengths of offshore shifts which will reduce the frequency of transportation of employees and the demand for helicopter services.

The Babcock Group's businesses depend to a significant degree on its ability to obtain and maintain required security clearances for employees and facilities

Certain of the Babcock Group's government contracts require its employees to maintain various levels of security clearances, and the Babcock Group is required to maintain certain facility security clearances complying with the requirements of the MoD and other government or regulatory agencies. Obtaining and maintaining security clearances for employees and facilities can be a difficult and lengthy process, especially in the case of non-UK national employees. If the Babcock Group is unable to obtain or retain security clearances for employees and facilities, customers requiring cleared employees or facility security clearances could terminate or not renew their contracts. A loss of such contracts could materially adversely affect the Babcock Group's business, financial condition or operating or financial results.

In addition, the Babcock Group's employees must maintain certain security standards in order to carry out various business activities undertaken by the Babcock Group. If the Babcock Group fails to meet the security standards required to conduct such business, its business, financial condition or operating or financial results could be materially adversely affected.

A significant number of the Babcock Group's workforce are represented by trade unions or covered by collective bargaining agreements

A significant number of the Babcock Group's employees are members of trade unions in the UK and elsewhere, and some sectors of the business are subject to union recognition agreements. In addition, a significant number of the employees in the Aviation sector are covered by mandatory collective bargaining agreements. The Babcock Group is not able to predict how stable its relationships with the trade unions or other employee representative bodies will be. The presence of unions and the collective bargaining agreements may limit the Babcock Group's flexibility in dealing with its workforces and may lead to increased operating costs. In addition, if there is a material disagreement or dispute between the Babcock Group and its trade unions or employee representative bodies, the Babcock Group's business could be adversely affected, for example, as a result of work stoppages, unionised employees "working to rule" or increased costs associated with industrial disputes.

The Babcock Group operates several UK defined benefit pension schemes. Changes to the market of assets, the assumptions for future investment returns, mortality or other valuation assumptions could adversely affect the finances of the Babcock Group's defined benefit pension schemes as the Babcock Group may be required to fund an increase in the cost of future benefits and meet funding shortfalls in respect of these schemes

The Babcock Group operates several defined benefit and defined contribution pension schemes in the UK. The Babcock Group's UK defined benefit schemes are of the funded defined benefit type, with benefits accruing based on salary and length of service. The cost of such schemes is met from both member and employer contributions paid into the pension scheme and the investment returns achieved by the schemes over time. The level of contributions required to meet the pension obligations is actuarially determined every three years based on various assumptions which are subject to change, such as life expectancy of members, investment returns, inflation etc. These must be agreed by the trustees and the relevant sponsoring employer. If, based on the assumptions being used at any time, the assets in the pension scheme are judged to be insufficient to meet the calculated cost of the pension obligations there will be a shortfall, which may be significant. The schemes' trustees may require this to be made up by increased contributions from employers over a time period, which must be agreed with the sponsoring employer and/or guarantees or other security to be provided by employers. The most significant impact can occur due to differences between the actual and assumed investment returns and changes in the assumption for life expectancy.

The largest defined benefit schemes in the Babcock Group are the Babcock International Group Pension Scheme, the Devonport Royal Dockyard Pension Scheme and the Rosyth Royal Dockyard Pension Scheme. The total of the combined assets of these schemes was £4,143.2 million as at 31 March 2018 and represents 87.5 per cent. of the total assets of the Babcock Group's defined benefit schemes.

The trustees of each of the Babcock Group's defined benefit pension schemes, in consultation with the Babcock Group, prescribe the investment strategy in relation to the assets of the schemes and therefore the Babcock Group does not determine individual investment alternatives. The three largest defined benefit pension schemes in the Babcock Group have put in place longevity swaps (in order to partially hedge

mortality risk) and the Babcock Group has been working constructively with an investment sub-committee across the three largest schemes to implement further hedging and de-risking strategies.

The Babcock Group's pension liabilities are calculated on various bases for different purposes and a significant increase in scheme deficits on certain of these bases could have a material effect on the Babcock Group's business, operating or financial results or financial position.

Accounting: The liabilities of the defined benefit schemes are calculated using the accounting valuation basis for the purposes of determining the provisions to be included in the balance sheet in its financial statements. The Babcock Group must comply with International Accounting Standards ("IAS") 19 when accounting for its defined benefit schemes. IAS 19 requires AA rated corporate bond related discount rates to be used to value the pension liabilities. This is likely to lead to variations from year-to-year due to a mismatch with the investments held in the pension schemes and because of variations in the yields available on corporate bonds and inflationary expectations. This in turn can materially affect the pensions charge in the Babcock Group's income statement from year-to-year as well as the value of the difference between the assets and the liabilities shown on its balance sheet, leading to a significant accounting volatility.

In respect of the Babcock Group, the aggregate accounting deficit in the UK defined benefit pension schemes, as at 31 March 2018, was £5.0 million. The market value of assets and present value of pension scheme obligations using the accounting valuation basis as at 31 March 2018 for the three largest Babcock Group UK defined benefit schemes are as follows: (i) Devonport Royal Dockyard Pension Scheme: market value of assets £1,841.5 million, present value of pension scheme obligations £1,665.8 million, (ii) Babcock International Group Pension Scheme: market value of assets £1,440.8 million, present value of pension scheme obligations £1,380.6 million, and (iii) Rosyth Royal Dockyard Pension Scheme: market value of assets £860.8 million, present value of pension scheme obligations £1,019.3 million.

An increase in the value of the net liabilities of these schemes may negatively affect the Babcock Group's balance sheet and distributable reserves, which could have a material adverse effect on the Babcock Group's business, operating or financial results or financial position.

Ongoing funding: UK pension law requires the trustees of UK pension schemes to carry out an actuarial valuation at least every three years (though the trustees have the ability to call an out of cycle valuation). As part of this process the employer and trustees must agree the pensions contributions required to fund the cost of future service benefits and any deficit contributions required as part of the recovery plan which must be put in place to address any deficit arising over an agreed period of time. The Pensions Regulator has the power to intervene if the employer and trustees fail to reach agreement (although typically if agreement is not reached by the statutory deadline, the Pensions Regulator will encourage the parties to continue their discussions, rather than immediately intervene itself). Increases in the value of the liabilities of the defined benefit pension schemes and/or a reduction in the value of the assets supporting funded schemes can lead to increased deficits at future formal actuarial valuations, typically resulting in increased employer contributions.

The valuation basis used for formal scheme valuations will not typically replicate the valuation basis used for accounting purposes and scheme valuation deficits are typically higher than accounting deficits. The basis for the scheme valuation deficit is agreed between the employer and trustees (subject to the Pensions Regulator's powers to intervene in this process) and will depend in part on the level of prudence built into actuarial assumptions used.

Demands for materially increased contributions from the Babcock Group employers to meet past service deficits or future service costs would impact the cash flows of the Babcock Group.

Buy-out funding: The buy-out deficit of the schemes is calculated by reference to the cost of securing scheme liabilities with an insurer; this is the most expensive basis for valuing scheme liabilities and can be significant. As the deficit on this basis is calculated in part by reference to prevailing annuity rates, it can be highly volatile over time. The buy-out deficit may become payable in relation to a UK defined benefit pension scheme if the scheme is wound up. In addition an employer's share of the buy-out deficit may become payable in circumstances where (i) the relevant employer ceases to participate in an ongoing pension scheme when at least one other employer is continuing to participate and (ii) subject to certain conditions, where the employer is insolvent.

The Pensions Regulator has the power in certain circumstances (for example, where an employer in relation to a pension scheme is considered to be "insufficiently resourced" for the purposes of the relevant legislation or if a particular transaction has a materially detrimental impact on the pension scheme) to require an employer or entities in the employer's wider corporate group (among others) to contribute to or otherwise support the pension scheme (in respect of each entity targeted by these powers, up to the amount of the buy-out deficit of the pension scheme). The Pensions Regulator can only exercise these powers in a particular case if it considers it reasonable to do so.

A requirement to pay the buy-out deficit of the scheme or an employer's share of it could have a material adverse effect on the Babcock Group's business, financial condition, results of operations or prospects.

Changes in the regulatory and/or accounting regimes for defined benefit pension liabilities could impose increased pension funding requirements and/or negatively impact the Babcock Group's distributable reserves

Changes to the financial reporting standards regarding the way defined benefit pension liabilities are reflected in company balance sheets could have an adverse impact on the Babcock Group's distributable reserves, which could have a material adverse effect on the Babcock Group's business, operating or financial results or financial position.

Strengthening of the regulatory funding regime for pensions in the UK (whether imposed by local law or EU law) could increase requirements for cash funding of pensions. This could require the Babcock Group to make significant additional payments to meet the Babcock Group pension commitments, which could have a material adverse effect on the Babcock Group's business, financial condition and results of operations.

The potential hazards of nuclear operations could expose the Babcock Group to the risk of, amongst others, material liabilities, lost revenues and increased expenses and damage to reputation

The Babcock Group's operations, which include (i) the fuelling and defuelling of nuclear power stations and nuclear powered submarines, (ii) the lifting of nuclear powered submarines into dry docks, (iii) the movement of nuclear weapons, (iv) the handling, use, disposal and transportation of hazardous and radioactive materials, (v) the storage of laid up nuclear powered submarines, and hazardous and radioactive materials and (vi) the decommissioning and decontamination of nuclear power stations, nuclear powered submarines and nuclear weapons, use and generate radioactive and hazardous substances that can seriously impact the health and safety of the public, the Babcock Group's employees and the environment. There are particular risks associated with the servicing, maintenance and decommissioning of nuclear power stations and nuclear powered submarines and the handling of nuclear weapons. These include accidents, the breakdown or failure of equipment or processes or human performance, including the Babcock Group's safety controls, and other catastrophic events, such as fire and flood, that could result in the dispersal of radioactive material over large areas, thereby causing injury or loss of life and extensive property or environmental damage. Certain of these events, including those arising as a result of third party acts, such as acts of terrorism or war, are not within the Babcock Group's control. The liabilities which the Babcock Group may incur, and interruptions in the operation of the nuclear power stations or naval bases caused by these events or associated with any of the radioactive or hazardous materials involved, could significantly reduce the Babcock Group's revenues, increase the Babcock Group's expenses and cause significant reputational damage. Proceeds of insurance or indemnities may not be adequate to cover all liabilities incurred, lost revenue or increased expenses. Analogous incidents occurring at nuclear power stations or in relation to nuclear powered submarines or nuclear weapons caused by third parties unconnected to the Babcock Group may result in similar losses regardless of the Babcock Group having no control or influence over such incidents.

See "Information on the Babcock Group" for further information on the UK's nuclear regulatory regime and limitations on the Babcock Group's nuclear liability.

The Babcock Group's operating and financial flexibility may be restricted by its level of indebtedness and financial covenants and it may incur costs if it breaches its financial covenants

The Babcock Group's debt facilities contain a number of restrictive covenants that could limit its operating and financial flexibility, such as covenants in respect of gearing and interest cover.

A breach of any of these covenants could result in a significant proportion of the Babcock Group's borrowings becoming immediately repayable. In order to remain in compliance with these covenants, and depending on the future performance of its business, the Babcock Group may be required to take actions that it would not otherwise have chosen or may be unable to pursue opportunities it otherwise would have, such as possible acquisition opportunities. In addition, any future debt financing that the Babcock Group obtains may impose additional restrictions on financing and operating activities.

The Babcock Group's existing level of indebtedness and the covenants which apply to it may have important consequences, including:

- causing the Babcock Group to reprioritise the uses to which its capital is put to the potential detriment of the Babcock Group's business needs, which, depending on the level of the Babcock Group's borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for expansion, dividend payments and other general corporate purposes;
- limiting the Babcock Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the sectors in which it operates;
- placing the Babcock Group at a competitive disadvantage compared to its competitors, who may be less leveraged and restricted by financial covenants than the Babcock Group;
- increasing the Babcock Group's vulnerability to both general and industry-specific adverse economic conditions; and
- increasing the cost of servicing the Babcock Group's borrowings in the event such covenants are renegotiated.

The above factors could limit the Babcock Group's financial and operational flexibility and this could have a material adverse effect on its future prospects, financial condition, results of operations or ability to pay dividends.

The order book and bid pipeline provide good visibility of future revenue streams due to the contract-based nature of the business, which, along with the Babcock Group's focus on managing contract costs, means that this risk is weighted towards the longer term. If any of these covenants were breached in the longer term, the cost of such breach and any refinancing required as a result could be an additional cost to the Babcock Group, which could adversely affect the Babcock Group's future prospects, financial condition or results of operations.

The Babcock Group may not realise the expected benefits of its acquisitions

The Babcock Group has grown and expects to continue to grow through acquisitions as well as organically (for example, the acquisitions of Avincis, MacNeillie and Defence Support Group). The financial benefits of acquisitions may not be realised as quickly and as efficiently as expected and this could adversely affect the business, financial condition, results of operations or prospects of the Babcock Group in a manner not anticipated at the time of the acquisition. The diversion of management's attention to addressing such difficulties arising from an acquisition may also adversely affect the Babcock Group's business. Post-acquisition performance may not meet the financial performance expected and could fail to justify the price paid, which could adversely affect the Babcock Group's future results and financial position.

The Babcock Group's business could be adversely affected by a negative audit by government agencies or regulators

The Babcock Group's contracts may be subject to audit by government bodies, agencies or regulators, for example, by the MoD in the UK. Depending on the type of audit, these agencies and regulators may review the Babcock Group's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards on such contracts. Such agencies and regulators may also review the adequacy of, and Babcock Group's compliance with, their internal control systems and policies, including the Babcock Group's purchasing, property, estimating, compensation and management information systems. If an audit uncovers inadequate internal control systems and policies, improper allocation of costs to a specific contract, or any improper or illegal activities, the Babcock Group may be subject to enhanced scrutiny,

improperly allocated costs may not be reimbursed (or if already paid, may have to be refunded), or civil and criminal penalties and administrative sanctions may be imposed, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the relevant government. In addition, the Babcock Group could suffer reputational harm if allegations of impropriety were made against it. Accordingly, any such audit could materially affect the Babcock Group's competitive position and result in a substantial adjustment to its revenue.

The Babcock Group's insurance may be inadequate to cover all of its risks or the insurers may deny coverage of material losses incurred by the Babcock Group

The Babcock Group uses insurance to cover certain of its risks and liabilities (including, among others, natural disasters, product liability and business interruption). Not every risk or liability can be protected against by insurance, and, for insurable risks, the limits of coverage reasonably obtainable in the market may not be sufficient to cover all losses or liabilities incurred. In addition, future accidents, risks of war, terrorist activity or other events could increase insurance premiums. In some circumstances the Babcock Group may receive indemnification from the UK government (either directly or indirectly) in respect of the Babcock Group's nuclear or other high risk activities undertaken for the UK government. Due to the limitations on the availability of coverage, the Babcock Group may have to bear substantial costs for uninsured losses that could have an adverse effect upon its business, results of operations and overall financial condition. Additionally, disputes with insurers over coverage may affect the timing of cash flows and, in the event of litigation with the insurer, an outcome unfavourable to the Babcock Group may have an adverse effect on the Babcock Group's business, results of operations and overall financial condition.

The Babcock Group operates in emerging markets and is therefore exposed to emerging markets risks

The Babcock Group operates in a number of emerging markets such as South Africa, Brazil, Ghana, South Sudan, Congo and Mozambique. Such markets are exposed to a number of risks including:

- greater risk of political and economic instability, expropriation, nationalisation and confiscating taxation;
- the absence of developed legal structures, including those governing private or foreign investment and private property;
- significant regulatory and fiscal restrictions;
- the potential for higher rates of inflation or hyper-inflation;
- challenging ethical environments;
- interest rate, currency and credit risk; and
- lower levels of democratic accountability.

Such risks may adversely affect the Babcock Group's business, results of operations and overall financial condition.

The Babcock Group has exposure to foreign currency and interest rate risks

The Babcock Group is subject to risks associated with fluctuations in currency exchange rates in the ordinary course of its businesses, with a significant portion of revenue, assets and liabilities being denominated in currencies other than pounds sterling, in particular the euro and the Australian dollar, but also the South African rand, the Canadian dollar, the Brazilian real, the United States dollar and the Swedish krone.

The Babcock Group prepares its consolidated financial statements in pounds sterling. Accordingly, when preparing its consolidated financial statements, the Babcock Group translates the value of any assets, liabilities, turnover and expenses that are reported or accounted for in other currencies into pounds sterling. Consequently, increases and decreases in the value of the pound sterling against these other currencies (in particular the euro) will affect the amount of these items in the Babcock Group's consolidated financial statements, even if their value has not changed in their original currency. In addition to the extent expenses

are incurred that are not denominated in the same currency as related turnover, exchange rate fluctuations could cause the Babcock Group's expenses to increase as a percentage of turnover, affecting its profitability.

The Babcock Group is also subject to interest rate risk in the ordinary course of business due to debt incurred at variable interest rates.

Although the Babcock Group hedges against financial risks through derivative instruments such as forward exchange contracts, currency options, interest rate and currency swaps and combined instruments, there can be no assurance that any hedging strategy will be effective and that foreign currency and interest rate fluctuations will not adversely affect the results of operations of the Babcock Group.

Members of the Babcock Group are involved in alliances and joint ventures over which they may have to share control or do not have control

The Babcock Group generates a significant amount of its revenues through participation in alliances, joint ventures and equity holdings in the UK, Australia, Canada, South Africa, France, Italy, Spain, Portugal, Ghana and Mozambique. The formation of alliances and joint ventures with other market participants is an important part of the Babcock Group's strategy and is likely to continue to generate a significant amount of its revenues from alliances and joint ventures in the future. However, members of the Babcock Group exercise varying and evolving degrees of control in the alliances and joint ventures to which they are a party. While members of the Babcock Group seek to participate only in arrangements in which their interests are aligned with those of their co-parties, the risk of poor performance by the other parties or disagreement between parties is inherent in any alliance or joint venture and, as regards decision-making, particularly in those arrangements which require unanimity. Any such material disagreements or poor performance on the part of the other parties to the arrangement could materially adversely affect the Babcock Group's ability to perform their obligations under such alliances and joint ventures which could have a material adverse effect on their results of operations.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

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.

Zero Coupon Notes may experience price volatility in response to changes in market interest rates

Zero Coupon Notes do not pay interest but are issued at a discount from their nominal value. Instead of periodic interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of Zero Coupon Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than the prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

If the Notes include a feature to convert the interest basis 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. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, 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. Where the Notes convert from a floating

rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes which 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 or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and the Bank Bill Swap Rate ("**BBSW**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. The Benchmark Regulation was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or BBSW, in particular, if the methodology or other terms of LIBOR, EURIBOR or BBSW are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of LIBOR, EURIBOR or BBSW.

In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith.

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

Future discontinuation of LIBOR (or any other "benchmark") may adversely affect the value of Floating Rate Notes which reference LIBOR (or such other "benchmark")

On 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021 and that planning a transition to alternative reference rates that are based firmly on transactions, such as reformed SONIA (the Sterling Over Night Index Average), must begin.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Furthermore, even prior

to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which are linked to or which reference such benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes. The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable.

If the circumstances described in the preceding paragraph occur, such fallback arrangements will include the possibility that:

- (A) the relevant rate of interest (or, as applicable, the relevant component part thereof) could be determined by reference to a Successor Rate or an Alternative Reference Rate (as applicable) determined by an Independent Advisor; and
- (B) such Successor Rate or Alternative Reference Rate (as applicable) may be adjusted (if required) by the relevant Independent Adviser in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark.

In addition, the relevant Independent Adviser may also determine that other changes to the Conditions of the Notes are necessary in order to follow market practice in relation to the relevant Successor Rate or Alternative Reference Rate (as applicable).

No consent of the Noteholders shall be required in connection with effecting any relevant Successor Rate or Alternative Reference Rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

RISKS RELATED TO THE NOTES GENERALLY

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

The conditions of the Notes contain provisions which may permit their modification, including the substitution of the Issuer, without the consent of all investors

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

The Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, (i) agree to 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 that any Potential Event of Default (as defined in the Trust Deed) or Event of Default shall not be treated as such or (iii) agree to the substitution of any holding company of the Issuer, Subsidiary of the Issuer or successor in business of the Issuer as the principal debtor in relation to the Notes and Coupons of any Series, in the circumstances described in the Trust Deed and the Conditions of the Notes, **provided that** in the case of (i), (ii) and (iii), the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of Noteholders.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single Series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Risks relating to structural subordination of the Notes

The Issuer is the holding company of the Babcock Group and as such its operations are principally conducted through its subsidiaries. Accordingly, the Issuer is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Notes. The Notes will be structurally subordinated in respect of the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.

Investors who purchase bearer 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 bearer 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 bearer Note in respect of such holding (should definitive bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination. If such bearer Notes in definitive form are issued, holders should be aware that definitive bearer Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

RISKS RELATED TO THE MARKET GENERALLY

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

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his 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. Illiquidity may have a severely adverse effect on the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his 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 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 subsequent changes in market interest rates may 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

As of the date of this Base Prospectus, the Issuer has been assigned a rating of BBB by S&P. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to Issuer, the Programme or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes, which may not necessarily be the same ratings as the Issuer or Programme rating described above or any rating(s) assigned to Notes already issued. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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 CRA 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 CRA 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 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.

INFORMATION INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and which have been approved by the FCA or filed with it, shall be deemed to be incorporated in, and form part of, this Base Prospectus:

- the audited consolidated annual financial statements, together with the accompanying notes and auditor's reports, contained in the annual reports of the Issuer for the years ended 31 March 2018 and 31 March 2017 (set out on pages 142 to 206 and 144 to 202, respectively, of the 2018 and 2017 annual reports of the Issuer); and
- the terms and conditions set out on pages 33 to 61, 32 to 59 and 35 to 63 of the base prospectus dated 18 September 2015, 19 September 2016 and 7 September 2017, respectively, relating to the Programme under the heading "*Terms and Conditions of the Notes*".

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the Issuer's offices at 33 Wigmore Street, London, W1U 1QX and the Issuer's website www.babcockinternational.com. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the FCA in accordance with Section 87G of the FSMA. 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. Where only certain sections of a document referred to above are incorporated by reference in the Base Prospectus, the parts of the document which are not incorporated by reference are either not relevant to prospective investors in the Notes or covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

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.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as completed by such Final Terms.

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

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

ALTERNATIVE PERFORMANCE MEASURES

This section provides further information relating to the Key Performance Indicators which are alternative performance measures ("APMs") for the purposes of the guidelines (the "Guidelines") published by the European Securities and Markets Authority ("ESMA"). Certain of the financial measures included in "Information on the Babcock Group" below can be characterised as APMs and the Issuer sets out below further clarifications as to the meaning of such measures (and any associated terms) and tables which illustrate the basis for their calculation and provide comparative data for such measures for previous financial periods.

Babcock believes that the presentation of these APMs is helpful to investors because these and other similar measures are used by certain investors as supplemental measures of performance and liquidity. However, these measures are not measures of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of Babcock's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in Babcock's industry, may calculate these measures differently from Babcock. As all companies do not calculate such measures in the same manner, the presentation of these measures pertaining to Babcock may not be comparable to other similarly titled measures of other companies.

"OCF Conversion"	Operating cash flow conversion rate is defined as cash generated by operations after adding back retirement benefit cash flows in excess of cost as a percentage of operating profit (pre-exceptionals and amortisation of acquired intangibles).
"Net debt/EBITDA"	Net debt/EBITDA is calculated as net debt divided by earnings before interest, tax, depreciation and amortisation.
"Operating return on revenue"	Operating return on revenue is defined as underlying operating profit expressed as a percentage of underlying revenue.
"Revenue growth"	Revenue growth is defined as the increase in the Group's revenue (including joint ventures) when compared to that of the previous year.
"EBITDA/Interest cover"	Interest cover is earnings before interest, tax, depreciation, amortisation and exceptionals divided by net Group interest payable.
"Gearing ratio"	Gearing ratio measures the extent to which a company is funded by debt. Calculated as net debt divided by shareholder funds excluding retirement benefit deficits or surpluses.
"Return on invested capital (ROIC)"	Return on invested capital is defined as underlying profit before financing and tax divided by total capital (equity, excluding retirement benefit deficits or surpluses, plus net debt).

Illustrative tables

OCF Conversion

	Year ended 31 March		
	2018	2017	2016
	<i>(GBP million)</i>		
Operating profit.....	468.7	472.3	468.3
Amortisation of acquired intangibles and exceptional items	(98.1)	(112.7)	(115.8)
Depreciation of property, plant and equipment	91.3	82.4	78.1
Amortisation and impairment of intangible assets	111.1	122.6	123.7
Equity share based payments	6.4	15.0	16.2
(Profit)/Loss on disposal of property, plant and equipment	(4.1)	(2.8)	(2.4)
(Profit)/Loss on disposal of intangibles	-	0.3	-
Investments income	1.9	1.2	1.2
(Increase)/decrease in inventories	(19.5)	(0.4)	6.8
Decrease/(increase) in receivables	(137.4)	(78.3)	(33.4)
Increase/(decrease) in payables	102.6	71.0	15.1

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
Provisions	(27.7)	(28.4)	(25.1)
Trading cashflows	495.2	542.2	532.7
OCF Conversion (B/A)	106%	115%	114%

Net debt to EBITDA

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
Operating Profit – Group	468.7	472.3	468.3
IFRIC 12 investment income – Group	1.9	1.2	1.1
Operating Profit – share of joint ventures	85.9	72.8	40.8
IFRIC 12 investment income – Share of Joint Ventures ..	28.1	28.5	29.5
Operating profit	584.6	574.8	593.7
Depreciation	91.3	82.4	78.1
Amortisation of Software (excluding amortisation on acquired intangibles)	13.0	7.6	7.7
Less Non Controlling	(1.4)	(3.8)	(4.5)
EBITDA inc Joint Ventures	687.5	661.0	621.0
Net Debt	1,115.0	1,173.5	1,228.5
Net Debt/EBITDA (E/D)	1.6	1.8	2.0

Operating return on revenue

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
Statutory revenue	4,659.6	4,547.1	4,158.4
Joint Venture Revenue	703.2	669.5	683.7
Total revenue	5,362.8	5,216.6	4842.1
Operating profit	584.6	574.8	539.7
Operating return on revenue (C/F)	10.9%	11.0%	11.1%

Revenue growth

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
Prior Year statutory revenue	4,547.1	4,158.4	3,996.6
Prior Year Joint Venture revenue	669.5	638.7	506.7
Total revenue (PY)	5,216.6	4,842.1	4,503.3
Revenue growth (% growth from G to F)	2.8%	7.7%	8%

EBITDA to interest cover

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
EBITDA inc Joint Ventures	687.5	661.0	621.0
Interest payable	61.9	60.4	64.1
Interest receivable	(14.3)	(11.4)	(11.1)
Net interest	47.6	49.0	53.0
EBITDA/interest cover (D/H)	14.5	13.5	11.7

Gearing

Year ended 31 March			
	2018	2017	2016
	<i>(GBP million)</i>		
Net Debt	1,115.0	1,173.5	1,228.5
Shareholders equity	(2,911.0)	(2,692.2)	(2,356.3)
Pension deficit	(5.0)	(104.5)	(203.1)
Equity plus Pensions	(2,916.0)	(2,796.7)	(2,559.4)
Gearing ratio (E/I)	38%	42%	48%

ROIC

		Year ended 31 March		
		2018	2017	2016
			<i>(GBP million)</i>	
Net Debt	E	1,115.0	1,173.5	1,228.5
Equity plus Pensions	I	2,916.0	2,796.7	2,559.4
Equity and Debt inc Pensions	J	4,031.0	3,970.2	3,787.9
Underlying Operating profit	C	584.6	574.8	539.7
ROIC (C/J)		14.5%	14.5%	14.2%

FORMS OF THE NOTES

Bearer Notes

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

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

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the international central securities depositories ("**ICSDs**") as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant 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.

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

If the Specified Denomination of the Notes stated in the final terms includes language substantially to the following effect: "*EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000*", the Notes cannot be represented on issue by a Permanent Global Note exchangeable for Definitive Notes in accordance with (ii) above.

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

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

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant 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 and registered in the name of a nominee of one of the ICSDs acting 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.

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

Global Registered Note exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Registered Notes each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occur:
 - (a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
 - (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

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

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

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

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

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of a NGN for Euroclear and/or Clearstream, Luxembourg and/or any other

relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

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

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

Conditions applicable to Global Notes

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

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

Payment Business Day: in the case of a Global Note or a Global Registered Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

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

Exercise of put option: In order to exercise the option contained in Condition 9(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 9(f) (*Redemption and Purchase – Redemption or Purchase on Change of Control*) the bearer of a Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give notice of such exercise to the Principal Paying Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent or Registrar (as applicable) through Euroclear Bank and/or Clearstream, Luxembourg and/or any other relevant clearing system, and otherwise in such manner as the Principal Paying Agent or the Registrar, as the case may be, and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, may approve for this purpose.

Electronic Consent: While any Global Note is held on behalf of, or any Global Registered Note is registered in the name of a nominee for a depository common to, a clearing system, then 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 three quarters of the principal 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 whether or not they participated in such Electronic Consent.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete information in this Base Prospectus.

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

1. Introduction
 - (a) *Programme:* Babcock International Group PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to £1,800,000,000 in aggregate principal amount of notes (the "**Notes**").
 - (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
 - (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, an amended and restated trust deed dated 6 September 2018 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
 - (d) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 6 September 2018 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), HSBC Bank plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
 - (e) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms and Base Prospectus have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.
 - (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

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

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

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

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

"**Babcock Group**" means the Issuer and its Subsidiaries;

"**BBSW**" means, in respect of Australian dollars and any specified period, the interest rate benchmark known as the Bank Bill Swap Reference Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Australian Financial Markets Association (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided by a panel of contributor banks (details of historic BBSW rates can be obtained from the designated distributor);

"**Broken Amount**" has the meaning given in the relevant Final Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

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

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

falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

"**Calculation Date**" means the date set out in the relevant notice of redemption;

"**Change of Control Redemption Amount**" means, in respect of any Note, its principal amount;

"**Consolidated Total Assets**" means the value of the gross assets of the Babcock Group calculated in accordance with GAAP and shown in and calculated by reference to the latest annual audited consolidated financial statements of the Issuer;

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

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

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

"**EURIBOR**" means, in respect of the euro and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

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

"**Financing**" means the £500,000,000 revolving credit facility dated 17 June 2011 (as amended and restated from time to time) between (*inter alios*) the Issuer and The Royal Bank of Scotland plc as facility agent, or any refinancing, renewal or substitution thereof;

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

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

"**GAAP**" means generally accepted accounting principles in the United Kingdom, including international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the financial statements of the Babcock Group;

"**Gross Redemption Yield**" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer and Trustee by the Quotation Agent;

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

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

"Holder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Holding Company" means a holding company within the meaning of section 1159 of the Companies Act 2006;

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

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

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

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

"Interest Determination Date" has the meaning given in the relevant Final Terms;

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

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

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

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

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"Make-Whole Amount" means the principal amount of the Notes to be redeemed multiplied by the price (expressed as a percentage and rounded to four decimal places with 0.00005 being rounded upwards) at which the Gross Redemption Yield on such Notes on the relevant Calculation Date is equal to (A) the Gross Redemption Yield at the Quotation Time on the relevant Calculation Date of the Reference Security, plus (B) the Make-Whole Redemption Margin, all as determined by the Quotation Agent;

"Make-Whole Redemption Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" at any time means a Subsidiary of the Issuer the turnover, or profits before interest and taxation (including intra-group items, but excluding any exceptional and extraordinary items) of which at that time equal or exceed 10 per cent. of the turnover, or profits before interest and taxation of the Babcock Group, such turnover or profits before interest and taxation (and excluding exceptional and extraordinary items) being ascertained from the most recently prepared annual audited financial statements of the Issuer and the most recently prepared annual audited financial statements of its Subsidiaries, and a certificate signed by two Officers of the Issuer certifying that in their opinion, based on such financial statements, a Subsidiary is or is not or was or was not a Material Subsidiary, may be relied upon by the Trustee without liability and without further enquiry or evidence, and if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Noteholder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Officer" means a director of the Issuer or the Issuer's company secretary, from time to time;

"Optional Redemption Amount (Call)" has the meaning given in Condition 9(c) (*Redemption at the option of the Issuer*);

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

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the EU which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

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

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

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

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

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to require redemption or, as the case may be, purchase of a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to require redemption or, as the case may be, purchase of a Note at the option of the Noteholder in accordance with Conditions 9(e) (*Redemption at the option of Noteholders*) or 9(f) (*Redemption or Purchase on Change of Control*);

"Quotation Agent" means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-Whole Amount after consultation with the Trustee;

"Quotation Time" has the meaning given in the relevant Final Terms;

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

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount, the Change of Control Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

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

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means BBSW, EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Reference Security" shall be the security as specified hereon or, where the Quotation Agent advises the Issuer and Trustee that, for reasons of illiquidity or otherwise, such security is not appropriate for such purpose, such other government stock as such Quotation Agent may recommend;

"Regular Period" means:

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

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

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

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

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

"Relevant Time" has the meaning given in the relevant Final Terms;

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

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

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

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

"**Specified Office**" has the meaning given in the Agency Agreement;

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

"**Subsidiary**" means a subsidiary within the meaning of section 1159 of the Companies Act 2006 but excluding for the purposes of these Conditions any subsidiary which is not a subsidiary of the Issuer for the purposes of IFRS;

"**Successor in Business**" means any company which as a result of any amalgamation, merger or reconstruction or which, as a result of any agreement with the Issuer, owns beneficially all or substantially all of the undertaking, property and assets owned by the Issuer prior to such amalgamation, merger, reconstruction or agreement coming into force;

"**Talon**" means a talon for further Coupons;

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

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

"**Tax Jurisdiction**" means (i) any jurisdiction under the laws of which the Issuer, or any successor to the Issuer, is organised or in which it is resident for tax purposes or (ii) any other taxing jurisdiction to which the Issuer may become subject at any time or, in any such case, any political subdivision or any authority thereof or therein having power to tax;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended; and

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

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions (including, without limitation, any purchase moneys pursuant to Condition 9(f) (*Redemption or Purchase on Change of Control*));
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

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

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial

banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status**

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

5. **Negative Pledge**

So long as any Note remains outstanding, none of the Issuer or any Material Subsidiary shall create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount or Broken Amount:* The amount of interest payable per Calculation Amount for any Interest Period shall be the relevant Fixed Coupon Amount or Broken Amount (if applicable).
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount or Broken Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose

a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
 - (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period (until such time as an alternative method for determining the Rate of Interest shall be determined by the Issuer and a financial adviser (as appointed by the Issuer after consultation with the Trustee) with such determination being notified in writing by the Issuer to the Trustee and the Noteholders) (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate 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
 - (B) the other rate 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 than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Benchmark Replacement:* Notwithstanding the foregoing provisions of this Condition 7 (*Floating Rate Note Provisions*), if the Issuer (in consultation, to the extent practicable, with the Principal Paying Agent (or the person specified in the relevant Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s))) determines that (a) the applicable Reference Rate specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered or (b) the Issuer considers that there may be a Successor Rate (as defined below), when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate (each a "**Benchmark Event**") then the following provisions shall apply:
 - (i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine, no later than 10 days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
 - (ii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition (7)(h)(ii) (*Floating Rate Note Provisions - Benchmark Replacement*));
 - (iii) if the Independent Adviser, following consultation with the Issuer, determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser, following consultation with the Issuer, may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow

market practice in relation to such Successor Rate or such Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer), determines that an Adjustment Spread (as defined below) is required to be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt and subject as provided in paragraph (iv) below, the Trustee and Principal Paying Agent shall, at the direction and expense of the Issuer, without the requirement for any consent or approval of the Noteholders, be obliged to use reasonable endeavours to effect such amendments to the Trust Deed (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), the Agency Agreement and these Conditions as may be specified by the Independent Adviser following consultation with the Issuer in order to give effect to this Condition 7(h)(iii) (*Floating Rate Note Provisions - Benchmark Replacement*) (such amendments, the "**Benchmark Amendments**") and the Trustee and the Principal Paying Agent shall not be liable to any party for any consequences thereof;

- (iv) neither the Trustee nor the Principal Paying Agent shall be required to effect any such Benchmark Amendments if the same would impose, in the Trustee's or, as the case may be, the Principal Paying Agent's opinion, more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce, or amend its rights and/or the protective provisions afforded to it. For the avoidance of doubt, no Noteholder consent or approval shall be required in connection with effecting the Benchmark Amendments or such other changes, including for the execution of any documents, amendments or other steps by the Issuer, the Trustee or the Principal Paying Agent (if required);
- (v) prior to any such Benchmark Amendments taking effect, the Issuer shall provide a certificate signed by two Officers to the Trustee and the Principal Paying Agent confirming, in the Issuer's reasonable opinion (following consultation with the Independent Adviser), (i) that a Benchmark Event has occurred, (ii) the Successor Rate or Alternative Reference Rate (as applicable), (iii) where applicable, any Adjustment Spread determined in accordance with this Condition 7(h), (iv) where applicable, the terms of any Benchmark Amendments determined in accordance with this Condition 7(h) and (v) certifying that such Benchmark Amendments are necessary to give effect to any application of this Condition 7(h) and the Trustee and the Principal Paying Agent shall be entitled to rely on such certificate without further enquiry or liability to any person. For the avoidance of doubt, each of the Trustee and the Principal Paying Agent shall not be liable to the Noteholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. The Successor Rate or Alternative Reference Rate (as applicable) or where applicable, any Adjustment Spread and any Benchmark Amendments, without prejudice to the Trustee's and the Principal Paying Agent's ability to rely on such certificate (as aforesaid), will be binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders;
- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any amendments to these Conditions, the Agency Agreement and/or the Trust Deed, give notice thereof to the Trustee, the Principal Paying Agent and, in accordance with Condition 21 (*Notices*), the Noteholders; and
- (vii) if (i) a Successor Rate or an Alternative Reference Rate is not determined by an Independent Adviser in accordance with the above provisions prior to the relevant IA Determination Cut-off Date or (ii) the Issuer is unable to appoint an Independent Adviser in accordance with Condition 7(h)(iii), then the Rate of Interest (or the relevant component part thereof) for the next Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period by reference to the provisions of Condition 7(c) or this Condition 7(h), as applicable (or alternatively,

if there has not been a First Interest Payment Date, the Rate of Interest (or the relevant component thereof) for the first Interest Period shall be equal to the Rate of Interest determined by reference to the provisions of Condition 7(c)) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (v) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 7(h) (*Floating Rate Note Provisions - Benchmark Replacement*).

For the purposes of this Condition 7(h) (*Floating Rate Note Provisions - Benchmark Replacement*):

"Adjustment Spread" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the relevant Independent Adviser (in consultation with the Issuer) determines is required to be applied to the Successor Rate or the relevant Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and relevant Couponholders as a result of the replacement of the Reference Rate with the relevant Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with such Successor Rate by any Relevant Nominating Body (as defined below); or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by such Successor Rate or such Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) in its discretion, determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

"Alternative Reference Rate" means the rate that the Independent Adviser (in consultation with the Issuer) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component thereof) in respect of bonds denominated in the Specified Currency and with an interest period of a comparable duration to the relevant Interest Period, or, if the Independent Adviser (in consultation with the Issuer) determines that there is no such rate, such other rate as the Independent Adviser (in consultation with the Issuer) determines in its sole discretion is most comparable to the relevant Reference Rate;

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser of recognised standing with experience in the international debt capital markets, in each case appointed by the Issuer at its own expense;

"Relevant Nominating Body" means, in respect of a reference rate:

- (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the rate that the Independent Adviser (in consultation with the Issuer) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (i) a certificate signed by two Officers stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the relevant change or amendment as referred to above.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

In these Conditions:

"Optional Redemption Amount (Call)" means:

- (i) in relation to any Optional Redemption Date (Call) which falls in the period from (and excluding) the date falling three months prior to the Maturity Date to (and including) the Maturity Date, the principal amount of the Notes plus accrued interest (if any) to (but excluding) such date; or
 - (ii) in relation to any Optional Redemption Date (Call) which falls in the period from (and including) the Issue Date to (and including) the date falling three months prior to the Maturity Date, the higher of (x) the principal amount of the Notes and (y) the Make-Whole Amount, plus accrued interest (if any) to (but excluding) such date; or
 - (iii) such other amount as may be specified in the relevant Final Terms.
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots, in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the relevant Noteholder redeem the Note of such Noteholder on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued up to (but excluding) such date. In order to exercise the option contained in this Condition 9(e), the

relevant Noteholder must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with, in the case of Bearer Notes, all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

- (f) *Redemption or Purchase on Change of Control:* If the Change of Control Put Option is specified in the relevant Final Terms as being applicable, and a Change of Control Put Event occurs, the Issuer shall, at the option of any Noteholder (the "**Change of Control Put Option**"), redeem or, at the Issuer's discretion, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together with any interest (if any) accrued up to (but excluding) such Change of Control Put Date. In order to exercise the Change of Control Put Option, a Noteholder must during the Change of Control Put Period, deposit with any Paying Agent the Note of such Noteholder together with, in the case of Bearer Notes, all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f) may be withdrawn; **provided, however, that** if, prior to the relevant Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Change of Control Put Date, payment of the redemption or purchase moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

A "**Change of Control Put Event**" will occur if:

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006 as amended) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (each such event being a "**Change of Control**") **provided that** a Change of Control shall not be deemed to have occurred if the relevant event which would otherwise have resulted in a Change of Control has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; and
- (ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Potential Change of Control Announcement (if any), the Notes carry:
- (A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better) from any Rating Agency (provided by such Rating Agency at the invitation of the Issuer),

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, in either case, to an investment grade credit rating by such Rating Agency; or

- (B) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) from any Rating Agency (provided by such Rating Agency at the invitation of the Issuer), 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, in either case, to its earlier credit rating or better by such Rating Agency; or
- (C) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

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 (A) will apply; and

- (iii) in making any decision to downgrade or withdraw the rating pursuant to paragraph (A) or (B) 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 Potential Change of Control Announcement. Upon receipt by the Issuer or the Trustee of any such written confirmation (or upon receipt by the Issuer of a copy of such written notification from the Trustee), the Issuer shall forthwith give notice of such written confirmation to the Noteholders in accordance with Condition 20 (*Notices*).

If the rating designations employed by any of Standard & Poor's, Moody's or Fitch are changed from those which are described in paragraph (ii) of the definition of "Change of Control Put Event" above, the Issuer shall determine the rating designations of Standard & Poor's, Moody's or Fitch (as appropriate) as are most equivalent to the prior rating designations of Standard & Poor's, Moody's or Fitch and this Condition 9(f) shall be construed accordingly.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, and in any event within 14 days of the occurrence of the relevant Change of Control Put Event, the Issuer shall and, at any time upon the Trustee becoming similarly aware, the Trustee may, if so requested by the Holders of at least one-quarter of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give a notice ("**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the relevant Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

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

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 9(f), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

In this Condition:

"**Change of Control Put Date**" means the date specified as such in the relevant Change of Control Put Event Notice;

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control or, where a Rating Agency has publicly announced that the Notes are under consideration for rating review or, as the case may be, rating (such public announcement being within the period ending 120 days after the Change of Control), the later of (i) such 120th day after the Change of Control and (ii) the date falling 60 days after such public announcement;

a "**Negative Rating Event**" shall be deemed to have occurred, at any time, if at such time there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the relevant Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such rating of at least investment grade by the end of the Change of Control Period;

"**Potential Change of Control Announcement**" means any public announcement or statement by the Issuer or any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs; and

"**Rating Agencies**" means each of the rating agencies of Fitch Ratings ("**Fitch**"), Moody's Investors Service ("**Moody's**") or Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**") and their respective successors to their ratings business.

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** (in the case of Bearer Notes) all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with Bearer Notes shall be cancelled and may not be reissued or resold.

10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency

is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) 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 any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(f) (*Redemption or purchase on Change of Control*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment.

12. **Taxation**

Gross up: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision of any of them or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of it having some connection with the relevant Tax Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to the Code, any treaty, law, regulation or other official guidance implementing the Code, or any agreement between the Issuer, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing the Code.

13. **Events of Default**

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*), (d) (*Unsatisfied judgment*), (f)(iii) and (f)(iv) (*Insolvency, etc.*), and (h) (*Analogous event*), below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written

notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 45 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
- (c) *Cross-acceleration of Issuer or Material Subsidiaries*:
 - (i) any Indebtedness of the Issuer or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any Indebtedness of the Issuer or any Material Subsidiary becomes due and payable prior to its stated maturity as a result of an event of default in relation to such Indebtedness howsoever described; or
 - (iii) the Issuer or any Material Subsidiary fails to pay when due, or (as the case may be) within any originally applicable grace period, any amount payable by it under any Guarantee of any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds the greater of £25,000,000 (or its equivalent in any other currency or currencies) and 2 per cent. of Consolidated Total Assets; or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment an aggregate amount in excess of the greater of £25,000,000 (or its equivalent in any other currency or currencies) and 2 per cent. of Consolidated Total Assets is rendered against the Issuer or a Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or an application is made (or documents filed with a court) for the appointment of a receiver, manager or other similar official, or a receiver, manager or other similar officer is appointed, of (i) the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or (ii) the whole or substantially the whole of the undertaking, assets and revenues or a Material Subsidiary and, in either case, is not discharged within a period of 45 days after the date(s) thereof; or
- (f) *Insolvency, etc*: (i) the Issuer or a Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed in respect of the Issuer or any Material Subsidiary or, as the case may be, the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or a Material Subsidiary, (iii) the Issuer or a Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (or any class of its creditors) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or a Material Subsidiary ceases or threatens to cease to carry on all or substantially the whole of its business, otherwise than, in each case for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent (other than in the case of the Issuer) or on terms approved in writing by the Trustee or by an Extraordinary Resolution; or
- (g) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or a Material Subsidiary, otherwise than for the purposes of or pursuant

to an amalgamation, reorganisation or restructuring whilst solvent (other than in the case of the Issuer) or on terms approved in writing by the Trustee or by an Extraordinary Resolution; or

- (h) *Analogous event*: any event occurs which under the laws of the jurisdiction of incorporation of the Issuer or a Material Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

A certificate signed by two Officers certifying 2 per cent. of Consolidated Total Assets provided for in Conditions 13(c) (*Cross-acceleration of Issuer or Material Subsidiaries*) and (d) (*Unsatisfied judgment*) has been met may be relied upon by the Trustee without liability and without further enquiry or evidence, and if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

14. **Prescription**

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

15. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is 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 the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's 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 the Issuer's Subsidiaries, (b) 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 (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or

substitution), the Trustee shall have regard to the general interests 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) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for 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 or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 12 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 12 (*Taxation*) pursuant to the Trust Deed.

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Conditions by the Calculation Agent or the Quotation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (in the absence of wilful default) no liability to any such Person will attach to the Calculation Agent or the Quotation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

- (i) the Issuer shall at all times maintain a principal paying agent and a registrar; and
- (ii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

17. **Meetings of Noteholders; Modification and Waiver; Substitution**

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

Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) 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 if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

In addition the Trustee shall be obliged to concur with the Issuer in effecting any amendments to the interest calculation provisions and provisions related thereto of the Notes in the circumstances and as otherwise set out in Condition 7(h) (*Floating Rate Note Provisions - Benchmark Replacement*) without the requirement for the consent or sanction of the Noteholders or Couponholders.

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 17(b) (*Modification and Waiver*) or Condition 17(c) (*Substitution*) shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with the Conditions.

- (c) *Substitution:* The Trust Deed contains provisions under which any (i) Holding Company of the Issuer, (ii) Subsidiary of the Issuer, or (iii) Successor in Business of the Issuer may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that** certain conditions specified in the Trust Deed are fulfilled, including the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

18. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or other steps or action (including lodging an appeal in any proceedings) as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes or otherwise, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or provided with security and/or prefunded to its satisfaction.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

19. **Further Issues**

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

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them (i) by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or (ii), if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given, in the case of (i) above, on the second day after the date of mailing or, in the case of (ii) above, on the date of first publication.
- (c) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

21. **Currency Indemnity**

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

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

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts

used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

(a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

(b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes and; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.

FORM OF FINAL TERMS

[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 ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC, 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.]

[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**")][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.]

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

Final Terms dated [•]

Babcock International Group PLC

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

under the £1,800,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the [Conditions (the "**Conditions**") set forth in the Base Prospectus dated 6 September 2018] [and the supplemental Base Prospectus[es] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] [and the supplement to it dated [•]] which are incorporated by reference in the Base Prospectus dated 6 September 2018. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 6 September 2018 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in a relevant Member State.

1. (i) Issuer: [•]
2. [(i)] Series Number: [•]
- [(ii)] Tranche Number: [•]
- [(iii)] Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]
- [(i)] Series: [•]
- [(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
- (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]
- (ii) Calculation Amount: [•]
6. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
7. Maturity Date: [•]
8. Interest Basis: [[•] per cent. Fixed Rate]
- [•] month [•] [EURIBOR]/[LIBOR]/[BBSW] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below in paragraph(s) [13/14/15])
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
10. Change of Interest or Redemption Basis: [Applicable/Not Applicable]
11. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Issuer Call]
- [Change of Control Put Option]

[See paragraph [16/17/18] 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): [[•] [and [•]] in each year up to and including the Maturity Date][adjusted in accordance with [•]/not adjusted]
 - (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: [Actual/Actual (ICMA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360 (ISDA)]
 - (vi) Determination Dates [•] in each year
14. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period: [•]
 - (ii) Specified Interest Payment Dates: [•] in each year [adjusted in accordance with [•] / not adjusted]
 - (iii) [First Interest Payment Date]: [•]
 - (iv) Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / Floating Rate Convention / FRN Convention / Eurodollar Convention / No Adjustment]
 - (v) Additional Business Centre(s): [Not Applicable/[•]]
 - (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[•] shall be the Calculation Agent]
 - (viii) Screen Rate Determination:
 - Reference Rate: [•][•] [EURIBOR/ LIBOR/BBSW]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]

- [Relevant Time: [•]
 - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear Interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA) / Actual/365 / Actual/Actual(ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 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 Amount: [Actual/Actual (ICMA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA)]

PROVISIONS RELATING TO REDEMPTION

16. Call Option [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] / [Par] per Calculation Amount / Make-Whole Amount]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
- (v) Make-Whole Redemption Margin: [•]/[Not Applicable]
- (vi) Reference Security: [•]/[Not Applicable]

- (vii) Quotation Time: [•]
17. Put Option [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
18. Change of Control Put Option: [Applicable/Not Applicable]
19. Final Redemption Amount of each Note: [[•] per Calculation Amount/Not Applicable]
20. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [[•] / [Par] per Calculation Amount / Make-Whole Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: **[Bearer Notes:]**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes:]**
- Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
22. New Global Note: [Yes][No][Not Applicable]
23. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
24. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]

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 the Issuer:

By:
Duly authorised

Date:

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [Regulated Market of the London Stock Exchange] with effect from [•].
- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

- The Notes to be issued [have been/are expected to be] rated:]/[are unrated.]
- [Ratings: [[Standard & Poor's: [•]]
[Moody's: [•]]
[Fitch: [•]]]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and 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. [Fixed Rate Notes only – YIELD

Indication of yield: [•]/[Not Applicable]]

5. [Floating Rate Notes only - HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW] rates can be obtained from Reuters.]

OPERATIONAL INFORMATION

6. ISIN Code: [•]
7. Common Code: [•]
8. FISN: [•]
9. CFI Code: [•]
10. Relevant Benchmark[s]: [EURIBOR]/[LIBOR]/[BBSW] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name]][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation]]/[As far as the Issuer is aware, as at the date hereof, [EURIBOR]/[LIBOR]/[BBSW] does not fall within the scope of the Benchmark Regulation]/[Not Applicable]

11. Delivery: Delivery [against/free of] payment
12. Names and addresses of additional Paying Agent(s) (if any): [•]
13. Intended to be held in a manner which would allow Eurosystem eligibility: [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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)[include this text for registered notes]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank 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 [[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes]]. 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 European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

DISTRIBUTION

14. Stabilising Manager(s) (if any): Not Applicable / [•]
15. U.S. Selling Restrictions: [Reg. S Category 2]/[TEFRA C/TEFRA D/ TEFRA not applicable]
16. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its general corporate purposes.

INFORMATION ON THE BABCOCK GROUP

INTRODUCTION

Babcock is the UK's leading engineering support services company with customers in the UK and overseas, principally in the defence, emergency services and civil nuclear markets. Its customers are mainly central and local governments, regulated bodies, and blue chip companies operating in highly regulated sectors, which own or operate strategically important assets, requiring long-term maintenance and upgrade. As at 31 March 2018, the Babcock Group generated Group revenue of £4,659.6 million (on a statutory basis) and employed approximately 35,000 staff worldwide across its four sectors: Marine, Land, Aviation and Cavendish Nuclear.

HISTORY AND DEVELOPMENT

Babcock was floated on the London Stock Exchange in 1989. Babcock entered the FTSE 100 index in June 2012.

The Babcock Group has its origins in the late 19th century in the development of a boiler making business, which was disposed of in the 1990s. Over the course of the 20th century it entered (and in some cases subsequently exited) a number of engineering-based, defence related and materials handling businesses.

Since 2001, the Babcock Group has been pursuing its strategy of becoming the UK's leading engineering support services business. Notable steps in the development of the Babcock Group's existing business include the following acquisitions:

1997: the acquisition of Rosyth Royal Dockyard on its privatisation;

2004: the acquisition of the Peterhouse Group, including its rail, power transmission and telecommunications support businesses;

between 2006 and 2009: the acquisition of several nuclear support businesses including Alstec Group Limited (May 2006), International Nuclear Solutions PLC (January 2007), Strachan and Henshaw Ltd (April 2008) and UKAEA Limited (September 2009) which Babcock consolidated to form its subsidiary, Cavendish Nuclear, which is the UK's leading civil nuclear engineering company;

2007: the acquisition of Devonport Management Limited, entailing the acquisition of Devonport Royal Dockyard;

July 2010: the acquisition of VT Group plc for £1.3 billion, an international support services company, which further advanced Babcock's strategy to become the UK's leading engineering support services company by combining two highly complementary businesses to create a business with increased scale and capabilities in its core markets. Following the acquisition of VT Group plc, Babcock undertook a strategic review of all the business units acquired, which resulted in the sale of VT's US business, VT Services Inc, in July 2012;

May 2014: the acquisition of the Avincis Group for an enterprise value of approximately £1.6 billion. The Avincis Group is now within Babcock's Aviation Sector. The acquisition made Babcock a leading provider of helicopter and fixed wing services in mission critical operations such as medical, search and rescue, fire-fighting and civil protection in Europe and Australia; and

2015: the Babcock Group acquired the Defence Supply Group for £140 million.

In addition to the significant transactions listed above, there have been a number of smaller acquisitions since 2001 that have added to, extended and complemented the core business of the Babcock Group. In February 2015, for example, Babcock acquired MacNeillie, a leading specialist vehicle converter. MacNeillie is a long established supplier to the emergency services, civil service, military and other security focused companies.

BUSINESS OVERVIEW

Babcock International Group PLC is the parent company of the Babcock Group. Babcock's business is organised into four core sectors, Marine, Land, Aviation, and Cavendish Nuclear, in order to align itself to

its customers and markets, to focus on its core capabilities and to make the Babcock Group easier to understand for all its stakeholders.

Each sector has a strong base of both defence and civil customers, with operations of scale in the UK and internationally. Furthermore, each sector is underpinned by deep technical knowledge and expertise. Through infrastructure, assets, technology or regulation, all four sectors are characterised by high barriers to entry.

In the financial year ended 31 March 2018, 47 per cent. of the Babcock Group's revenue was attributable to Defence customers and 53 per cent. to Civil customers. In the financial year ended 31 March 2017, 72 per cent. of these customers were UK based and 28 per cent. were international and, in the same period, 80 per cent. of the Babcock Group's customers were public sector and 20 per cent. were private sector.

Marine

Marine delivers a wide range of complex through-life marine engineering services, supporting UK and international naval fleets, commercial marine, engineering consultancy, weapons-handling, equipment support, intelligence and cyber security and technical training, all delivered through unique owned and managed infrastructure to defence and civil customers.

Submarines

The Babcock Group is a strategic support partner for the Royal Navy. It is the lead support provider for both deep and in-service maintenance, including refuelling and defuelling activities, as well as infrastructure support, for the UK fleet of nuclear powered submarines. In addition, through the Submarine Enterprise Performance Programme, a partnership between the Babcock Group, the MoD, BAE Systems and Rolls Royce, the Babcock Group works to ensure maximum availability for the submarine fleet. These activities are undertaken at the Babcock Group's Devonport facility and at HMNB Clyde, where the Babcock Group is responsible for the delivery of services.

In Canada, since 2008, the Babcock Group has been delivering the Victoria In-Service Support Contract to support the Canadian Navy's fleet of four submarines. In Australia, the Babcock Group continues to be a through-life support partner for the weapons handling and launch systems on the Collins class of submarines.

Surface warships

The Babcock Group undertakes a significant proportion of the deep maintenance and in-service support for the UK surface ship fleet. The Babcock Group is a Tier 1 partner to the MoD within the UK's Surface Ship Support Alliance. This alliance covers all current classes of warships and is intended to cover all future classes, such as the new Type 26 Global Combat Ships and the Queen Elizabeth Aircraft Carriers ("**QEC**"). The Babcock Group is also a member of the Aircraft Carrier Alliance which is an alliance between the MoD and industry created to transform the delivery of the QEC programme. The Babcock Group has a key role in the QEC programme. It has been responsible for significant elements of the design, the build of a number of the sections and the final assembly and integration of the two vessels at its facility in Rosyth.

In addition to building a number of the sections for the QEC programme, Marine's facility at Appledore, North Devon has built four Offshore Patrol Vessels for the Irish Navy.

In Australia, the partnership of Babcock Group and UGL Infrastructure Pty Ltd continues to provide support to the Australian Navy's fleet of eight ANZAC class frigates. In New Zealand, since 2010 the Babcock Group has operated the dockyard in Auckland for the New Zealand Defence Force

Naval infrastructure

The Babcock Group has ownership or operational control of key naval infrastructure, across the UK, essential for the deep maintenance and in-service support activities undertaken for the Royal Navy, including the QEC dock at Rosyth, the syncrolift and Astute jetty at HMNB Clyde and the ballistic nuclear submarine refitting facility, the submarine refit complex, landing craft facilities and frigate refit complex at Devonport.

The Babcock Group has worked with the MoD at HMNB Devonport since 2007 and HMNB Clyde since 2002 delivering cost reductions and service improvements. The Babcock Group works with its customer to optimise fleet-time engineering support, waterfront support services, estates and facilities management and logistics and transport services. These services are principally delivered through the Babcock Group's Terms of Business Agreement with the MoD which reinforces its position as the MoD's strategic partner at HMNB Devonport and Clyde until 2025.

Commercial

Following the acquisition of LGE Process in January 2013, the Babcock Group has a growing presence in the liquid gas sectors, where it offers design and installation of mechanical, electrical and chemical process equipment for ships, oil and gas platforms and onshore support facilities.

Technology

Marine owns independent technology consultancy businesses, which over the financial year to 31 March 2017 have shown sustained growth, in particular Context IS, Babcock's cyber security operation.

Land

Land provides large-scale critical fleet management and training for customer owned defence, emergency services, global airport and commercial vehicle fleets, comprising around 80,000 vehicles, while providing engineering services and technical training worldwide.

Defence

The Babcock Group has an output based, ten year contract (with options to extend for a further five years) with the MoD. Under the contract, Babcock Group maintains, repairs and overhauls a wide range of military vehicles for the British Army from protected mobility vehicles to main battle tanks.

In addition, Land provides management of, and continuity of service for, a significant part of the MoD's white fleet through its Phoenix II contract, as well as supporting, in joint venture with Amey, the British Army's construction fleet.

Land is also the largest private sector provider of military training to all three armed forces in the UK. At the Armour Centre, Bovington, the Babcock Group manages and operates the British Army's main armoured training facility. Since 2008, the Babcock Group has been delivering technical, trade and professional training and education for all Royal Engineers, as well as other parts of the armed services, at the Royal School of Military Engineering. Under the Electro-Mechanical Training contract, which the sector won in July 2014, the sector continues to deliver transformation in training delivery and support to the Royal Electrical and Mechanical Engineers.

Emergency Services & Training

This business unit provides through-life fleet and asset management services to a range of customers in the resilience and emergency services sector.

The Babcock Group is one of the largest providers of support services to the UK's emergency services, managing vehicles, equipment and facilities on behalf of the Metropolitan Police Service and the London Fire Brigade.

The Babcock Group is one of the largest private sector providers of vocational training in the UK. It delivers a range of long term training services arrangements to customers in the automotive, transport, energy and service sectors including London Fire Brigade, BMW, Network Rail and EDF Energy utilising a range of dedicated facilities.

Networks and Equipment Support

The Network and Equipment Support business brings together a group of businesses that operate across a range of market sectors, such as rail, airports, power, media, and education.

The business supports Network Rail, as well as other rail industry customers across the UK, and is one of the largest conventional plain line track renewals company in the country.

It also operates in the power transmission and distribution markets in the UK, specialising in the end-to-end delivery and refurbishment of high voltage power lines. For customers in the airports sector, the business designs, installs and manages complex baggage handling systems as well as providing engineering support for its specialist ground support vehicles.

South Africa

In South Africa, the Babcock Group provides engineering support to the power stations of Eskom, South Africa's power utility company, as well as being responsible for the construction, erection and maintenance of high-voltage power lines. Since 2000, the Babcock Group has been the exclusive distributor for Volvo construction equipment in South Africa, and is developing its dealership network for DAF Trucks. The business also has a crane and plant hire business, providing cranes and plants for major infrastructure and construction programmes.

Aviation

Aviation delivers a wide array of critical engineering services to defence and civil customers, ranging from technical training of advanced fixed and rotary wing pilots, engineering, equipment support and maintenance, airbase management and logistics, to the operation of owned and customer-owned aviation fleets delivering emergency services and offshore services around the globe.

Aerial Emergency Services

The Babcock Group is a leading provider of aerial Emergency Medical Services, with key positions in Italy, Spain, Norway and the UK. It is also one of the world's leading providers of fixed wing and rotary wing firefighting services.

Military Air

Aviation is an experienced provider of high quality training, engineering and equipment support to the RAF and the UK's military flying training programme. The Babcock Group has been delivering flying training, aircraft engineering and airfield services for more than 70 years and supports over 25 per cent. of all MoD rotary and fixed wing aircraft. Its key activities include the delivery of pilot training, flight simulator maintenance, asset management, multi-activity support services and equipment support. Following the award of the FOMEDEC contract by the French MoD, the business will become an important provider within the French military training environment.

Cavendish Nuclear

Cavendish Nuclear is a wholly owned subsidiary of the Babcock Group and delivers complex nuclear engineering on major nuclear decommissioning programmes and projects across the UK. Its Project business delivers nuclear decommissioning engineering services in training, operation support, new build programme management, design and installation and critical safety to both public and private customers in the UK and, increasingly, internationally.

In the nuclear decommissioning sector, Cavendish Nuclear's expertise is in the management and delivery of complex dismantling, clean-up and restoration tasks. Cavendish Nuclear, in partnership with CH2M Hill, Inc. and AECOM, forms the Parent Body Organisation to decommission and return to its interim end state the UK's former fast reactor research and development centre at Dounreay. At Sellafield, Cavendish Nuclear undertakes decommissioning activities based on its expertise in the design and build of waste treatment facilities, waste management and fuel handling. Cavendish Nuclear is also a 65 per cent. member of the Cavendish Fluor Partnership ("**CFP**"), which holds the contract to manage 12 nuclear sites across the UK. Following the detailed consolidation phase of the contract, it became apparent that the work that needs to be done at the 12 sites is materially different in volume from that specified in the contract tender. The customer, the UK's Nuclear Decommissioning Authority, (the "**NDA**") believed that this put the contract at risk of legal challenge. The NDA and the CFP have come to a mutual agreement to bring the contract to an end in August 2019. The NDA is undergoing a review, and the intended operational arrangements for Magnox beyond August 2019 are still to be determined, but Cavendish Nuclear believe

that its strong operational performance and technical expertise, combined with its experience of the Magnox sites, will put it in a strong position to benefit from any new opportunities.

In support of the UK's current fleet of nuclear power stations, Cavendish Nuclear is a strategic partner to EDF Energy, working with them on their lifetime extension programme. In the nuclear new build sector; Cavendish Nuclear is working on the programme to construct the proposed Hinkley Point C nuclear power station.

STRATEGY

Babcock is the UK's leading engineering support services company. Its objective is to grow from this position in both the UK and overseas, delivering sustainable value for its shareholders. Babcock aims to achieve this strategy by creating and growing a balanced portfolio of businesses that:

- work for governments, public sector organisations, regulated bodies and blue-chip companies;
- provide technical services that are critical, complex and bespoke;
- have long-term integrated output or availability contracts, balancing risk and reward;
- are customer-focused and work collaboratively;
- have, or are capable of developing, leading market positions; and
- have a strong health and safety focus.

COMPETITIVE ENVIRONMENT

In most of its principal activities and geographic areas of operation, the Babcock Group experiences competition from large international and national companies. The Babcock Group's competitors vary by sector and business unit, although some competitors may span more than one sector. It has four main competitor groupings: defence original equipment manufacturers; helicopter operators; support services generalists and international engineering, procurement and construction companies. The Babcock Board (the "**Board**") believes that the Babcock Group has a strong competitive position and that this is a result of the combination of: a strong customer focus; empathy and alignment with customers' objectives; long-term integrated output or availability contracts; the depth and breadth of its engineering capabilities; its strong market position; and its know-how, assets and capabilities.

PROPERTY

The Babcock Group's principal facilities are located at the Rosyth and Devonport dockyards.

The Rosyth site is owned by Babcock's subsidiary, Rosyth Royal Dockyard Limited ("**RRDL**"), and operated by Babcock Marine (Rosyth) Limited. At the Rosyth site the Babcock Group is engaged in the fabrication and assembly of the Queen Elizabeth Class aircraft carriers; the operation of nuclear facilities for the MoD; the storage of laid up submarines; other engineering services; and dockyard port operations.

Devonport Royal Dockyard is owned by Babcock's subsidiary, Devonport Royal Dockyard Ltd ("**DRDL**"), and is located next to HMNB Devonport, a major operational naval base that is owned by the MoD, for which the Babcock Group provides a range of engineering and logistic services. The Devonport site is the only UK facility equipped for the refitting, refuelling and defuelling of Royal Navy nuclear-powered submarines and it also has a number of docks equipped for the docking and deep maintenance of major surface warships. Supported by a wide range of engineering workshops, it carries out (i) refits and dockings on nuclear powered submarines, (ii) defuelling and de-equipping of end-of-life nuclear-powered submarines, (iii) refits and dockings of major surface warships and smaller surface craft, (iv) the supply and overhaul of marine equipment and related systems, (v) other manufacturing and assembly activities on military and commercial equipment, and (vi) complex infrastructure and facility operations and upgrades.

The articles of association of RRDL and DRDL grant the MoD as the holder of a special share in each of those companies certain rights in certain circumstances. Such rights include the right to require the sale of shares in, and the right to remove directors of, the company concerned.

The circumstances when such rights might arise include where the MoD considers that unacceptable ownership, influence or control (domestic or foreign) has been acquired over the company in question and that this is contrary to the essential security interests of the UK. This might apply, for example, in circumstances where any non-UK person(s) directly or indirectly acquires control over more than 30 per cent. of the shares of the company, though such a situation is not of itself such a circumstance unless the MoD in the given situation considers it to be so. Any level of ownership by particular foreign or domestic persons may, on the facts of the case, be so treated.

Babcock believes that RRDL presently has the right under its articles of association to request that the special share held by the MoD in RRDL be redeemed.

The material properties owned by the Babcock Group are as follows:

Location	Description and Tenure	and Use	Building /site use area
Rosyth Dockyard, Scotland	Royal Dockyard, Port (Freehold)	Dockyard Maintenance and construction of surface warships. Fabrication and assembly of the Queen Elizabeth Class aircraft carriers. Storage of laid up nuclear-powered submarines. Engineering workshops, business park.	and Approximately 1,218,104 square metres
Devonport Dockyard, England	Royal Dockyard, Port (Freehold)	Dockyard port operations. Maintenance of nuclear powered submarines and surface warships. Engineering workshops, storage and staff parking.	Approximately 905,278 square metres

As disclosed above, the existing or planned material tangible fixed assets owned or leased by the Babcock Group are those assets incorporated in the infrastructure or operation of the two principal dockyards.

The net book value of the tangible fixed assets of the Babcock Group as at 31 March 2018 was £1,028.4 million.

CONTRACTS, PATENTS AND LICENCES

Contracts

The majority of the Babcock Group's revenue comes, directly or indirectly, from UK government customers, particularly the MoD, and other UK public sector bodies and agencies, through various contracts across different businesses, which together are essential to the business of the Babcock Group as a whole, as are its borrowing facilities with banks and other lenders.

Patents and Licences

The Babcock Group owns an intellectual property portfolio which includes a number of UK and foreign patents, as well as unpatented know-how, trademarks and copyrights, all of which contribute to the preservation of the Babcock Group's competitive position in the market place. Babcock does not believe that the loss of any one patent would have a material adverse effect on the Babcock Group's business, financial condition or operating results.

REGULATION

The Babcock Group is subject to various laws and regulations that are relevant to the industries in which it operates in the UK and elsewhere. These include restrictions on the sale, export and sharing of technology and the disclosure of information (particularly in respect of its defence business in Marine, Land and Aviation sectors), as well as health and safety and environmental laws and regulation, which is relevant across its business divisions. The helicopter and aircraft industry is subject to a high degree of international, European and UK government regulation covering most aspects of helicopter operations. These govern operational standards (relating to safety, security, aircraft noise and maintenance) as well as commercial activity. Standards and compliance are monitored through regular inspections.

The Babcock Group has a wide range of licences, permissions and other consents granted by various regulatory and other public bodies in connection with its business. Some of the licences, permissions and other consents held by members of the Babcock Group apply generally to activities carried on by specific Babcock Group companies; others only apply to specific occurrences or activities on specified sites or by specified individuals (for example certain Babcock Group sites need licences to deal with radioactive and explosive substances, consents to discharge waste water and incinerate waste, licences for vehicles and export and import licences). At any given time a number of applications will be in place to renew or replace existing licences, permissions and other consents and to obtain new licences, permissions and consents for other activities.

Aviation

Aviation is subject to the EU Regulation 1008/2008 (the "**Regulation**") and is required to hold Aircraft Operating Licences to operate its Aerial Emergency Medical Services business. The Regulation requires that a holder of an Aircraft Operating License is majority owned and effectively controlled by EEA nationals. In the event that the relevant undertaking ceases to be owned and effectively controlled by EEA nationals, this could lead to aviation regulators refusing, withholding, suspending or revoking the relevant operating licence which in turn could have a material adverse effect on the Babcock Group's business, financial condition and/or operation.

The Babcock Group recognises that compliance with laws and regulations is vital for the success and regulation of its business and seeks to establish and maintain good working relationships with all regulatory and other public bodies with which it deals.

Nuclear Industry

The UK nuclear industry is subject to regulation by a number of independent regulators:

- the Office for Nuclear Regulation (the "**ONR**") grants nuclear site licences for the operation and decommissioning of nuclear installations, and is responsible for the regulation of activities on nuclear licensed sites under legislation, in particular, the Energy Act 2013, the Health and Safety at Work etc. Act (1974) and the Nuclear Installations Act 1965 (the "**NIA**"). The ONR is also responsible for the safety and security of civil nuclear sites;
- the Defence Nuclear Safety Regulator (the "**DNSR**"), part of the Defence Safety Authority which is accountable to the Secretary of State for Defence, jointly regulates nuclear safety and security in relation to defence nuclear sites;
- the Environment Agency (the "**EA**") regulates both radioactive and non-radioactive discharges to the environment from nuclear sites in England; and
- the Scottish Environment Protection Agency (the "**SEPA**") holds similar responsibilities to the EA in Scotland, as does Natural Resources Wales in Wales.

On the civil nuclear side, Cavendish Nuclear, a wholly owned subsidiary of Babcock, provides nuclear site licence management services to:

- Dounreay Site Restoration Limited ("**DSRL**") through Babcock Dounreay Partnership, its joint venture with CH2M Hill and AECOM at Dounreay, Britain's former centre for fast reactor research and development; and
- for Magnox Limited ("**Magnox**") through its joint venture with Fluor for 12 nuclear sites, being the UK's 10 Magnox nuclear power stations as well as two research sites at Harwell and Winfrith.

On the defence nuclear side, the Babcock Group's nuclear activities at Devonport and Rosyth are licensed by the ONR. Certain of the Babcock Group's activities at Devonport and its activities at Faslane (those activities relating to nuclear powered submarines) are also regulated by the DNSR.

All of the Babcock Group's nuclear activities fall under the regulation of one or more of the ONR, the DNSR, the EA, the SEPA and Natural Resources Wales.

Under the Nuclear Installations Act, which implements in the UK the international nuclear liability regime, the nuclear site licence holder (in relation to Babcock group companies, the nuclear site licence holder is Babcock at Devonport and Rosyth, DSRL at Dounreay and Magnox at the Magnox sites) is liable for the consequences of nuclear incidents at its nuclear licensed site, regardless of fault. Currently under the NIA, the liability of a nuclear site licence holder in the UK is capped at £140 million for each nuclear incident and claims may be brought against the nuclear site licence holder up to 10 years after the nuclear incident. The nuclear site licence holder must maintain insurance or other appropriate financial security to cover its potential liability. At Babcock's civil sites, this insurance is maintained by the UK Nuclear Decommissioning Authority, the authority established by the Energy Act 2004 to manage the clean-up of the UK's civil nuclear legacy. At Rosyth and Devonport, the Babcock Group relies on indemnities provided by the MoD to cover its statutory liabilities.

Changes to the amount and extent of liability, as well as the limitation period for making certain claims, have been enacted in the UK, and will come into force following ratification by the contracting states of the international protocols setting out the changes to the international nuclear liability regime.

EMPLOYEES

As at 31 March 2018, the Babcock Group employed approximately 35,000 staff worldwide. As at 31 March 2017, the Babcock Group employed approximately the same number.

The Babcock Group has recognition agreements with a number of trade unions including Unite, Prospect, GMB and the National Union of Rail, Maritime and Transport Workers. As at 31 March 2018, approximately 60 per cent. of the Babcock Group's employees worked for companies and/or sites which were covered by collective agreements with trade unions (although employees working in an environment covered by a collective agreement are not necessarily members of trade unions).

INSURANCE

The Babcock Group maintains insurance coverage which is mostly negotiated on a Group-wide basis. Coverage includes employer's liability, workers compensation, property damage, business interruption, public and product liability and motor vehicle liabilities in all of the countries in which the Babcock Group operates. Other than in connection with the helicopter accident in Glasgow in November 2013 and the helicopter accident in Abruzzo, Italy in January 2017 (both of which are more particularly described on page 88), the Babcock Group has not made any material claims under any of its insurance policies in the last three years.

Taking into account the nature of the Babcock Group's business, the Board believes that the level of insurance for the Babcock Group is in line with industry standards, and that the Babcock Group is compliant with any contractual requirements for insurance cover imposed by customers, where applicable.

KEY PERFORMANCE INDICATORS FOR THE BABCOCK GROUP

The Babcock Group has identified a number of group and sector level financial and non-financial key performance indicators that reflect the internal benchmarks it uses to measure the success of its business

and strategy. These measures enable investors and other stakeholders to measure its progress. The following table contains the key performance indicators for the Babcock Group for the years ended 31 March 2017 and 31 March 2018:

	<u>2018</u>	<u>2017</u>
OCF Conversion	106%	115%
Net Debt/EBITDA	1.6	1.8
Operating return on revenue	10.9%	11.0%
Revenue growth	2.8%	7.7%
EBITDA/Interest cover	14.5	13.5
Gearing ratio	38%	42%
ROIC.....	14.5%	14.5%

See "Alternative Performance Measures" for further information in relation to how these figures have been calculated.

SIGNIFICANT SUBSIDIARIES

The Issuer is the parent company of the Babcock Group.

The following is a list of the principal subsidiaries and associated undertakings of Babcock (each of which is considered by Babcock to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Babcock Group) as at the Latest Practicable Date.

The businesses listed below operate principally in the country in which they are incorporated.

Name of Subsidiary Undertaking	Country of origin/ incorporation	Percentage holding of shares and voting rights	Nature of Business
Babcock Marine (Rosyth) Limited	Scotland	100%	Maintains and provides support services to Royal Navy submarines and service ships in the commercial marine market
Rosyth Royal Dockyard Limited	Scotland	100%	Owner of Rosyth dockyard
Babcock Marine (Devonport) Limited	England and Wales	100%	Holding company for Devonport dockyard
Devonport Royal Dockyard Limited	England and Wales	100%	Maintains Royal Navy ships and provides support services to naval base
Babcock Marine (Clyde) Limited	Scotland	100%	Submarine services to the MoD
Babcock Information Analytics and Security Limited	England and Wales	100%	Consultancy and project management
Frazer-Nash Consultancy Limited	England and Wales	100%	Systems and engineering technology services
Appledore Shipbuilders (2004) Limited	England and Wales	100%	Shipbuilding
Babcock Pty Limited	Australia	100%	Engineering and maintenance support
Babcock Integrated Technology Limited	England and Wales	100%	Design, supply and installation of specialist handling equipment
Babcock Canada Inc.	Canada	100%	Engineering and Project Management of Submarines and Surface Ships for the Canadian Navy.

Name of Subsidiary Undertaking	Country origin/ incorporation	of	Percentage holding of shares and voting rights	Nature of Business
Liquid Gas Equipment Limited	Scotland		100%	Design and build plants for processing, storage and handling of liquid gasses
Context Information Security Limited	England and Wales	and	100%	Technical cyber-security consulting
Babcock (NZ) Limited	New Zealand		100%	Prime system integrator for the New Zealand Defence Force Navy fleet. Management of the NZDF Dockyard in Auckland, including the provision of engineering and maintenance services to the Navy fleet and commercial operators.
Babcock Support Services Limited	England and Wales	and	100%	Support services and facilities management
Babcock Flagship Limited	England and Wales	and	100%	Naval training services
Babcock Aerospace Limited	England and Wales	and	100%	Airfield support services
Babcock Land Limited	England and Wales	and	100%	Fleet management and training services
Babcock Airports Limited	England and Wales	and	100%	Airport support services
Babcock Critical Services Limited	England and Wales	and	100%	Fleet management and support services
Babcock Vehicle Engineering Limited	England and Wales	and	100%	Specialist vehicle converter
Cavendish Nuclear Limited	England and Wales	and	100%	Nuclear engineering services, including decommissioning, projects and new build
Babcock Rail Limited	England and Wales	and	100%	Rail infrastructure repair and maintenance
Babcock Networks Limited	England and Wales	and	100%	Powerline erection and maintenance
Babcock Communications Limited	England and Wales	and	100%	Communication services
Conbras Servicos Tecnicos de Suporte Ltda	Brazil		100%	Facilities management
Babcock Training Limited	England and Wales	and	100%	Education and training services
Babcock 4S Limited	England and Wales	and	80.1%	Education and training services
Babcock Learning and Development Partnership LLP	England and Wales	and	80.1%	Education and training services
Babcock Africa Services (Pty) Limited	South Africa		100%	Engineering services, equipment sales, hire and maintenance
Babcock Mission Critical Services Espana SAU	Spain		100%	Helicopter mission critical operations

Name of Subsidiary Undertaking	Country of origin/ incorporation	of	Percentage holding of shares and voting rights	Nature of Business
Babcock Mission Critical Services Galicia SL	Spain		91.11%	Helicopter mission critical operations
Babcock Mission Critical Services France SA	France		100%	Helicopter mission critical operations
Babcock Mission Critical Services Portugal, Unipessoal, LDA	Portugal		100%	Helicopter mission critical operations
Babcock Mission Critical Services Italia S.p.A	Italy		100%	Helicopter mission critical operations
Babcock Mission Critical Services Onshore Limited	England and Wales	and	100%	Helicopter mission critical operations
Babcock Mission Critical Services (Ireland) Limited	Ireland		100%	Helicopter mission critical operations
Babcock Mission Critical Services Offshore Limited	England and Wales	and	100%	Helicopter mission critical operations
Babcock Mission Critical Services Design and Completions Limited	England and Wales	and	100%	Helicopter mission critical operations
Babcock Offshore Services Australasia Pty Ltd	Australia		100%	Helicopter mission critical operations
Babcock Mission Critical Services Australasia Pty Ltd	Australia		100%	Helicopter mission critical operations
Babcock SAA FW AB	Sweden		100%	Fixed wing mission critical operations
Babcock Scandinavian AirAmbulance AB	Sweden		100%	Helicopter mission critical operations
Babcock DSG Limited	UK		100%	Engineering services and equipment maintenance and repair
Equity accounted investments				
Holdfast Training Services Limited	England and Wales	and	74%	Military training
ALC (Superholdco) Limited	England and Wales	and	50%	PFI operator
Airtanker Limited	England and Wales	and	13.3%	In-flight refuelling support
Ascent Flight Training (Holdings) Limited	England and Wales	and	50%	Flight training
Cavendish Dounreay Partnership Limited	England and Wales	and	50%	Nuclear site decommissioning
Cavendish Fluor Partnership Limited	England and Wales	and	65%	Nuclear site decommissioning
Helidax S.A.S	France		50%	Helicopter mission critical operations

LITIGATION AND INVESTIGATIONS

The Babcock Group is party to certain legal proceedings and investigations, most of which are routine and all of which are incidental to its business. Some matters involve claims for damages as well as other relief. Other than the proceedings set out below, the Babcock Group believes that, if any or all of these legal proceedings or investigations are determined against it, they will not have a material adverse effect on its financial position or results of operations. However, the outcome of legal proceedings can be extremely difficult to predict with certainty. The main ongoing proceedings and investigations are set out below.

The Air Accident Investigation Branch carried out an investigation into the 29 November 2013 helicopter accident in Glasgow, which resulted in ten fatalities, several persons injured and significant property

damage. A separate investigation into the accident has also been carried out by Police Scotland under the direction of the Procurator Fiscal, who has said that Babcock Group will not be the subject of any criminal investigation. There will now be a Fatal Accident Inquiry into the accident, which should take start in the next twelve months. The Babcock Group is cooperating with the authorities. In addition, MCS has received several civil claims for compensation for personal injury and property damage from solicitors acting for people impacted by the accident, including, without limitation, a potential employers' liability claim in respect of the Babcock Group's pilot who died in the accident. The Babcock Group's insurance company has informed it that, without any acknowledgement of liabilities (other than strict liability of Babcock Air Services Limited as operator under the applicable laws and regulations), the insurance company is responding to the civil claims.

In January 2017, a helicopter, operated by the Babcock Group in Abruzzo, Italy and performing emergency services, crashed. There were 2 crew, 3 paramedics and 1 patient on board, all of whom died. The Babcock Group is assisting the authorities with their investigation of the causes of the accident. Babcock's insurers are dealing with the civil claims arising out of the incident.

On 8 March 2011, the Spanish tax authorities initiated a tax audit with respect to Avincis Mission Critical Services Holding, S.L. and the deductibility for corporate income tax ("CIT") purposes of certain expenses in 2007 and 2008. The tax audit resulted in an "assessment in disagreement" amounting to a CIT quota of around €5 million (plus a sum for interest/late payment penalties, if applicable). On 18 January 2013, Avincis Mission Critical Services Holding, S.L. appealed the assessment before the economic-administrative courts, which is currently pending resolution. On 22 April 2015, the Central Economic Administrative Court rejected the appeal of Avincis Mission Critical Services Holding, S.L.. Avincis Mission Critical Services Holding, S.L. filed a further appeal before the National High Court in Spain. In April 2018, the National High Court rejected that appeal. Avincis Mission Critical Services Holdings S.L. has since filed an appeal to the Supreme Court and awaits to hear, if this will be allowed to proceed to the Supreme Court.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Babcock Group and are, or may be, material and contain provisions under which the Issuer or any member of the Babcock Group has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes:

(i) ***Existing Facility Agreements:***

Babcock entered into an English law governed syndicated facility agreement in December 2014 with Australia and New Zealand Banking Group Ltd, Barclays Bank PLC, BNP Paribas, London branch, HSBC Bank plc, J.P. Morgan Ltd, Lloyds Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc and Sumitomo Mutsui Banking Corporation as mandated lead arrangers, and Bayerische Landesbank, the Bank of Tokyo Mitsubishi UFJ, Ltd and Credit Industriel et Commercial, London branch as arrangers, pursuant to which the lenders made available to Babcock a £750,000,000 multicurrency revolving credit facility. Babcock has extended the maturity date of this facility by a further year to December 2021.

In February 2018, Babcock entered into a two and a half year £100,000,000 credit facility with Lloyds Bank PLC. Babcock may use the facility for general corporate and working capital purposes.

(ii) ***Euro Medium Term Note Programme:*** In September 2014, Babcock established a £1,800,000,000 euro medium term note programme and in October 2014 issued an inaugural 8 year €550,000,000 1.750 per cent. issue of notes due 2022 under the Programme. In addition, Babcock has issued £300,000,000 1.875 per cent. notes which will be due in 2026.

(iii) ***Note Purchase Agreement:*** on 17 March 2011, Babcock issued to certain financial institutions US\$500 million 5.64 per cent. Series B Senior Notes due 17 March 2021 pursuant to a note purchase agreement entered into by each of Babcock, Devonport Royal Dockyard Ltd and Rosyth Royal Dockyard Ltd.

- (iv) **Multi-Currency Note Facility Agreement:** on 21 January 2010, Babcock issued the New York law governed £40 million 5.405 per cent. Series B Shelf Notes due 21 January 2020 to Prudential Investment Management Inc. (and certain of its affiliates) under a multi-currency note facility agreement entered into by each of Babcock, Devonport Royal Dockyard Ltd and Rosyth Royal Dockyard Ltd.

DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

DIRECTORS

Current Directors

The current directors of Babcock (each a "**Director**") and their functions are as follows:

Name	Age	Position	Date appointed to the Board
Michael Turner, CBE	70	Director, Chairman	1 June 2008
Archibald Bethel, CBE	65	Director, Chief Executive Officer	1 May 2010
Franco Martinelli	57	Director, Group Finance Director	1 August 2014
John Davies	55	Director, Land	1 January 2013
Sir David Omand, GCB	71	Senior Independent Director	1 April 2009
Ian Duncan	57	Non-Executive Director (Independent)	10 November 2010
Jeff Randall	63	Non-Executive Director (Independent)	1 April 2014
Myles Lee	65	Non-Executive Director (Independent)	1 April 2015
Victoire de Margerie	55	Non-Executive Director (Independent)	1 February 2016
Lucy Dimes	52	Non-Executive Director (Independent)	1 April 2018
Kjersti Wiklund	55	Non-Executive Director (Independent)	1 April 2018

The business address of each of the Directors (in such capacity) is 33 Wigmore Street, London, W1U 1QX.

Profiles of the Directors

The business experience and principal business activities outside of the Babcock Group of each of the Directors are as follows:

(a) **Michael Turner, CBE, Chairman**

Mike Turner was appointed to the Board as a Non-Executive Director on 1 June 2008 and as Chairman of the Board on 1 November 2008. Since January 2018, he has also been a Non-Executive Director of Barclays PLC. He is a member of the UK Government's Apprenticeship Ambassadors Network. Prior to that, he was the Chief Executive of BAE Systems plc and a former Chairman of the UK Defence Industries Council (DIC).

(b) **Archibald Bethel, CBE, Chief Executive Officer**

Archibald Bethel joined the Babcock Group in January 2004 and was Chief Executive, Marine and Technology division from June 2007. He became a Director on 1 May 2010 and he was appointed Group

Chief Executive on Peter Roger's retirement on 31 August 2016. He is a Chartered Engineer and a Fellow of the Royal Academy of Engineering. He is also President of the Society of Maritime Industries and is a Lay Member of the Court of the University of Strathclyde.

(c) ***Franco Martinelli, Group Finance Director***

Franco Martinelli joined the Board as Group Finance Director in August 2014, having served as Group Financial Controller for the previous 12 years. Before joining Babcock, he was Group Financial Controller at Powell Duffryn plc and before that he held divisional and group roles at Courtaulds, James Capel and BP.

(d) ***John Davies, Director - Land***

John Davies joined the Babcock Group in 2010, following the acquisition of VT Group. He was appointed Divisional Chief Executive, Defence and Security in 2010 and joined the Board on 1 January 2013. John is now the Sector Divisional CEO of Land. He is a lawyer by background and a graduate of the University of Manchester. He has worked extensively across the support services and defence sectors within Bombardier, BAE Systems and VT Group.

(e) ***Sir David Omand, GCB, Senior Independent Director***

Sir David joined the Board as a Non-Executive Director in April 2009, and became Senior Independent Director in January 2012. He is a visiting professor in the department of War Studies, King's College London and PSIA Sciences Po in Paris. He left UK government service in 2005 having served in various senior roles, including as UK Government Security and Intelligence Coordinator, Permanent Secretary of the Home Office, Director of GCHQ (the UK Signals Intelligence and Information Assurance Agency) and Deputy Under-Secretary of State for Policy in the MoD.

(f) ***Ian Duncan, Independent Non-Executive Director***

Ian Duncan joined the Board as a Non-Executive Director in November 2010. He is a chartered accountant and is a former Group Finance Director of Royal Mail Holdings PLC. Ian is currently a Non-Executive Director, and Chairman of the Audit Committee, of Bodycote plc. Ian is a Non-Executive Director and Chairman of the Audit Committee, of SIG plc. He has also formerly been Corporate Finance Director at British Nuclear Fuels, Chief Financial Officer and Senior Vice President at Westinghouse Electric Company LLC in Pennsylvania, USA.

(g) ***Jeff Randall, Independent Non-Executive Director***

Jeff Randall joined the Board as a Non-Executive Director on 1 April 2014. He had a long career as a journalist and broadcaster until he stepped down as a presenter for Sky News in March 2014 and as editor-at-large of the Daily Telegraph at the end of 2013. He was business editor of the BBC between 2001 and 2005, the launch editor of Sunday Business and, for six years, was City Editor of the Sunday Times. He is a former director of Times Newspapers. He is also a Visiting Fellow of Oxford University's Saïd Business School, where he specialises in corporate reputation, and is an Independent Non-Executive at BDO, the accountancy firm.

(h) ***Myles Lee, Independent Non-Executive Director***

Myles Lee was appointed to the Board on 1 April 2015. He was Chief Executive Officer of CRH plc between 2009 and 2013, serving before that from 2003 as its Finance Director, having joined CRH in 1982 and serving in a number of roles and management positions. Myles holds a degree in civil engineering and is a Fellow of the Institute of Chartered Accountants in Ireland. He is also a Non-Executive Director of UDG Healthcare PLC and Ingersoll-Rand plc which is listed on the New York Stock Exchange.

(i) ***Prof. Victoire de Margerie, Independent Non-Executive Director***

Victoire de Margerie joined the Board as a Non-Executive Director on 1 February 2016. She is the Executive Chair of Rondol (France), a start-up company, developing micro machinery for advanced industry applications. She is also a Non-Executive Director of Eurazeo SA (France) and Arkema (France). She has been a non-executive director of Morgan Advanced Materials Plc (UK), Norsk Hydro ASA (Norway) and Outokumpu OyJ (Finland). During her career as an executive, Victoire held senior

management positions in France, Germany and the USA with Atoche, Carnaud MetalBox and Pechiney. Victoire holds a PhD in Strategic Management from Université Panthéon-Assas (Paris II).

(j) ***Lucy Dimes, Independent Non-Executive Director***

Lucy Dimes is the Chief Executive Officer, UBM EMEA. She has also been a Non-Executive Director of Berendsen PLC, where she was a member of the Audit, Remuneration and Nomination Committees. Previously, she was Chief Executive Officer, UK & Ireland, of Fujitsu, the Chief Operating Officer and Executive Director of Equiniti Group Chief Executive Officer UK & Ireland of Alcatel Lucent (now Nokia) and had a 19-year career at BT, where she held various senior roles, including Managing Director of Group and Openreach Service Operations.

(k) ***Kjersti Wiklund, Independent Non-Executive Director***

Kjersti Wiklund is a Non-Executive Director of Laird PLC and Spectris PLC. Prior to that, she held senior roles, including Director, Group Technology Operations of Vodafone, and Chief Operating Officer of VimpelCom Russia, Deputy Chief Executive Officer and Chief Technology Officer of Kyivstar in Ukraine, Executive Vice President and Chief Technology Officer of Digi Telecommunications in Malaysia, and Executive Vice President and Chief Information Officer at Telenor in Norway. She was also a Non-Executive Director of Cxense ASA in Norway, Fast Search & Transfer ASA in Norway and Telescience Inc in the US.

A list of the companies and partnerships (other than Babcock and its subsidiaries) of which the Babcock Directors are a director or partner is set out below.

CORPORATE GOVERNANCE

The Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the Main Market of the London Stock Exchange are contained in the UK Corporate Governance Code (the "**Corporate Governance Code**"). The Board considers that as at the Latest Practicable Date the Issuer is in compliance with the principles and provisions of the Corporate Governance Code.

Board of Directors

A Director is appointed by ordinary resolution (i.e. a simple majority of votes cast) at a general meeting of ordinary shareholders of Babcock. The Board also has the power to appoint a Director, but any person so appointed must stand for reappointment by shareholders at the first annual general meeting following his or her appointment by the Board. After appointment, Directors must offer themselves for reappointment at least every three years. It is Babcock's policy that all Directors seek re-election at each AGM.

The Corporate Governance Code currently recommends that at least half of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

The Board has established Audit and Risk, Remuneration and Nominations Committees, with formally delegated duties and responsibilities with written terms of references.

Board Committees

Audit and Risk Committee

Current members

The Babcock Audit and Risk Committee is made up entirely of the independent Non-Executive Directors. The Corporate Governance Code recommends that the Audit and Risk Committee should be comprised of, at least, three members who should all be independent non-executive directors and that at least one member should have recent and relevant financial experience. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Audit and Risk Committee.

The Audit and Risk Committee meets formally at least four times a year and otherwise as required.

Role of the Audit and Risk Committee

The Audit and Risk Committee operates under defined terms of reference and its principal responsibilities include:

- ensuring the annual report and accounts is fair, balanced and understandable, and provides the information necessary for shareholders to assess Babcock's performance, business model and strategy;
- monitoring the integrity of the full year and half-yearly financial statements and any formal announcements relating to the Issuer's financial performance;
- reviewing significant reporting issues, the consistency of accounting policies and disclosure, and any decisions requiring a major element of judgment;
- being satisfied there is an effective system of internal control, compliance procedures and risk management systems;
- considering the role and independence of the external auditors;
- considering the appointment or re-appointment of the Babcock Group's external auditors; and
- reviewing the Babcock Group's processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence.

Remuneration Committee

Current members

The Babcock Remuneration Committee is made up entirely of the independent Non-Executive Directors. The Corporate Governance Code provides that the Remuneration Committee should consist of, at least, three members who are all independent non-executive directors. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee meets formally at least four times a year and otherwise as required.

Role of the Remuneration Committee

The Remuneration Committee operates under defined terms of reference and its principal responsibilities include:

- determining and recommending to the Board the Babcock Group's policy on executive remuneration;
- overseeing any major changes in employee benefit structures throughout the Babcock Group and reviewing and noting annually the remuneration trends across the Babcock Group;
- determining the terms of service of the Chairman and the Executive Directors, including remuneration and other benefits package and severance terms;
- reviewing the design of all new equity schemes for approval by the Board and shareholders;
- approving the terms and basis of participation in short and long term bonus and incentive schemes for which the Chairman and/or Executive Directors and/or senior management are eligible; setting performance criteria for the granting, vesting or execution of awards or options under any existing or new share scheme or other long term incentive plan and to review annually the bonus arrangements for the Executive Directors;
- granting options or awards under any share scheme operated by the Babcock Group from time to time (a "**Share Scheme**") (other than any all employee share schemes);

- granting dispensations in respect of leavers exercising rights under the Share Schemes;
- determining, whether the performance measures for any equity incentive plans, performance-related pay schemes and other cash based incentive plans for Executive Directors operated by the Issuer have been satisfied; and
- making sure that all short and long term incentives are consistent with and support sound risk management, and are aligned with customer and shareholder interests.

Nominations Committee

Current members

The Babcock Nominations Committee is made up of independent Non-Executive Directors and chaired by the Chairman. The Corporate Governance Code provides that a majority of the members of the Nominations Committee should be independent non-executive directors. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Nominations Committee.

The Nominations Committee meets as required.

Role of the Nominations Committee

The Nominations Committee operates under defined terms of reference and its principal responsibilities include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- considering succession planning for directors and other senior executives, taking account of the challenges and opportunities facing the Issuer, and the skills and expertise needed on the Board in the future;
- keeping under review the leadership needs of the Babcock Group, both executive and non-executive, with a view to ensuring the continued ability of the Babcock Group to compete effectively in the market place;
- identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise; and
- reviewing annually the time required from the Non-Executive Directors for performance of their duties to the Issuer.

ETHICAL CONDUCT

Babcock has adopted a Code of Business Conduct which sets out the ethical standards that should be adhered to by Babcock's employees, business advisors and partners. All employees are expected to avoid conflicts of interest, to act lawfully (and in particular, not to be involved in any corrupt practices) and to report any non-compliance issues of which they become aware.

OTHER DIRECTORSHIPS

In addition to their directorships of Babcock, the Babcock Directors hold the following directorships (other than directorships of subsidiaries of Babcock), and are members of the following partnerships.

Directors

Name	Current Directorship/partnership
Chairman and Executive Directors	

Michael Turner CBE	Barclays PLC
Archibald Bethel CBE	President of the Society of Maritime Industries
Franco Martinelli	No such position held currently
John Davies	No such position held currently

Non-Executive Directors

Sir David Omand GCB	No such position held currently
Ian Duncan	Bodycote plc SIG PLC
Jeff Randall	BDO LLP
Myles Lee	UDG Healthcare PLC Ingersoll-Rand plc St Vincent's University Hospital
Victoire de Margerie	Rondol (France) Eurazeo S.A. Arkema Banque Transatlantique
Lucy Dimes	No such position held currently
Kiersti Wiklund	Laird PLC Spectris PLC

No Director has any material interest in any significant contract with the Issuer or any of its subsidiary undertakings.

No potential conflicts of interests exist between any of the Directors' duties to Babcock or the Babcock Group and their private interests and/or other duties.

None of the Directors were selected to act in such capacity pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Babcock Group.

There are no family relationships between any of the Directors.

There are no outstanding loans granted by Babcock or any member of the Babcock Group to any of the Directors, nor has any guarantee been provided by Babcock or any member of the Babcock Group for their benefit, save that each of the Directors has the benefit of a qualifying third party indemnity pursuant to which Babcock agrees to indemnify the Directors against liabilities that they may incur as a result of their office as director in terms which are in accordance with the relevant provisions of the Companies Act 2006.

TAXATION

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

UK Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of interest in respect of the Notes. It is based on current law and the published practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax

Notes listed on a recognised stock exchange

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they carry a right to interest and are and continue to be included in the United Kingdom Official List and admitted to trading on the London Stock Exchange.

In cases falling outside the exemption described above, interest on the Notes which has a United Kingdom source may generally fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.
2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

3. Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer (pursuant to Condition 17 (*Meetings of Noteholders; Modification and Waiver; Substitution*) of the Notes or otherwise) and does not consider the tax consequences of any such substitution.

The proposed financial transactions tax ("FTT")

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

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's proposal, 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.

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

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

FATCA

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depository or Common Safekeeper, as applicable, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, NatWest Markets Plc and SMBC Nikko Capital Markets Limited (the "Dealers"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in an amended and restated Dealer Agreement dated 6 September 2018 as amended or supplemented from time to time (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

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

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

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

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

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

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "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 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 by this 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 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.

For the purposes of this provision, the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

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

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, 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, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

General

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

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

GENERAL INFORMATION

Authorisation

The update of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 18 July 2018.

Legal and Arbitration Proceedings

Save as disclosed in this Base Prospectus on page 84 (see "*Litigation and Investigations*"), there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Babcock Group.

Significant/Material Change

There has been no material adverse change in the prospects of the Issuer since 31 March 2018. There has been no significant change in the financial or trading positions of the Babcock Group since 31 March 2018.

Auditors

The consolidated financial statements of the Babcock Group have been audited without qualification for the years ended 31 March 2018 and 31 March 2017 by PricewaterhouseCoopers LLP, of 1 Embankment Place, London, WC2N 6RH, independent accountants.

Documents on Display

Copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and the specified office of the Issuing and Paying Agent:

- (a) the constitutive documents of the Issuer;
- (b) the audited consolidated financial statements of the Babcock Group for the years ended 31 March 2018 and 31 March 2017;
- (c) the Trust Deed (which contains the forms of Notes in global and definitive form);
- (d) the Agency Agreement; and
- (e) the Issuer-ICSDs Agreement.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and/or the International Securities Identification Number (ISIN) and/or the Financial Instrument Short Name (FISN) and/or the Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Legal Entity Identifier

The Legal Entity Identified (LEI) of the Issuer is 213800TSKOLX4EU6L377.

Issue Price and Yield

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the relevant Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of

the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the relevant Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Dealers transacting with the Issuer

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 the 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.

REGISTERED OFFICE OF THE ISSUER

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Lloyds Bank Corporate Markets plc

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REGISTRAR

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PAYING AGENTS AND TRANSFER AGENTS

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