

PROSPECTUS DATED 10 SEPTEMBER 2012



National Grid plc

(incorporated with limited liability in England and Wales on 11 July 2000 under registered number 4031152)

National Grid Electricity Transmission plc

(incorporated with limited liability in England and Wales on 1 April 1989 under registered number 2366977)

Euro 15,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "Programme") described in this prospectus (the "Prospectus"), each of National Grid plc ("National Grid" or the "Company") and National Grid Electricity Transmission plc ("NGET") (each, an "Issuer" and together, the "Issuers"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "Instruments") denominated in any currency agreed between the relevant Issuer, the Trustee and the relevant Dealer (as defined below). The aggregate nominal amount of Instruments outstanding will not at any time exceed Euro 15,000,000,000 (or the equivalent in other currencies). The Instruments (other than Instruments issued under the Australian Deed Poll (as defined below) ("Australian Domestic Instruments")) will only be issued in bearer form. The Australian Domestic Instruments will only be issued in registered uncertificated form.

Application has been made to the Financial Services Authority in its capacity as competent authority (the "U.K. Listing Authority") under the Financial Services and Markets Act 2000 ("FSMA") for Instruments issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the U.K. Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Instruments to be admitted to trading on either the London Stock Exchange's regulated market (the "Market") or on the London Stock Exchange's Professional Securities Market (the "PSM"). References in this Prospectus to Instruments being "listed" (and all related references) shall mean that such Instruments have been admitted, as appropriate, to trading on the Market or the PSM and have been admitted to the Official List. The Market is a regulated market for the purposes of Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on Markets in financial instruments. The PSM is not a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on Markets in financial instruments. The Programme also permits Instruments to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer. The relevant Final Terms (as defined in the section headed "Summary of the Programme") in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Official List and admitted to trading on the Market or the PSM (or any other listing authority, stock exchange and/or quotation system).

Any person (an "Investor") intending to acquire or acquiring any Instruments issued by National Grid from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, National Grid may only be responsible to the Investor for this Prospectus under section 90 of FSMA if it has authorised the Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by National Grid. If the Offeror is not so authorised by National Grid, the Investor should check with the Offeror whether anyone is responsible for this Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents, it should take legal advice. **Where information relating to the terms of the relevant offer required pursuant to the Directive 2003/71/EC as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "Prospectus Directive") is not contained in this Prospectus or the relevant Final Terms, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information.**

Each Series (as defined in the section headed "Summary of the Programme") of Instruments (other than Australian Domestic Instruments) will be represented on issue by a temporary global instrument in bearer form (each a "temporary Global Instrument") or a permanent global instrument (each a "permanent Global Instrument", and together with the temporary Global Instrument, the "Global Instruments"). If the Global Instruments are stated in the applicable Final Terms to be issued in new global note ("NGN") form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") (the "Common Depository"). Global Instruments which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in any Global Instrument for interests in any other Global Instrument and definitive Instruments are described in "Summary of Provisions Relating to the Instruments while in Global Form".

Instruments issued by National Grid under the Programme are expected to be rated BBB+ (senior unsecured rating) or A2 (short term rating) by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"), BBB+ (senior unsecured rating) or F2 (short term rating) by Fitch Ratings Limited ("Fitch") and Baa1 (senior unsecured rating) or P2 (short term rating) by Moody's Investors Service Ltd. ("Moody's"); and Instruments issued by NGET under the Programme are expected to be rated A- (senior unsecured rating) or A2 (short term rating) by Standard & Poor's, A (senior unsecured rating) or F2 (short term rating) by Fitch and A3 (senior unsecured rating) or P2 (short term rating) by Moody's. Standard and Poor's, Fitch and Moody's are established in the European Union and are registered under Regulation (EC) No 1060/2009 on credit rating agencies (the "CRA Regulation"). Tranches of Instruments (as defined in "Summary of the Programme") to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will be specified in the relevant Final Terms. Such ratings will not necessarily be the same as the ratings assigned to any Instruments already issued. Whether or not a rating in relation to any Tranche of Instruments will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A 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. Credit ratings in respect of the Instruments or an Issuer are for distribution to persons who are not a "retail" client within the meaning of section 761G of the Corporations Act 2001 of Australia ("Australian Corporations Act") and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Australian Corporations Act and in all cases in such circumstances as may be permitted by applicable laws in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Prospectus and anyone who receives this Prospectus must not distribute it to any person who is not entitled to receive it. In the case of any Instruments which are issued by NGET and which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Instruments).

An investment in Instruments issued under the Programme involves certain risks. For a discussion of such risks, see the section headed "Risk Factors" in this Prospectus.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act.

Programme Arranger and Dealer
HSBC
Dealers

Barclays
Citigroup
HSBC
Morgan Stanley
RBC Capital Markets

BofA Merrill Lynch
Deutsche Bank
Mitsubishi UFJ Securities
National Australia Bank Limited
The Royal Bank of Scotland

IMPORTANT NOTICES

This Prospectus comprises of (i) a base prospectus (each a **“Base Prospectus”**) for the purposes of Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom with regard to each of (a) National Grid and each of its subsidiary undertakings, including NGET (together, the **“National Grid Group”**) (the **“National Grid Prospectus”**) and (b) with the exception of the information contained in the sections entitled “Description of National Grid plc”, “Risk Factors - Risks relating to National Grid and its business” and the information contained in paragraphs 2, 4, 6, 9, 11, 13, 17(b) and 17(d) in the section entitled “General Information”, NGET and each of its subsidiary undertakings (together, the **“NGET Group”**) (the **“NGET Prospectus”**, together with the National Grid Prospectus, the **“Prospectuses”** and each a **“Prospectus”**) which, according to the particular nature of each Issuer and the Instruments to be issued by it, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer and the rights attaching to such Instruments and (ii) listing particulars for the purposes of LR 2.2.11 of the Listing Rules of the Financial Services Authority with regard to each of (a) National Grid and the National Grid Group (the **“National Grid Listing Particulars”**) and (b) with the exception of the information contained in the sections entitled “Summary of the Programme”, “Description of National Grid plc”, “Risk Factors - Risks relating to National Grid and its business” and the information contained in paragraphs 2, 4, 6, 9, 11, 13, 17(b) and 17(d) in the section entitled “General Information” NGET and the NGET Group (the **“NGET Listing Particulars”**, together with the National Grid Listing Particulars, the **“Listing Particulars”** and each **“Listing Particulars”**).

Subject to compliance with all relevant laws, regulations and directives, Instruments issued under the Programme may have any maturity from one month to perpetuity. Any Instruments having a maturity of less than one year from their date of issue must (a) 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 (b) be issued in other circumstances which do not constitute a contravention of Section 19 of FSMA by the Issuer. For purposes of any such Instruments issued pursuant to this Programme, this document does not constitute a Prospectus within the meaning of Article 2.1 of the Prospectus Directive but will constitute Listing Particulars (which, for the avoidance of doubt may be admitted to trading on either the Market or the PSM) .

National Grid (the **“National Grid Responsible Person”**) accepts responsibility for the information contained in the National Grid Prospectus. To the best of the knowledge of National Grid (having taken all reasonable care to ensure that such is the case), such information contained in the National Grid Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

NGET (the **“NGET Responsible Person”**, together with National Grid Responsible Person, the **“Responsible Persons”** and each a **“Responsible Person”**) accepts responsibility for the information contained in the NGET Prospectus. To the best of the knowledge of NGET (having taken all reasonable care to ensure that such is the case), such information contained in the NGET Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

National Grid accepts responsibility for the information contained in the National Grid Listing Particulars. To the best of the knowledge of National Grid (having taken all reasonable care to ensure that such is the case), such information contained in the National Grid Listing Particulars is

in accordance with the facts and does not omit anything likely to affect the import of such information.

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

In addition, in the context of any offer of Instruments that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive (a “**Public Offer**”), National Grid accepts responsibility, in the United Kingdom, for the content of the National Grid Prospectus in relation to any person (an “**Investor**”) in the United Kingdom to whom an offer of any Instruments is made by any financial intermediary to whom it has given its consent to use the National Grid Prospectus (an “**Authorised Offeror**”), where the offer is made during the period for which that consent is given and where the offer is made in the United Kingdom for which that consent was given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in the National Grid Prospectus. However, neither National Grid nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

National Grid consents to the use of the National Grid Prospectus in connection with a Public Offer of any relevant Instruments during the Offer Period specified in the relevant Final Terms (the “**Offer Period**”) in the United Kingdom (1) either by any financial intermediary which satisfies the following conditions: (a) is authorised to make offers of the relevant kind in accordance with the Markets in Financial Instruments Directive (Directive 2004/39/EC) (the “**MIFID**”); (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), including the Rules published by the FSA (including its guidance for distributors in “The Responsibilities of Providers and Distributors for the Fair Treatment of Customers”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Instruments by any person and disclosure to any potential investor; (c) complies with the restrictions set out under “Plan of Distribution” in this Prospectus which would apply as if it were a Dealer; (d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Instruments does not violate the Rules and is fully and clearly disclosed to investors or potential investors; (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Instruments under the Rules, including authorisation under the FSMA; (f) complies with applicable anti-money laundering, anti-bribery and “know your client” Rules, and does not permit any application for Instruments in circumstances where the financial intermediary has any suspicions as to the source of the application monies; (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer(s) and National Grid or directly to the appropriate authorities with jurisdiction over National Grid and/or the relevant Dealer(s) in order to enable National Grid and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to National Grid and/or the relevant Dealer(s); and (h) does not, directly or indirectly, cause National Grid or the relevant Dealer(s) to breach any Rule or subject National Grid or the relevant Dealer(s) to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction, and any further conditions specified in the relevant Final Terms or (2) by the financial intermediaries, and subject to the relevant conditions, specified in the relevant Final Terms, for so long as they are authorised to make offers of the relevant kind in accordance with MIFID. National Grid may give consent to additional financial intermediaries after the date of the relevant Final Terms and, if it does so, it will publish any new information in relation to such financial intermediaries who are unknown at the time of the

approval of this Prospectus or the filing of the relevant Final Terms at www.nationalgrid.com.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of the National Grid Prospectus.

Any Authorised Offeror who wishes to use the National Grid Prospectus in connection with a Public Offer as set out in (1) above is required, for the duration of the relevant Offer Period, to publish on its website that it is using the National Grid Prospectus for such Public Offer in accordance with the consent of National Grid and the conditions attached thereto.

A Public Offer may be made during the relevant Offer Period by any of National Grid, the Dealers or any relevant Authorised Offeror in the United Kingdom subject to any relevant conditions specified above and/or in the relevant Final Terms, as the case may be. Public Offers may only be made in respect of Instruments which are or are expected to be admitted to trading on the Market, and not in respect of Instruments which are or are expected to be admitted to trading on the PSM.

Other than as set out above, neither National Grid nor any of the Dealers has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use the National Grid Prospectus in connection with its offer of any Instruments. Any such offers are not made on behalf of National Grid or by any of the Dealers or Authorised Offerors and none of National Grid or any of the Dealers or Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Instrument from an Authorised Offeror will do so, and offers and sales of the Instruments to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price allocations and settlement arrangements (the “Terms and Conditions of the Public Offer”). National Grid will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the Instruments and, accordingly, the National Grid Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be provided to Investors by that Authorised Offeror at the relevant time. Neither National Grid nor any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.

This Prospectus should be read and construed together with any amendments or supplements hereto and with any documents deemed to be incorporated herein (see “Documents Incorporated By Reference” below) and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the applicable Final Terms (as defined herein).

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the issue or sale of the Instruments and, if given or made, any such information or representation must not be relied upon as having been authorised by either of the Issuers or any of the Dealers or the Arranger or the Trustee (as defined in “Summary of the Programme”).

Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, that there has been no change (or any event reasonably likely to involve a change) in the affairs of either of the Issuers since the date of this Prospectus or the date upon which this 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 financial position of either of the Issuers since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as

of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Instruments 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. The Instruments (other than Australian Domestic Instruments) will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, the Instruments may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission and is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Australian Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any 'retail client' as defined in section 761G of the Australian Corporations Act. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Prospectus or any Final Terms, see "Plan of Distribution".

The Instruments are being offered and sold outside the United States to Non-U.S. person in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of notes and distribution of this Prospectus, see "Plan of Distribution".

Neither this Prospectus nor any Final Terms constitutes an offer of, or an invitation by or on behalf of the relevant Issuer or the Dealers or the Trustee to subscribe for, or purchase, any Instruments.

If the Global Instruments are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or any other agreed clearing system. Global Instruments which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Investors may also hold interests in the Instruments through Euroclear U.K. & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") through the issuance of dematerialised depository interests ("**CREST Depository Interests**" or "**CDIs**") issued, held, settled and transferred through CREST, representing interests in the relevant Instruments underlying the CDIs (the "**Underlying Instruments**"). CREST Depository Interests are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**"). The provisions governing the exchange of interests in Global Instruments for other Global Instruments and definitive Bearer Instruments are described in "Summary of Provisions Relating to the Instruments while in Global Form".

Save for the Issuers (as described in the first paragraph on page 1 of this Prospectus), no other party has separately verified the information contained in this Prospectus. None of the Dealers, the Arranger nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statement is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either of the Issuers, the Trustee, the Arranger or the Dealers that any recipient of this Prospectus or any

other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Prospectus and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger nor the Trustee undertakes to review the financial condition or affairs of either of the Issuers during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

Some Instruments are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

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

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "Euro" and "€" are to the currency of those member states of the European Union which are participating in European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, to "Japanese yen" and "yen" are to the lawful currency of Japan, to "£" and "Sterling" are to the lawful currency of the United Kingdom, to "U.S. dollars" and "U.S.\$" are to the lawful currency of the United States of America, to "Canadian dollars" and "CAD" are to the lawful currency of Canada, to "Australian dollars" and "A\$" are to the lawful currency of Australia, to "New Zealand dollars" are to the lawful currency of New Zealand, to "Swedish krona" are to the lawful currency of Sweden, to "Danish krone" are to the lawful currency of Denmark, to

“Hong Kong dollars” are to the lawful currency of Hong Kong and to **“Swiss francs”** are to the lawful currency of Switzerland.

In connection with the issue of any Tranche (as defined in “Summary of the Programme”) of Instruments (other than Australian Domestic Instruments or in circumstances where such action could reasonably be expected to affect the price of the Instruments traded within Australia or on a financial market (as defined in the Australian Corporations Act) operated within Australia), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) in the applicable Final Terms (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Instruments or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

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SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A - Introduction and warnings	
A.1	This summary must be read as an introduction to this Prospectus. Any decision to invest in the Instruments should be based on a consideration of the Prospectus as a whole, including any documents incorporated by reference. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Member States, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Instruments.
A.2	National Grid consents to the use of the National Grid Prospectus in connection with a Public Offer of any relevant Instruments during the [specify Offer Period] in United Kingdom (1) by any financial intermediary which satisfies the following conditions (a) is authorised to make offers of the relevant kind in accordance with the MIFID; (b) acts in accordance with all Rules, including the Rules published by the FSA (including its guidance for distributors in “The Responsibilities of Providers and Distributors for the Fair Treatment of Customers”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Instruments by any person and disclosure to any potential investor; (c) complies with the restrictions set out under “Plan of Distribution” in this Prospectus which would apply as if it were a Dealer; (d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Instruments does not violate the Rules and is fully and clearly disclosed to investors or potential investors; (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Instruments under the Rules, including authorisation under the FSMA; (f) complies with applicable anti-money laundering, anti-bribery and “know your client” Rules, and does not permit any application for Instruments in circumstances where the financial intermediary has any suspicions as to the source of the application monies; (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer(s) and National Grid or directly to the appropriate authorities with jurisdiction over National Grid and/or the relevant Dealer(s) in order to enable National Grid and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to National Grid and/or the relevant Dealer(s); (h) does not, directly or indirectly, cause National Grid or the relevant Dealer(s) to breach any Rule or subject National Grid or the relevant Dealer(s) to any requirement to obtain or make any filing, authorisation or consent in

	<p>any jurisdiction, and [specify additional conditions (if any) specified in the relevant Final Terms] or (2) by the financial intermediaries, and subject to the [specify relevant conditions stated in the Final Terms], for so long as they are authorised to make offers of the relevant kind in accordance with MIFID.</p> <p>A Public Offer may be made during the relevant Offer Period by any of National Grid, the Dealers or any relevant Authorised Offeror in the United Kingdom subject to any relevant conditions specified above/or and in the relevant Final Terms, as the case may be.</p> <p>The Terms and Conditions of the Public Offer shall be provided to Investors by that Authorised Offeror at the relevant time.</p>
<p>Section B - Issuers</p>	
B.1	<p>The legal and commercial name of the Issuers</p> <p>National Grid plc National Grid Electricity Transmission plc</p>
B.2	<p>The domicile and legal form of the Issuers, the legislation under which the Issuers operate and their respective countries of incorporation</p> <p>National Grid was incorporated in England and Wales on 11 July 2000 as a public company limited by shares under the Companies Act 1985. National Grid is domiciled in United Kingdom.</p> <p>NGET was incorporated in England and Wales on 1 April 1989 as a public company limited by shares under the Companies Act 1985. NGET is domiciled in United Kingdom.</p>
B.4b	<p>A description of any known trends affecting the Issuers and the industries in which they operate</p> <p>Since 2006, there have been significant developments in the U.K. energy landscape focused on maintaining security of supply and reducing carbon emissions. Environmental targets, legislation, age-related power station retirements and the decline of the U.K.'s North Sea gas reserves are expected to result in a significant change in the generation mix between now and 2020. The Electricity Networks Strategy Group has identified the electricity transmission reinforcements needed to support the Government's 2020 energy policy targets. National Grid has begun committing capital investment to a number of these projects under incentive arrangements provided by the Office of the Gas and Electricity Markets ("Ofgem"). National Grid believes that this investment in transmission networks is essential to facilitate the timely connection of new generation and to meet current energy policy commitments. National Grid's capital expenditure has been steadily increasing in recent years in response to the changing energy environment and the need to replace end of life assets in its core regulated businesses. Capital expenditure reached a record £3.6 billion in 2010/11, of which £2.5 billion was focused on the United Kingdom.</p> <p>Ofgem is introducing a new regulatory price control framework, known as "RIIO" – revenue = incentives + innovation + outputs, to replace the existing</p>

		<p>framework which has been in use for over 20 years.</p> <p>It is estimated that NGET will need to invest over £21 billion during the RIIO period to facilitate the move to a low carbon economy. This will include the electricity networks developing smarter grids, meeting environmental challenges and securing energy supplies.</p> <p>The regulatory framework within which NGET operates as NETSO is also under review in parallel to the ongoing price control reviews for all National Grid's U.K. gas and electricity businesses. This will be the first review of the system operator activity under the new RIIO regulatory framework model, where a new system operator incentive framework will be established for an eight year duration.</p>																																				
B.5	Description of the Issuers' Group and the Issuers' position within the Group	<p>National Grid is the ultimate holding company of the group of companies (the "National Grid Group") which was the product of a recommended merger between National Grid Group plc ("NGG") and Lattice Group plc ("Lattice"). This merger was implemented by way of a sanctioned scheme of arrangement under the Companies Act 1985 between Lattice and its shareholders. Following the closing of the merger in 2002, NGG changed its name to National Grid Transco plc and thereafter, to National Grid plc. NGET is a wholly owned indirect subsidiary of National Grid and is part of National Grid Group. NGET has three wholly-owned subsidiaries, NG Leasing Limited, NGC Employee Shares Trustee Limited (dormant) and Elexon Limited (solely as nominee shareholder).</p>																																				
B.9	Profit forecast or estimate	Not Applicable																																				
B.10	Qualifications in the Auditors' report	Not Applicable																																				
B.12	Selected financial information	<p>The selected financial information regarding National Grid and NGET, as the case may be, set out below has been extracted without material adjustment from the audited consolidated financial statements of National Grid and NGET, as the case may be, for the years ended 31 March 2012, 2011 and 2010.</p> <p>National Grid</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">31 March 2012</th> <th style="text-align: right;">31 March</th> <th style="text-align: right;">31 March</th> </tr> <tr> <th></th> <th style="text-align: right;">£m</th> <th style="text-align: right;">2011</th> <th style="text-align: right;">2010</th> </tr> <tr> <th></th> <th></th> <th style="text-align: right;">£m</th> <th style="text-align: right;">£m</th> </tr> </thead> <tbody> <tr> <td colspan="4">Summary Income Statement</td> </tr> <tr> <td>Revenue</td> <td style="text-align: right;">13,832</td> <td style="text-align: right;">14,343</td> <td style="text-align: right;">14,007</td> </tr> <tr> <td>Operating profit.....</td> <td style="text-align: right;">3,539</td> <td style="text-align: right;">3,745</td> <td style="text-align: right;">3,293</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">2,559</td> <td style="text-align: right;">2,624</td> <td style="text-align: right;">2,193</td> </tr> <tr> <td>Profit after tax</td> <td style="text-align: right;">2,038</td> <td style="text-align: right;">2,163</td> <td style="text-align: right;">1,389</td> </tr> <tr> <td colspan="4">Summary statement of net assets</td> </tr> </tbody> </table>		31 March 2012	31 March	31 March		£m	2011	2010			£m	£m	Summary Income Statement				Revenue	13,832	14,343	14,007	Operating profit.....	3,539	3,745	3,293	Profit before tax	2,559	2,624	2,193	Profit after tax	2,038	2,163	1,389	Summary statement of net assets			
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Non-current assets	41,684	39,787	38,488
Current assets	5,387	6,323	5,065
Assets of businesses held for sale	264	290	–
Total assets	47,335	46,400	43,553
Current liabilities	(6,004)	(6,826)	(6,559)
Non-current liabilities	(31,998)	(30,395)	(32,783)
Liabilities of businesses held for sale	(87)	(110)	–
Total liabilities	(38,089)	(37,331)	(39,342)
Net assets	9,246	9,069	4,211
Summary Cash Flow Statement			
Cash generated from operations	4,487	4,854	4,372
Tax (paid)/received	(259)	4	144
Net cash inflow from operating activities	4,228	4,858	4,516
Net cash flows used in investing activities	(2,371)	(4,774)	(2,332)
Net cash flows used in financing activities	(1,900)	(430)	(2,212)
Net (decrease)/increase in cash and cash equivalents	(43)	(346)	(28)
NGET			
	31 March 2012	31 March	31 March
	£m	2011	2010
		£m	£m
Summary Income Statement			
Revenue	2,813	2,550	2,484
Operating profit	865	820	791
Profit before tax	646	644	648
Profit after tax	545	505	465
Summary statement of net assets			
Non-current assets ...	8,874	7,824	6,946
Current assets	544	256	604
Total assets	9,418	8,080	7,550
Current liabilities	(1,499)	(1,015)	(959)
Non-current Liabilities	(6,679)	(6,041)	(5,926)
Total liabilities	(8,178)	(7,056)	(6,885)
Net assets	1,240	1,024	665
Summary Cash Flow Statement			
Cash generated from operations	1,135	1,065	986

		<table> <tr> <td>Tax (paid)/received ...</td> <td>(136)</td> <td>(112)</td> <td>(90)</td> </tr> <tr> <td>Net cash inflow from operating activities</td> <td>999</td> <td>953</td> <td>896</td> </tr> <tr> <td>Net cash flows used in investing activities</td> <td>(1,375)</td> <td>(839)</td> <td>(641)</td> </tr> <tr> <td>Net cash flows used in financing activities</td> <td>380</td> <td>(435)</td> <td>(325)</td> </tr> <tr> <td>Net (decrease)/increase in cash and cash equivalents.....</td> <td>4</td> <td>(321)</td> <td>(70)</td> </tr> </table> <p>There has been no significant change in the financial or trading position of National Grid or the National Grid Group since 31 March 2012 and no material adverse change in the prospects of National Grid since 31 March 2012.</p> <p>There has been no significant change in the financial or trading position of NGET or the NGET Group since 31 March 2012 and no material adverse change in the prospects of NGET since 31 March 2012.</p>	Tax (paid)/received ...	(136)	(112)	(90)	Net cash inflow from operating activities	999	953	896	Net cash flows used in investing activities	(1,375)	(839)	(641)	Net cash flows used in financing activities	380	(435)	(325)	Net (decrease)/increase in cash and cash equivalents.....	4	(321)	(70)
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B.13	Recent material events particular to the Issuers' solvency	Not Applicable																				
B.14	Extent to which the Issuers' are dependant on other entities within their Group	<p>National Grid is, directly or indirectly, the ultimate holding company of all the companies in the National Grid Group and its assets are substantially comprised of shares in such companies. National Grid does not conduct any other business and is dependent on the other members of the National Grid Group and revenues received from them.</p> <p>NGET is a wholly owned subsidiary of National Grid and is part of the National Grid Group.</p>																				
B.15	Principal activities of the Issuers	<p>National Grid's principal operations are ownership and operation of regulated electricity and gas infrastructure networks in the U.K. and the U.S.. National Grid also has interests in related markets, including electricity interconnectors, metering services, liquefied natural gas ("LNG") storage and importation facilities and property in the U.K., LNG storage and transportation and non-regulated gas transmission pipelines in the U.S. and electricity generation on Long Island New York.</p> <p>NGET derives the vast majority of its turnover and profits from charges for services provided by its Transmission Business to, inter alia, generators, interconnector owners and users, distributors, suppliers and directly-</p>																				

		connected customers.
B.16	Extent to which the Issuers are directly or indirectly owned or controlled	<p>National Grid is a publicly traded company and its securities are listed on the London Stock Exchange and New York Stock Exchange.</p> <p>National Grid is not aware of any person or persons who does or could, directly or indirectly, jointly or severally, exercise control over National Grid.</p> <p>NGET is wholly owned and controlled by National Grid.</p>
B.17	Credit ratings assigned to the Issuers or their debt securities	<p>National Grid's senior unsecured debt obligations are rated BBB+ by Standard & Poor's, BBB+ by Fitch and Baa1 by Moody's and its short term debt obligations are rated A2 by Standard & Poor's, F2 by Fitch and P2 by Moody's.</p> <p>NGET's senior unsecured debt obligations are rated A- by Standard & Poor's, A by Fitch and A3 by Moody's and its short term debt obligations are rated A2 by Standard & Poor's, F2 by Fitch and P2 by Moody's.</p> <p>Standard & Poor's, Fitch and Moody's are established in the European Union and are registered under the CRA Regulation.</p> <p>As defined by Standard & Poor's, a "BBB+" rating means that the relevant obligations exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of National Grid to meet its financial commitments in respect of the relevant obligations. As defined by Standard & Poor's, a short term obligation rated "A2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. As defined by Fitch, a "BBB+" rating means that the relevant obligations are of a good credit quality and a "F2" rating means that National Grid has good intrinsic capacity for timely payment of its financial commitments. As defined by Moody's, a "Baa1" rating means that the relevant obligations are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. As defined by Moody's, a "P2" rating means that National Grid has a strong ability to repay the relevant short term obligations.</p> <p>The Instruments are [not rated] / [rated by [insert credit rating(s) and name(s) of the relevant credit rating agency/ agencies]].</p>
Section C - Securities		
C.1	Type and class of Instruments	<p>Instruments issued under the Programme will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms</p>

		<p>of each Tranche (which will be completed 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 document (the “Final Terms”).</p> <p>The Instruments have Series Number [●] and Tranche Number [●]. [The Instruments shall be consolidated, from a single series and be interchangeable for trading purposes with [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Instrument for interests in the permanent Global Instrument [which is expected to occur on or about [insert date]].]</p> <p>Instruments issued under the Programme (other than Australian Domestic Instruments) may be issued in bearer form only. Each Tranche of Instruments (other than Australian Domestic Instruments) will be represented on issue by a temporary Global Instrument if (a) definitive Instruments are to be made available to Instrumentholders following the expiry of 40 days after their issue date or (b) such Instruments have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined below), otherwise such Tranche will be represented by a permanent Global Instrument. Any permanent Global Instrument shall only be exchanged for Instruments in definitive form in the limited circumstances set out in the permanent Global Instrument. Australian Domestic Instruments may be issued in registered uncertificated form only.</p> <p>The Instruments are in [bearer/registered uncertificated] form [and will be represented on issue by a [temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument] [temporary Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the temporary Global Instrument] [permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument] [CREST Depository Interests (“CDIs”) representing the Instruments may also be issued in accordance with the usual procedures of Euroclear U.K. & Ireland Limited (“CREST”).]</p> <p>Instruments constitute unsubordinated and unsecured obligations of the relevant Issuer and rank <i>pari passu</i>, without any preference on priority among themselves.</p> <p>ISIN Code: [●] Common Code [●]</p>
C.2	Currencies	<p>Subject to compliance with all relevant laws, regulations and directives, Instruments under the Programme may be issued in Euro, Japanese yen, Sterling, U.S. dollars, Canadian dollars, Australian dollars, New Zealand dollars, Swedish krona, Danish krone, Hong Kong dollars or Swiss francs or in other currencies if the Issuer and the relevant Dealer(s) so agree.</p> <p>The Instruments are denominated in [●].</p>
C.5	A description of any	<p>United States, United Kingdom, Public Offer Selling Restriction under the Prospectus Directive (in respect of instruments having a specified</p>

	<p>restrictions on the free transferability of the Instruments</p>	<p>denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the relevant Instruments), Japan, Australia, Switzerland, Canada, Hong Kong, Singapore, Guernsey and Isle of Man.</p> <p>Category 2 selling restrictions will apply to the Instruments for the purposes of Regulation S under the Securities Act.</p> <p>The Instruments will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (a) the relevant Final Terms states that Instruments are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (b) the Instruments are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Instruments will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p>
<p>C.8</p>	<p>Description of the rights attaching to the Instruments</p>	<p><u>Issue Price:</u></p> <p>The Issue Price of the Instruments is [●] per cent.</p> <p><u>Specified Denomination:</u></p> <p>Instruments issued under the Programme will be in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s), save that (i) in the case of any Instruments which are issued by NGET and which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the Instruments); and (ii) unless otherwise permitted by then current laws and regulations, Instruments which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).</p> <p>Australian Domestic Instruments will be in such denomination as may be agreed between the relevant Issuer and the relevant Dealers, save that Australian Domestic Instruments may only be transferred within, to or from Australia if:</p> <p>the aggregate consideration payable by the transferee at the time of the transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Australian Corporations Act;</p> <p>the transferee is not a “retail client” as defined in section 761G of the Australian Corporations Act;</p> <p>the transfer is in compliance with all applicable laws, regulations and directives (including, without limitation, in the case of a transfer to or from Australia, the laws of the jurisdiction in which the transfer takes place); and</p> <p>in the case of a transfer between persons outside Australia, if a transfer and acceptance form is signed outside Australia.</p>

The Instruments have a Specified Denomination of [●].

Negative pledge:

As long as any Instrument or Coupon of National Grid remains outstanding, National Grid will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, National Grid’s obligations under the Instruments, the Coupons and the Trust Deed (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Instrumentholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Instrumentholders.

“**Relevant Indebtedness**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are intended, with the agreement of the Issuer, to be quoted, listed or ordinarily dealt in on any stock exchange.

Instruments issued by NGET will not have the benefit of a negative pledge.

Cross acceleration:

The Instruments may become immediately due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment if (i) any other present or future Relevant Indebtedness of the relevant Issuer or (in cases where National Grid is the Issuer) a Principal Subsidiary becomes due and payable prior to its stated maturity by reason of any actual event of default or (ii) any amount in respect of such Relevant Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the Relevant Indebtedness in respect of which one or more of the events mentioned in this paragraph have occurred equals or exceeds £50,000,000, for the period up to 31 March 2017, and thereafter, £100,000,000.

For the purposes of this provision, “**Principal Subsidiary**” means National Grid Gas plc, NGET and National Grid USA, and includes any successor entity thereto or any member of the group of companies comprising National Grid and each of its subsidiary undertakings (the “**National Grid Group**”) which the Auditors have certified to the Trustee as being a company to which all or substantially all of the assets of a Principal Subsidiary are transferred.

Withholding tax:

All payments of principal and interest in respect of the Instruments and Coupons will be made free and clear of withholding taxes of the United Kingdom unless compelled by law. In that event, the Issuer will, subject to customary exceptions (including the standard EU exceptions), pay such

		<p>additional amounts as will result in the payment to the Instrumentholders or Couponholders of the amounts which would otherwise have been received in respect of the Instruments and Coupons had no withholding or deduction been made.</p> <p><u>Governing law:</u></p> <p>In the case of Instruments other than Australian Domestic Instruments, English law. In the case of Australian Domestic Instruments, the laws of New South Wales, Australia.</p>
<p>C.9</p>	<p>Interest, maturity and redemption provisions, yield and representative of the Instrumentholders</p>	<p><u>Fixed Rate Instruments:</u></p> <p>The Instruments are [not] Fixed Rate Instruments. [The Instruments bear interest from the Interest Commencement Date at a rate of [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.]</p> <p><u>Floating Rate Instruments:</u></p> <p>Floating Rate Instruments issued under the Programme will bear interest as follows:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (b) by reference to LIBOR or EURIBOR or BBSW or AUD-BBR-BBSW or CAD-BA-CDOR or HKD-HIBOR-HIBOR= or EUR-ISDA-EURIBOR Swap Rate-11:00 as adjusted for any applicable margin. <p>[The Instruments are [not] Floating Rate of Instruments.] The Instruments will bear a floating rate of interest from the Interest Commencement Date of [[LIBOR/EURIBOR/AUD-BBR-BBSW/CAD-BA-CDOR/HKD-HIBOR-HIBOR=/EUR-ISDA-EURIBOR SWAP RATE – 11:00/BBSW] [+/-] [●] per cent.] per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.]</p> <p><u>Zero Coupon Instruments:</u></p> <p>Zero Coupon Instruments may be issued at their nominal amount or at a discount to it and will not bear interest.</p> <p>[The Instruments are [not] Zero Coupon Instruments and do not bear interest.]</p> <p><u>Index Linked Instruments:</u></p> <p>Payments of interest and principal in respect of Index Linked Instruments will be calculated by reference to an Index Ratio, derived from either:</p> <ul style="list-style-type: none"> (i) the U.K. Retail Price Index (the “RPI”) (all items) published by the Office of National Statistics or the relevant successor index (“RPI Linked Instruments”); or (ii) the Non-revised index of Consumer Prices excluding tobacco, or the relevant successor index, measuring the rate of inflation in the European

Monetary Union excluding tobacco published by Eurostat (“HICP”) (“HICP Linked Instruments”).

[The Instruments are [not] Index Linked Instruments.] [The Instruments will bear interest from the Interest Commencement Date at a rate of [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [●] and adjusted in accordance with Condition [specify relevant Condition number].

Interest Periods and Rates of Interest:

The length of the interest periods for Instruments issued under the Programme and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, Instruments issued under the Programme may have any maturity from one month to perpetuity.

[The Maturity Date of the Instruments is [●]] [The Instruments do not have a maturity date.]

Redemption:

[The Final Redemption Amount of each Instrument is [●] per Calculation Amount [adjusted in accordance with Condition [4.2/4.8]].]

Optional Redemption:

The Instruments [may/ may not] be redeemed prior to their stated maturity at the option of the [Issuer (either in whole or in part) [and/or] the Instrumentholders].

[The Issuer may elect to redeem all, but not some only, of the Instruments of any Series at their Residual Holding Redemption Amount at any time if the Residual Holding Percentage or more of the aggregate nominal amount of such Instruments originally issued shall have been redeemed or purchased and cancelled.]

[The Optional Redemption Amount of each Instrument is [●] per Calculation Amount.]

Early Redemption:

Except as provided in “Optional Redemption” and “Redemption” above, Instruments will be redeemable at the option of the Issuer prior to maturity only for reasons related to taxation and in the case of Index Linked Instruments only, for reasons related to the relevant index.

[The Early Redemption Amount(s) of each Instrument is [●]/ per Calculation Amount]

Redemption at the Option of the Instrumentholders following a Restructuring Event:

Instruments issued under the Programme will be subject to an optional redemption by Instrumentholders following certain restructuring event(s) and

a contemporaneous ratings event.

If at any time while any relevant Instrument remains outstanding, one or more of such events occur then (other than in certain circumstances described in the Condition 5.6) the Instrumentholders will, upon the giving of a Put Event Notice, have the option to require the Issuer to redeem the Instrument on the specified Put Date at the principal amount of the Instrument together with accrued interest to the Put Date.

[NGET Restructuring Put Option is [Applicable / Not Applicable]

Indication of Yield:

The yield in respect of each issue of Fixed Rate Instruments under the Programme will be calculated on the basis of the Issue Price using the following formula:

$$P = \frac{nC}{r} \left(1 - \left(1 + \frac{r}{n}\right)^{-N}\right) + A \left(1 + \frac{r}{n}\right)^{-N}$$

where

P is the Issue Price of the Instruments;

C is the periodic interest amount;

A is the principal amount of Instruments due on redemption;

N is the number of interest periods to maturity;

n is the number of interest periods per annum; and

r is the yield.

As an example, if an investor knows that the redemption amount will be 100 per cent. and the Interest Amount is 5 per cent., the number of interest periods per annum is 1 i.e. pays interest once a year and wishes to calculate the yield on an instrument with an Issue Price of 99.81 per cent. and the number of interest periods to maturity is 3 i.e. there will be three interest payments, i.e. as per the following:

$$99.81 = \frac{1 \times 5}{r} \left(1 - \left(1 + \frac{r}{1}\right)^{-3}\right) + 100 \left(1 + \frac{r}{1}\right)^{-3}$$

then a first estimate of $r = 5.05$ would show an issue price of 99.864 as per the following:

$$\frac{1 \times 5}{0.0505} \left(1 - \left(1 + \frac{0.0507}{1}\right)^{-3}\right) + 100 \left(1 + \frac{0.0507}{1}\right)^{-3} = 99.864$$

An informed second estimate of $r = 5.07$ would show that the right amount had been found as follows:

$$\frac{1 \times 5}{0.0507} \left(1 - \left(1 + \frac{0.0507}{1}\right)^{-3}\right) + 100 \left(1 + \frac{0.0507}{1}\right)^{-3} = 99.81$$

Yield is not an indication of future price. [The Yield of Instruments is [•] per

		cent. per annum.] <u>Trustee:</u> The Law Debenture Trust Corporation p.l.c.
C.10	Derivative component in interest payments	Other than Index Linked Instruments which are described below, Instruments issued under the Programme do not contain any derivative components.
C.11	Listing and Admission to Trading	Instruments issued under the Programme may be admitted to the Official List and admitted to trading on the Market or the PSM, or may be unlisted. [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [The Instruments are unlisted.]
C.15	Description of how the value of investment is affected by the value of the underlying Instrument	Payments of interest and principal in respect of Index Linked Instruments will be calculated by reference to an Index Ratio, derived from either the RPI or the HICP. The interest amount due on each interest payment date of an Index Linked Instrument will be adjusted to take into account the change in inflation. Change in inflation is the difference between the base value of the relevant index that has been specified in the Final Terms and the value of the relevant index calculated at a specified time prior to the relevant interest payment date. If the change in inflation is negative i.e. base value is more than the value calculated at a specified time prior to the relevant interest payment date; then effective rate of interest will decrease. Subject to certain conditions specified in Condition 4, Index Linked Instruments are repaid on their specified maturity date at their adjusted nominal amount. Nominal Amount is adjusted to take into account the change in the value of the relevant index i.e. RPI or HICP. If the value of the index calculated at a specified time prior to the maturity date is lower than the value of the index that has been specified in the Final Terms (i.e. the base value of the index), then the investors will receive less than the nominal amount of their Instruments, unless the Final Terms specify a minimum redemption amount which is higher than the nominal amount of the Instruments.
C.16	Maturity date of Derivative Instruments	Subject to compliance with all relevant laws, regulations and directives, Index Linked Instruments may have any maturity from one month to perpetuity. [The Maturity Date of the Instruments is [●].]
C.17	Description of the settlement procedure of the Derivative Instruments	Index Linked Instruments issued under the Programme (other than Australian Domestic Instruments) will be represented initially upon issue by a temporary Global Instrument or a permanent Global Instrument and settled through Euroclear and Clearstream, Luxembourg. Where Index Linked Instruments will be held through CREST, they will be represented by CDIs and settled

		through CREST.
C.18	Return on Derivative Instruments	Payments of interest and principal in respect of any Index Linked Instruments issued under the Programme shall be determined by multiplying the applicable interest amount or principal amount (as the case may be) by the relevant Index Ratio applicable to the date on which such payment falls to be made, subject to certain rounding conventions.
C.19	Exercise price/ final reference price of the underlying	[The exercise price or final reference price of the [RPI/HICP] is [●].] [Not Applicable.]
C.20	Description of underlying and where the information on underlying can be found	<p><i>RPI Linked Instruments</i></p> <p>RPI Linked Instruments are linked to the U.K. Retail Prices Index (the “RPI”), which is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys. Further information on the RPI (including past and current levels) can be found at www.statistics.gov.uk.</p> <p><i>HICP Linked Instruments</i></p> <p>HICP Linked Instruments are linked to the Eurozone Harmonised Index of Consumer Prices excluding Tobacco, as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the “HICP”). The HICP is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in Eurozone. Further information on the HICP (including past and current levels) can be found at www.epp.eurostat.ec.europa.eu.</p>
C.21	Market where Instruments will be traded and for which prospectus has been published	<p>Index Linked Instruments issued under the Programme may be admitted to the Official List and admitted to trading on the Market or the PSM, or may be unlisted.</p> <p>[Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange’s [regulated market / Professional Securities Market] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange’s [regulated market / Professional Securities Market] with effect from [●].] [Instruments are unlisted]</p>
Section D – Risks		
D.2	<p>Key information on key risks that are specific to each Issuer:</p> <p><u>National Grid:</u></p> <p>a) Some aspects of National Grid’s activities are potentially hazardous or could damage the environment. National Grid is subject to laws and regulations relating to health and</p>	

safety matters, pollution, environment protection, etc. and National Grid commits significant expenditure towards complying with these laws and regulations. If more onerous requirements are imposed or National Grid's ability to recover these costs under regulatory frameworks changes, this could have a material adverse impact on National Grid.

- b) National Grid may suffer a major network failure or interruption, or may not be able to carry out critical non-network operations.
- c) Changes in law or regulation and decisions by governmental bodies or regulators could also materially adversely affect National Grid.
- d) New businesses or activities that National Grid undertakes alone, or with partners, may not result in positive earnings and may expose National Grid to additional operational and financial risk.
- e) If National Grid does not meet the targets and standards it has set for itself, or if it does not deliver the capital investment in its business plan or implement the transformation projects it is carrying out as envisaged, or is not able to shape its operating model to deliver success under RIIO, it may not achieve the expected benefits, its business may be materially adversely affected.
- f) Changes in foreign currency rates or commodity prices could materially impact earnings or National Grid's financial condition.
- g) National Grid's operating costs may increase without a corresponding increase in the retail price index and therefore without a corresponding increase in U.K. revenues.
- h) National Grid may be required to make significant additional contributions to fund pension and other post-retirement benefits which, to the extent they are not recoverable under its price controls or state rate plans, could materially adversely affect National Grid's results of operations and financial condition.
- i) Maintenance and growth of National Grid's business requires access to capital markets at commercially acceptable interest rates. Financial markets can be subject to periods of volatility and shortages of liquidity which may be exacerbated by the eurozone crisis. If National Grid were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, National Grid's cost of financing may increase.
- j) Other material risks that may affect National Grid's ability to fulfil its obligations under Instruments issued under the Programme include National Grid Group's exposure to credit risk, country risk, interest rate risk, funding and liquidity risk, market risk, currency risk, operational risk, legal risk, tax risk, systemic risk, competition, credit ratings, the risk that customers and counterparties may not perform their respective obligations, the risk of failing to attract and retain key employees with the skills and experience required to deliver National Grid's strategy and the risk that employees and others acting on its behalf may not be engaged to act in National Grid's best interests.

NGET:

- a) Some aspects of NGET's activities are potentially hazardous and could damage the environment. NGET is subject to regulation related to climate change and if more onerous requirements are imposed or NGET's ability to recover these costs under

	<p>regulatory framework changes, this could have a material adverse impact on NGET.</p> <p>b) NGET may suffer a major network failure or interruption, or may not be able to carry out critical non-network operations.</p> <p>c) Changes in law or regulation and decisions by governmental bodies or regulators could also materially adversely affect NGET.</p> <p>d) Changes in foreign currency rates or interest rates could materially impact earnings or NGET's financial condition. NGET's operating costs may increase without the corresponding increase in RPI and thus, without corresponding increase in revenue.</p> <p>e) Maintenance and growth of NGET's business requires access to capital markets at commercially acceptable interest rates. Financial markets can be subject to periods of volatility and shortages of liquidity which may be exacerbated by the eurozone crisis. If NGET were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, NGET's cost of financing may increase.</p> <p>f) NGET is exposed to the risk that its customers and counterparties may not perform their respective obligations. NGET has significant concentrations of receivables with a small number of large electricity utilities.</p> <p>g) NGET is exposed to the risk that it may not attract and retain employees with the skills and experience required to deliver its strategy and it also faces the risk that employees and others acting on its behalf may not be engaged to act in NGET's best interests.</p>
<p>D.3</p>	<p>Key information on the key risks that are specific to the Instruments:</p> <p>Material risks relating to the structure of a particular issuance of Instruments may (depending on the terms of the particular issue) include that the market price of the Instruments may be volatile, the Instruments may not pay interest or the payment of interest may depend on the market value of other securities, payment of principal or interest may occur at a different time or in a different currency than expected and payment of principal may be in an amount less than the nominal amount of the Instruments or even zero. There is no assurance that a liquid secondary market for certain Instruments will develop or continue. Certain Instruments may be subject to early redemption at the Issuer's discretion. The Issuer may issue Instruments with interest calculations in one or more currencies which may differ from the currency in which the principal of the Instruments is denominated. The Issuer may issue structured Instruments, investment in which may entail significant risk not associated with similar investments in a conventional debt instrument. Investors who hold through CREST through the issuance of CDIs ("CDI Holders") hold or have an interest in a separate legal instrument, will have only indirect interests in the Underlying Instruments and will be subject to external provisions.</p>
<p>D.6</p>	<p>Key information on factors which are material for the purpose of assessing the risks associated with Index-linked Instruments:</p> <p>Potential investors in Index-linked Instruments should be aware that (a) the market price of such Instruments may be volatile; (b) they may receive no interest; (c) they may risk losing part of, or their entire investment, for example, if exchange rates or any other relevant index moves sufficiently in an unanticipated direction; (d) payment of principal or interest may occur at a different time or in a different currency than expected; (e) the amount of principal payable at redemption may be less than the nominal amount of such Instruments or even zero (for example, if the value of the relevant index falls below the value of the relevant Index applicable at the Issue Date, then the amount of principal payable at the time of redemption may be less</p>

		than the nominal amount of the Instrument); (f) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; (g) if a Relevant Factor is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and (h) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.
Section E – Offer		
E.2b	Reason for the offer and use of proceeds	The net proceeds of the issue of the Instruments will be used by the relevant Issuer for its [general corporate purposes/ specify any other particular identified use of proceeds].
E.3	Terms and Conditions of the Offer	[Insert a description of the terms and conditions of the Offer]
E.4	Interests of natural and legal persons involved in the issue of the Instruments	[So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]
E.7	Estimated expenses charged to the investor by the Issuer or the Authorised Offeror	Any investor intending to acquire any Instruments from a bank, financial intermediary or other entity (including an Authorised Offeror) other than a Dealer in its capacity as such will do so in accordance with any terms and other arrangements in place between the seller or distributor and such investor, including as to price and any expenses that may be payable, allocations and settlement arrangements. Neither the Issuer nor any of the Dealers are party to such terms or other arrangements.

RISK FACTORS

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

Factors which the relevant Issuer believes may be material for the purpose of assessing the market risks associated with Instruments issued under the Programme are also described below.

The relevant Issuer believes that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the relevant Issuer may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons. If this occurs, Prospective investors may lose the value of their entire investment or part of it. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect National Grid's ability to fulfil its obligations under Instruments issued under the Programme

Risks relating to National Grid and its businesses

Harmful activities

Aspects of National Grid's activities are potentially hazardous or could damage the environment.

Potentially hazardous activities that arise in connection with National Grid's business include the operation and maintenance of electricity generation facilities, electricity lines and substations and the storage, transmission and distribution of gas. National Grid is subject to laws and regulations in the U.K. and the U.S. governing health and safety matters protecting the public and its employees, who could potentially be harmed by these activities. Electricity and gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of National Grid's operations that are not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. National Grid is subject to laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose National Grid to costs and liabilities relating to National Grid's operations and properties whether current, including those inherited from predecessor bodies, or formerly owned by National Grid and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and National Grid's share of the liability. National Grid is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well as reduction in energy use by its customers. National Grid commits significant expenditure towards complying with these laws and regulations and to meeting its obligations under negotiated settlements. If more onerous requirements are imposed or National Grid's ability to recover these costs under regulatory frameworks changes, this could have a material adverse impact on National Grid's businesses,

reputation, results of operations and financial position. Furthermore, any breach of National Grid's regulatory or contractual obligations or its climate change targets, or even incidents that do not amount to a breach, could materially adversely affect National Grid's results of operations and its reputation.

Infrastructure and IT systems

National Grid may suffer a major network failure or interruption, or may not be able to carry out critical non-network operations.

Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand, inadequate record keeping or control of data or failure of information systems and supporting technology. This could cause National Grid to fail to meet agreed standards of service, incentive and reliability targets, or be in breach of a licence, approval, regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming National Grid's reputation. In addition to these risks, National Grid may be affected by other potential events that are largely outside National Grid's control such as the impact of weather (including as a result of climate change), unlawful or unintentional acts of third parties, insufficient supply or force majeure. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure will materially adversely affect operational and potentially business performance and National Grid's reputation. Malicious attack, sabotage or other intentional acts may also damage National Grid's assets or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on its business, results of operations and financial condition. Attempts may be made to gain unauthorised access to, or deliberately breach, National Grid's IT systems with a view to access and manipulate National Grid's proprietary business data or customer information. National Grid may be liable for violation of data privacy regulations if such attempts are successful. Even though National Grid has established business continuity controls, and taken security measures against such threats, these measures may not be sufficient.

Law and regulation

Changes in law or regulation and decisions by governmental bodies or regulators could materially adversely affect National Grid.

Many of National Grid's businesses are utilities or networks that are subject to regulation by governments and other authorities. Changes in law or regulation or regulatory policy and precedent in the countries or states in which National Grid operates (including the new RIIO approach in the U.K.) could materially adversely affect National Grid. Decisions or rulings concerning, for example: (i) whether licences, approvals or agreements to operate or supply are granted or are renewed, or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue and other decisions relating to the impact of general economic conditions on National Grid, its markets and customers, implications of climate change, the level of permitted revenues and dividend distributions for National Grid's businesses and in relation to proposed business development activities, could have a material adverse impact on National Grid's results of operations, cash flows, the financial condition of National Grid's businesses and the ability to develop those businesses in the future.

Business development activity

New businesses or activities that National Grid undertakes alone, or with partners, may not result in positive earnings and may expose National Grid to additional operational and financial risk.

Business development activities, including acquisitions, disposals and joint ventures entail a number of risks, including that they may be based on incorrect assumptions or conclusions, failure to realise planned levels of synergy and efficiency savings, the inability to integrate acquired businesses effectively and National Grid may suffer on account of unanticipated costs and liabilities and other unanticipated effects. National Grid may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated at the time of the relevant acquisition. In the case of joint ventures, National Grid may have limited control over operations and its joint venture partners may have interests that diverge from National Grid's interests. The occurrence of any of these events could have a material adverse impact on National Grid's results of operations or financial condition, and could also impact its ability to enter into other transactions.

Business Performance

Future business performance may not meet expectations.

Earnings maintenance and growth from National Grid's regulated gas and electricity businesses will be affected by National Grid's ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, its regulators. In addition, from time to time, National Grid publishes cost and efficiency savings targets for its businesses. If National Grid does not meet these targets and standards, or if it does not deliver the capital investment in its business plan or implement the transformation projects it is carrying out as envisaged, or is not able to shape its operating model to deliver success under RIIO, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed.

Cost escalation

Changes in foreign currency rates, interest rates or commodity prices could materially impact earnings or National Grid's financial condition.

National Grid has significant operations in the U.S. and is therefore subject to the exchange rate risks normally associated with non-domestic U.K. operations, including the need to translate U.S. assets and liabilities, and income and expenses, into sterling, National Grid's primary reporting currency. In addition, National Grid's results of operations and net debt position may be affected because a significant proportion of its borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar to sterling exchange rate. Furthermore, National Grid's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate, interest rate and commodity price exposure or by cash collateral movements relating to derivative market values, which also depend on the sterling exchange rate into Euro and other currencies.

Operating costs may increase faster than revenues.

National Grid's income under its price controls in the U.K. is linked to the retail price index ("RPI"). National Grid's operating costs may increase without a corresponding increase in the RPI and therefore without a corresponding increase in U.K. revenues. National Grid's income under its rate

plans in the U.S. is not typically linked to inflation. In periods of inflation in the U.S., National Grid's operating costs may increase by more than its revenues. In both the U.K. and U.S. such increased costs may materially adversely affect National Grid's results of operations.

National Grid may be required to make significant contributions to fund pension and other post-retirement benefits.

National Grid participates in a number of pension schemes that together cover substantially all of its employees. In both the U.K. and the U.S., the principal schemes are defined benefit schemes where the scheme assets are held independently of National Grid's own financial resources. In the U.S., National Grid also has other post-retirement benefit schemes. Estimates of the amount and timing of future funding for the U.K. and U.S. schemes are based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets, exacerbated by the eurozone crisis. Changes of these assumptions and other factors may require National Grid to make additional contributions to these pension schemes which, to the extent they are not recoverable under its price controls or state rate plans, could materially adversely affect National Grid's results of operations and financial condition.

Financing and liquidity

Maintenance and growth of National Grid's business requires access to capital markets at commercially acceptable interest rates.

National Grid's business is financed through cash generated from its ongoing operations, bank lending facilities and the capital markets, particularly the long-term debt capital markets. Some of the debt issued by National Grid is rated by credit rating agencies and changes to these ratings may affect both National Grid's borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators may also limit how National Grid services the financial requirements of its current businesses or the financing of newly acquired or developing businesses. Financial markets can be subject to periods of volatility and shortages of liquidity which may be exacerbated by the eurozone crisis. If National Grid were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, National Grid's cost of financing may increase, the discretionary and uncommitted elements of its proposed capital investment programme may need to be reconsidered and the manner in which National Grid implements its strategy may need to be reassessed. The occurrence of any such events could have a material adverse impact on National Grid's business, results of operations and prospects.

Some of National Grid's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that certain companies within the group must hold or the amount of equity within their capital structures. One of the key limits requires National Grid to hold an investment grade long term senior unsecured debt credit rating. In addition, some of National Grid's regulatory arrangements impose restrictions on its ways of operation. These include regulatory requirements for National Grid to maintain adequate financial resources within certain parts of its operating businesses and may restrict the ability of National Grid and some of its subsidiaries to engage in certain transactions, including paying dividends, lending cash and levying charges. The inability to meet such requirements or imposition of any such restrictions may have a material adverse impact on National Grid's business and financial condition.

Customers and counterparties

Customers and counterparties may not perform their obligations.

National Grid's operations are exposed to the risk that customers, suppliers, financial institutions and others with whom National Grid does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is most significant where National Grid's subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers and may also arise where customers are unable to pay National Grid as a result of increasing commodity prices or adverse economic conditions.

Employees and others

National Grid needs to attract and retain employees with the skills and experience required to deliver its strategy and ensure they are engaged to act in National Grid's best interests.

National Grid's ability to implement its strategy depends on the capabilities and performance of its employees and strategy may be adversely affected by the loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited), or if significant disputes arise with its employees and, as a result, there may be a material adverse effect on its business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on National Grid's behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on National Grid's results of operations, its reputation and its relationship with its regulators and other stakeholders.

Factors that may affect NGET's ability to fulfil its obligations under Instruments issued under the Programme

Risks relating to NGET and its business

Harmful activities

Aspects of NGET's activities are potentially hazardous or could damage the environment. NGET is exposed to costs and liabilities from its operations and properties, including those inherited from predecessor bodies, or formerly owned by it, and sites used for the disposal of its waste. In addition, there may be other aspects of NGET's operations that are not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. NGET is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well secure a reduction in energy use by its customers. If the legal requirements become more onerous or NGET's regulatory framework changes, then NGET may not be able to recover all the costs of complying with these laws and regulations.

Infrastructure and IT systems

Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand, inadequate record keeping or control of data or failure of information systems and supporting technology. This could cause NGET to fail to meet agreed standards of service, incentive and reliability targets, or be in breach of a licence,

approval, regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming NGET's reputation. Malicious attack, sabotage or other intentional acts may also damage NGET's assets or otherwise significantly affect corporate operations and financial condition. Attempts may be made to gain unauthorised access to, or deliberately breach, NGET's IT systems with a view to access and manipulate NGET's proprietary business data or customer information. NGET may be liable for violation of data privacy regulations if such attempts are successful. Even though NGET has established business continuity controls, and taken security measures against such threats, these measures may not be sufficient.

Law and regulation

Changes in law or regulation or decisions by governmental bodies or regulators could materially adversely affect NGET. This includes in particular the introduction of the new RIIO regulatory regime described in more detail in the 'Description of National Grid Electricity Transmission plc' on page 121. Decisions or rulings concerning, for example: (i) whether licences, approvals or agreements to operate or supply are granted or are renewed, or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs and other decisions relating to the impact of general economic conditions on NGET, its markets and customers, implications of climate change, the level of permitted revenues and dividend distributions for NGET's business and in relation to proposed business development activities, could have a material adverse impact on NGET's results of operations, cash flows, the financial condition of NGET's business and the ability to develop its business in the future.

Business performance

Earnings maintenance and growth from NGET's business will be affected by NGET's ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, Ofgem. In addition, from time to time, NGET publishes cost and efficiency savings targets for its business. If NGET does not meet these targets and standards, or if it does not deliver the capital investment in its business plan or implement the transformation projects it is carrying out as envisaged, or is not able to shape its operating model to deliver success under RIIO, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed.

Cost Escalation

Changes in foreign currency rates or interest rates or could materially impact earnings or NGET's financial condition. NGET's results and net debt position may be affected because a significant proportion of its borrowings, and derivative financial instruments are affected by changes in interest rates and exchange rates, in particular the Euro to Sterling and the U.S. Dollar to Sterling exchange rates. Furthermore, NGET's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate and interest rate exposure, or by cash collateral movements relating to derivative market values. Operating costs may increase faster than revenues. While income under NGET's price controls is linked to the RPI, its operating costs may increase at a faster rate than RPI. The majority of NGET's employees are members of a defined benefit pension scheme where the scheme assets are held independently of NGET's own financial resources. Estimates of the amount and timing of future funding for the scheme is based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal

requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets, exacerbated by the eurozone crisis. Changes of these assumptions and other factors may require NGET to make additional contributions to the pension scheme which, to the extent they are not recoverable under NGET's price controls, could adversely affect its results and financial condition.

Financing and liquidity

Maintenance and growth of NGET's business requires access to capital markets at commercially acceptable interest rates. NGET's business is financed through cash generated from its ongoing operations, bank lending facilities and the capital markets, particularly the long-term debt capital markets. Some of the debt NGET issues is rated by credit rating agencies and changes to these ratings may affect both NGET's borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators may also limit how NGET services the financial requirements of its businesses. Financial markets can be subject to periods of volatility and shortages of liquidity, which may be exacerbated by the eurozone crisis, if NGET were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, its cost of financing may increase, the discretionary and uncommitted elements of its proposed capital investment programme may need to be reconsidered and the manner in which NGET implement its strategy may need to be reassessed. The occurrence of any such events could have a material adverse impact on NGET's business, results and prospects. NGET's regulatory agreements impose lower limits for the long-term senior unsecured debt credit ratings that NGET must hold. In addition, NGET's regulatory arrangements impose restrictions on the way it can operate. These include regulatory requirements for NGET to maintain adequate financial resources within the company. The inability to meet such requirements may have an adverse impact on NGET's business and financial condition.

Customers and counterparty risk

NGET's operations are exposed to the risk that customers, suppliers, financial institutions and others with whom NGET does business will not satisfy their obligations, which could materially adversely affect its financial position. NGET has significant concentrations of receivables with a small number of large electricity utilities .

Employees and others

NGET's ability to implement its strategy depends on the capabilities and performance of its employees and strategy may be adversely affected by the loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited), or if significant disputes arise with its employees and, as a result, there may be a material adverse effect on its business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on NGET's behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on NGET's results of operations, its reputation and its relationship with its regulators and other stakeholders.

Factors which are material for the purpose of assessing the market risks associated with Instruments and the CDI's issued under the Programme

Risks related to the structure of a particular issue of Instruments

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

Instruments subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Instruments. During any period when the Issuer may elect to redeem Instruments, the market value of those Instruments 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 Instruments when its cost of borrowing is lower than the interest rate on the Instruments. 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 Instruments 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.

Index Linked Instruments

The Issuer may issue Instruments with principal or interest determined by reference to an index or formula, to changes in the prices of commodities or, to movements in currency exchange rates (each, a "**Relevant Factor**"). In addition, the Issuer may issue Instruments with principal or interest payable in one or more currencies which may be different from the currency in which the Instruments are denominated. Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) they may risk losing part of, or their entire investment, for example, if exchange rates or any other relevant index moves sufficiently in an unanticipated direction;
- (iv) payment of principal or interest may occur at a different time or in a different currency than expected;
- (v) the amount of principal payable at redemption may be less than the nominal amount of such Instruments or even zero (for example, if the value of the relevant index falls below the value of the relevant index applicable at the Issue Date, then the amount of principal payable at the time of redemption may be less than the nominal amount of the Instrument);
- (vi) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Variable rate Instruments with a multiplier or other leverage factor

Instruments with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Instruments

Fixed/Floating Rate Instruments may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Instruments since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Instruments may be less favourable than the prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Instruments.

Instruments issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal 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.

Risks related to Instruments generally

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

Modification, waivers and substitution

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

The Terms and Conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders, agree to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders or (c) the substitution of another company as principal debtor under any Instruments in place of the Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Instruments.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Instruments, there is no assurance that this would not adversely affect investors in the Instruments. It is possible that prior to the maturity of the Instruments the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Instruments denominated in Sterling may become

payable in Euro (ii) the law may allow or require such Instruments to be re-denominated into Euro and additional measures to be taken in respect of such Instruments; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Instruments or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Instruments.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or certain other limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead (unless during that period they elect otherwise) apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU territories to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment in respect of an Instrument which is the subject of the Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26/27 November 2000 were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Instrument as a result of the imposition of such withholding tax. However, the Issuer is required, to the extent it is able to do so, as provided in Condition 6.5 of the Instruments, to maintain a Paying Agent with a specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Change of law

The Terms and Conditions of the Instruments except Australian Domestic Instruments are based on English law in effect as at the date of issue of the relevant Instruments. The Terms and Conditions of the Australian Domestic Instruments are governed by and shall be construed in accordance with the laws in force in New South Wales, Australia, save that the provisions of Condition 9 (Events of

Default) shall be interpreted so as to have the same meaning they would have if governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English or Australian law, as the case may be, or administrative practice after the date of issue of the relevant Instruments. Integral multiples of less than a minimum Specified Denomination

In relation to any issue of Instruments which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Instruments 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 a principal amount of less than any minimum Specified Denomination will not receive a Definitive Instrument in respect of such holding (should Definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations. Except in circumstances set out in the relevant Global Instrument, investors will not be entitled to receive Definitive Instruments.

Holding CREST Depository Interests

CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Instruments. The rights of CDI Holders to the Underlying Instruments are represented by the relevant entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Instruments. Accordingly, rights under the Underlying Instruments cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians. The enforcement of rights under the Underlying Instruments will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Instruments in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Instruments held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the relevant Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Instruments which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Instruments through the CREST International Settlement Links Service.

Potential investors should note that none of the Issuers, the Arranger, the Dealers, the Trustee or the Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see “Clearing and Settlement”.

Risks related to the market generally

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

The secondary market generally

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Instruments 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 Instruments 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 Instruments 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 Instruments.

The Clearing Systems

Because the Global Instruments may be held by or on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) or such other clearing system as has been agreed by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s) (each a “**Clearing System**”) investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Instruments (other than Australian Domestic Instruments) issued under the Programme may be represented by one or more temporary Global Instruments or permanent Global Instruments. Such Global Instruments may be deposited with a common depository or a depository for the relevant Clearing System. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Instruments. The relevant Clearing System will maintain records of the interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their interests only through the relevant Clearing System.

While Instruments (other than Australian Domestic Instruments) are represented by one or more Global Instruments, the Issuer will discharge its payment obligations under such Instruments by making payments to the common depository or a depository for the relevant Clearing System for distribution to their account holders. A holder of an interest in a Global Instrument must rely on the procedures of the relevant Clearing System to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Instruments.

Holders of interests in the Global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Instruments 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 Instruments, (2) the Investor's Currency equivalent value of the principal payable on the Instruments and (3) the Investor's Currency equivalent market value of the Instruments.

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

Interest rate risks

Investment in Fixed Rate Instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Instruments.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. 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 from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. Whether or not a rating in relation to any Tranche of Instruments will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

Each Base Prospectus should be read and construed in conjunction with (i) the audited consolidated annual financial statements of each of NGET or National Grid, as the case may be, for the financial years ended 31 March 2011 and 31 March 2012, together in each case with the audit report thereon, (ii) the Terms and Conditions set out on pages 11 to 35 of the information memorandum dated 20 December 2002 as amended by the text in Clause 2 of the supplemental information memorandum dated 29 January 2003 (which shall also be incorporated by reference herein), (iii) the Terms and Conditions set out on pages 10 to 33 of the information memorandum dated 6 December 2004, (iv) the Terms and Conditions set out on pages 24 to 56 of the prospectus dated 18 August 2005 relating to the Programme, (v) the Terms and Conditions set out on pages 26 to 59 of the prospectus dated 11 August 2006 relating to the Programme, (vi) the Terms and Conditions set out on pages 26 to 61 of the prospectus dated 30 July 2008, (vii) the Terms and Conditions set out on pages 27 to 66 of the prospectus dated 24 July 2009, (viii) the Terms and Conditions set out on pages 29 to 68 of the prospectus dated 26 July 2010 and (ix) the Terms and Conditions set out in pages 36 to 75 of the prospectus dated 2 August 2011 relating to the Programme which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Services Authority or filed with it. Such documents shall be deemed to be incorporated in, and form part of the relevant Base Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the relevant Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the relevant Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Those parts of the information memoranda and prospectuses dated 20 December 2002, 29 January 2003, 6 December 2004, 18 August 2005, 11 August 2006, 30 July 2008, 24 July 2009, 26 July 2010 and 2 August 2011 which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Instruments or the relevant information is included elsewhere in this Prospectus.

The relevant Issuer will at its registered office and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by reference in this Base Prospectus. Any request for inspection of such documents should be directed to the specified office of any Paying Agent.

The table below sets out the relevant page references for the audited consolidated annual financial statements and the audit reports of each of NGET and National Grid, as the case may be, for the financial years ended 31 March 2011 and 31 March 2012 which are incorporated by reference herein:

Audited Consolidated Annual Financial Statements of National Grid

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Audited Consolidated Annual Financial Statements of NGET

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Consolidated balance sheet.....	42	33
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SUPPLEMENTAL PROSPECTUS

In respect of any Instruments to be listed on the Market, if at any time an Issuer shall be required to prepare a supplemental prospectus pursuant to section 87G of FSMA (“**Supplemental Prospectus**”), such Issuer will prepare and make available to the public an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Instruments to be listed on the Official List and admitted to trading on the Market, shall constitute a Supplemental Prospectus as required by the U.K. Listing Authority and section 87G of FSMA.

SUPPLEMENTARY LISTING PARTICULARS

In respect of any Instruments to be listed on the PSM, if at any time any of the Issuers shall be required to prepare supplementary listing particulars pursuant to Section 81 of the FSMA, such Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Instruments to be listed on the Official List and admitted to trading on the PSM, shall constitute supplementary listing particulars as required by the U.K. Listing Authority and Section 81 of the FSMA.

NATIONAL GRID PLC – SELECTED FINANCIAL INFORMATION

The financial summary set out below has been extracted without material adjustment from the audited consolidated financial statements of National Grid for the years ended 31 March 2012, 2011 and 2010, respectively. The summary financial information should be read together with the financial statements. The consolidated financial statements of National Grid for the years ended 31 March 2012 and 2011 respectively are incorporated by reference into this document.

Summary Consolidated Income Statement

	For the year ended 31 March		
	2012	2011	2010
	<i>(£ millions)</i>		
Revenue	13,832	14,343	14,007
Operating profit			
Before exception items, remeasurements and stranded cost recoveries	3,495	3,600	3,121
Exception items, remeasurements and stranded cost recoveries	44	145	172
Total operating profit	3,539	3,745	3,293
Profit before taxation			
Before exception items, remeasurements and stranded cost recoveries	2,585	2,473	1,974
Exception items, remeasurements and stranded cost recoveries	(26)	151	219
Total profit before taxation	2,559	2,624	2,193
Profit from continuing operations after taxation			
Before exception items, remeasurements and stranded cost recoveries	1,830	1,751	1,421
Exception items, remeasurements and stranded cost recoveries	208	412	(32)
Profit for the year from continuing operations	2,038	2,163	1,389
Earnings per share from continuing operations *			
Basic.....	57.1p	62.9p	47.5p
Diluted	56.8p	62.5p	47.3p

Notes:

* Comparative amounts have been restated to reflect the impact of additional shares issued as scrip dividends

Summary Consolidated Statement of Net Assets

As at 31 March

	2012	2012	2010
		<i>(£ millions)</i>	
Non-current assets.....	41,684	39,787	38,488
Current assets.....	5,387	6,323	5,065
Assets of businesses held for sale.....	264	290	-
Total assets	47,335	46,400	43,553
Current liabilities.....	(6,004)	(6,826)	(6,559)
Non-current liabilities.....	(31,998)	(30,395)	(32,783)
Liabilities of businesses held for sale.....	(87)	(110)	-
Total liabilities	(38,089)	(37,331)	(39,342)
Net assets	9,246	9,069	4,211

Summary Consolidated Cash Flow Statement

	For the year ended 31 March		
	2012	2011	2010
		<i>(£ millions)</i>	
Net cash inflow from operating activities.....	4,228	4,858	4,516
Net cash flow used in investing activities.....	(2,371)	(4,774)	(2,332)
Net cash flow used in financing activities.....	(1,900)	(430)	(2,212)
Net (decrease)/increase in cash and cash equivalents.....	(43)	(346)	(28)

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following is the text of the terms and conditions which, save for the text in italics and subject to completion by Part A of the relevant Final Terms, will be endorsed on the Instruments in definitive form (if any) issued in exchange for the Global Instrument(s) representing each Series and incorporated by reference into each Australian Domestic Instrument. Either (a) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (b) these terms and conditions as so completed (and subject to simplification by the dis-application of non-applicable provisions), shall be endorsed on such definitive Instruments. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Instruments and incorporated by reference into each Australian Domestic Instrument.

References in these terms and conditions (the “**Conditions**”) to “**Instruments**” (as defined below) are to the Instruments of one Series only of the relevant Issuer (as defined below), not to all Instruments that may be issued under the Programme.

National Grid plc (“**National Grid**”) and National Grid Electricity Transmission plc (“**NGET**”) (each an “**Issuer**” and together, the “**Issuers**”) have established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to Euro 15,000,000,000 in aggregate principal amount of debt instruments (the “**Instruments**”). The Instruments, other than the Australian Domestic Instruments (as defined below), are constituted by a Trust Deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 10 September 2012 between the Issuers and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Definitive Instruments, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 10 September 2012 has been entered into in relation to the Instruments (other than the Australian Domestic Instruments) between the Issuers, the Trustee, The Bank of New York Mellon as initial issuing and paying agent and the other agent(s) named in it. The issuing and paying agent, the paying agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent) and the “**Calculation Agent(s)**”.

Instruments (the “**Australian Domestic Instruments**”) may be issued under a deed poll (as amended or supplemented from time to time, the “**Australian Deed Poll**”) dated 10 September 2012 made by the Issuers in favour of the Trustee and the holders of those Instruments. The provisions of these Conditions relating to Coupons and Talons (each as defined below) do not apply to Australian Domestic Instruments. An agency and registry agreement (as amended or supplemented from time to time, the “**Australian Agency and Registry Agreement**”) dated 10 September 2012 has been entered into in relation to the Australian Domestic Instruments between the Issuers and BTA Institutional Services Australia Ltd as issuing and paying agent and registrar (the “**Australian Issuing and Paying Agent**” and the “**Australian Registrar**”). The Australian Registrar will maintain a register of holders of the Australian Domestic Instruments (the “**Australian Register**”). References in these terms and conditions to the Agent and the Paying Agent and the Agency Agreement shall, in relation to the Australian Domestic Instruments, be a reference to the Australian Issuing and Paying Agent and the Australian Agency and Registry Agreement respectively.

Copies of the Trust Deed, the Agency Agreement and the Australian Agency and Registry Agreement are available for inspection during usual business hours at the registered office of the Trustee (as at 10 September 2012 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

The Instrumentholders, the holders of the interest coupons (the “**Coupons**”) appertaining to interest bearing Instruments and, where applicable in the case of such Instruments, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1 Form, Denomination and Title

The Instruments are issued in:

- (a) bearer form in the Specified Denomination(s) specified in the relevant Final Terms and are serially numbered; or
- (b) in the case of Australian Domestic Instruments, registered uncertificated (or inscribed) form and are constituted by the Australian Deed Poll,

as specified in the relevant Final Terms.

Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination[provided that in the case of any Instruments which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Instruments)*]. Australian Domestic Instruments may not be exchanged for Instruments in bearer form and Instruments in bearer form may not be exchanged for Australian Domestic Instruments.

This Instrument is a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, an Index Linked Interest Instrument or an Index Linked Redemption Instrument or a combination of any of the preceding, depending upon the Interest and Redemption/Payment Basis specified in the relevant Final Terms.

Instruments are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Instruments in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Title to the Instruments and Coupons and Talons shall pass by delivery and except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Paying Agents shall be entitled to treat the bearer of any Instrument, Coupon or Talon as the absolute owner of that Instrument, Coupon or Talon, as the case may be, and shall not be required to obtain any proof of ownership as to the identity of the bearer.

In these Conditions, “**Instrumentholder**” means the bearer of any Instrument of one Series only of an Issuer, “**holder**” (in relation to an Instrument, Coupon or Talon) means the bearer of any Instrument, Coupon or Talon and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to the Instruments.

* Only applicable where NGET is the Issuer.

In the case of Australian Domestic Instruments, the following provisions apply and prevail over the foregoing provisions of this Condition 1 to the extent of any inconsistency.

Australian Domestic Instruments will be debt obligations of the Issuer constituted by the Australian Deed Poll and will take the form of entries in the Australian Register to be established and maintained by the Australian Registrar in Sydney, or such other place specified in the applicable Final Terms agreed by the Issuer with the Australian Registrar. The relevant Issuer will arrange for the Australian Registrar to maintain the Australian Register so as to show at all times such details of the Instrumentholders and the Australian Domestic Instruments as are required to be shown on the Australian Register by or for the effective operation of these Conditions or by law or which the relevant Issuer and Australian Registrar determine should be shown in the Australian Register. Although Australian Domestic Instruments will not be constituted by the Trust Deed, Australian Domestic Instruments will have the benefit of, and be issued subject to, certain other provisions of the Trust Deed. The Agency Agreement is not applicable to Australian Domestic Instruments. In relation to Australian Domestic Instruments, the expression “**Instrumentholder**” or “**holder**” means a person (or persons) whose name is for the time being entered in the Australian Register as the holder of an Australian Domestic Instrument. For the avoidance of doubt, where an Australian Domestic Instrument is entered into the Austraclear System, the expressions “**Instrumentholder**” or “**holder**” in respect of that Australian Domestic Instrument means Austraclear as operator of the Austraclear System.

Australian Domestic Instruments will not be serially numbered, unless otherwise agreed with the Australian Registrar. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the Trustee on behalf of, and to, the relevant Instrumentholder of the indebtedness of the relevant Issuer to the Trustee on behalf of, and to, the relevant Instrumentholder. The obligations of the relevant Issuer in respect of each Australian Domestic Instrument constitute separate and independent obligations which the Instrumentholder and the Trustee are entitled to enforce in accordance with (and subject to) these Conditions, the Trust Deed and the Australian Deed Poll. No certificate or other evidence of title will be issued by or on behalf of the relevant Issuer to evidence title to an Australian Domestic Instrument unless the relevant Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Instrument will be registered in the name of more than four persons. Australian Domestic Instruments registered in the name of more than one person are held by those persons as joint tenants. Australian Domestic Instruments will be registered by name only, without reference to any trusteeship and an entry in the Australian Register in relation to an Australian Domestic Instrument constitutes conclusive evidence that the person so entered is the absolute owner of such Instrument, subject to rectification for fraud or error.

Title to an Australian Domestic Instrument and all rights and entitlements arising by virtue of the Australian Deed Poll or the Trust Deed in respect of that Australian Domestic Instrument vest absolutely in the registered owner of the Australian Domestic Instrument, subject to rectification of the Australian Register for fraud or error, such that no person who has previously been registered as the owner of the Australian Domestic Instrument has or is entitled to assert against the Issuer or the Australian Registrar or the registered owner of the Australian Domestic Instrument for the time being and from time to time any rights, benefits or entitlements in respect of the Australian Domestic Instrument.

Australian Domestic Instruments may be transferred in whole but not in part. Australian Domestic Instruments will be transferred by duly completed and (if applicable) stamped transfer and

acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by the Issuer and the Australian Registrar. Australian Domestic Instruments entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Instruments are lodged in the Austraclear System, application for the transfer of Australian Domestic Instruments must be made by the lodgment of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Instruments and must be signed by both the transferor and the transferee.

The transferor of an Australian Domestic Instrument is deemed to remain the holder of that Australian Domestic Instrument until the name of the transferee is entered in the Australian Register in respect of that Australian Domestic Instrument. Transfers will not be registered later than eight days prior to the Maturity Date of the Australian Domestic Instrument.

Australian Domestic Instruments may only be transferred within, to or from Australia if:

- (a) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the *Corporations Act 2001* of Australia ("**Australian Corporations Act**");
- (b) the transferee is not a "retail client" as defined in section 761G of the Australian Corporations Act;
- (c) the transfer is in compliance with all applicable laws, regulations and directives (including, without limitation, in the case of a transfer to or from Australia, the laws of the jurisdiction in which the transfer takes place); and
- (d) in the case of a transfer between persons outside Australia, if a transfer and acceptance form is signed outside Australia.

A transfer to an unincorporated association is not permitted.

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

A person becoming entitled to an Australian Domestic Instrument as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Australian Registrar considers sufficient, transfer the Australian Domestic Instrument or, if so entitled, become registered as the holder of the Australian Domestic Instrument.

Where the transferor executes a transfer of less than all Australian Domestic Instruments registered in its name, and the specific Australian Domestic Instruments to be transferred are not identified, the Australian Registrar may register the transfer in respect of such of the Australian Domestic Instruments registered in the name of the transferor as the Australian Registrar thinks fit, provided the aggregate principal amount of the Australian Domestic Instruments registered as having been transferred equals the aggregate principal amount of the Australian Domestic Instruments expressed to be transferred in the transfer.

In this Condition 1:

“**Austraclear**” means Austraclear Limited (ABN 94 002 060 773).

“**Austraclear Regulations**” means the rules and regulations established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

“**Austraclear System**” means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

2 Status and Negative Pledge

2.1 Status

The Instruments and the Coupons relating to them constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Instruments and Coupons shall, subject to such exceptions as are from time to time applicable under the laws of England and, in relation to Instruments issued by National Grid, as provided in Condition 2.2, rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer.

2.2 Negative Pledge

So long as any Instrument or Coupon of National Grid remains outstanding (as defined in the Trust Deed) National Grid will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, National Grid’s obligations under the Instruments, the Coupons and the Trust Deed (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Instrumentholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Instrumentholders.

For the purposes of these Conditions, “**Relevant Indebtedness**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are intended, with the agreement of the Issuer, to be quoted, listed or ordinarily dealt in on any stock exchange.

3 Interest

3.1 Interest on Fixed Rate Instruments

Each Fixed Rate Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.2.4(d).

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the

amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount, or, if applicable, the Broken Amount so specified and in the case of a Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

3.2 Interest on Floating Rate Instruments and Index Linked Interest Instruments

3.2.1 *Interest Payment Dates*

Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.2.4(d). Such Interest Payment Date(s) is/are either specified in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown on this Instrument as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

3.2.2 *Business Day Convention*

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (a) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (b) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (c) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (d) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

3.2.3 *Rate of Interest for Floating Rate Instruments*

The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified on this Instrument.

- (a) ISDA Determination for Floating Rate Instruments: Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (a), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate which would be determined by the Calculation Agent under a Swap Transaction under the terms of an

agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Final Terms;
- (ii) the Designated Maturity is a period specified in the relevant Final Terms;
and
- (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

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

(b) Screen Rate Determination for Floating Rate Instruments:

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

- (x) the offered quotation; or

- (y) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at (1) 11.00 a.m. London time, in the case of LIBOR (“**LIBOR**”); or (2) 11:00 a.m. Brussels time, in the case of EURIBOR (“**EURIBOR**”); or (3) 10:10 a.m. Sydney time, in the case of AUD-BBR-BBSW; or (4) 10:00 a.m. Toronto time, in the case of CAD-BA-CDOR; or (5) 11:00 a.m. Hong Kong time, in the case of HKD-HIBOR-HIBOR=; or (6) 11:00 a.m. Frankfurt time, in the case of EUR-ISDA-EURIBOR Swap Rate-11:00, on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) if the Relevant Screen Page is not available or if, sub-paragraph (i)(x) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (i)(y) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is AUD-BBR-BBSW, the principal office of each of the Reference Banks or, if the Reference Rate is CAD-BA-CDOR, the principal Toronto office of each of the Reference Banks or, if the

Reference Rate is EUR-ISDA-EURIBOR Swap Rate-11:00, the principal office of each of the Reference Banks or, if the Reference Rate is HKD-HIBOR-HIBOR=, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is: (1) LIBOR, at approximately 11.00 a.m. (London time), or (2) EURIBOR, at approximately 11.00 a.m. (Brussels time), or (3) AUD-BBR-BBSW, at approximately 10:00 a.m. (Sydney time), or (4) CAD-BA-CDOR, at 10:00 a.m. (Toronto time) or (5) EUR-ISDA-EURIBOR Swap Rate-11:00, at approximately 11:00 a.m. (Frankfurt time), or (6) HKD-HIBOR-HIBOR=, at approximately 11:00 a.m. (Hong Kong time), on the Interest Determination Date in question. If, two (in the case of LIBOR, EURIBOR, CAD-BA-CDOR or HKD-HIBOR-HIBOR=); or five (in the case of AUD-BBR-BBSW); or three (in the case of EUR-ISDA-EURIBOR Swap Rate-11:00), or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.; and

- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than the specified number of Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be (1) in case the Reference Rate is either LIBOR or EURIBOR, the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be; (2) in case the Reference Rate is AUD-BBR-BBSW, the rate shall then be determined by the Calculation Agent having regard to the comparable indices then available; (3) in case the Reference

Rate is EUR-ISDA-EURIBOR Swap Rate-11:00, the rate shall be the arithmetic mean of the mid-market annual swap rate quotations provided by the principal office of each of the Reference Banks, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (4) in case the Reference Rate is CAD-BA-CDOR, the arithmetic mean of the bid rates as communicated to (and at the request of) the Calculation Agent by Schedule I chartered banks in Toronto, for Canadian Dollar bankers acceptances for a period of the applicable Interest Period in an amount representative for a single transaction in the relevant market at the relevant time accepted by those banks as of 10:00 a.m. Toronto time; and (5) in the case of HKD-HIBOR-HIBOR, the arithmetic mean of the quotations as communicated to (and at the request of) the Calculation Agent by major banks in Hong Kong, for loans in Hong Kong Dollars to leading European banks for a period of the applicable maturity as at approximately 11:00 a.m. Hong Kong time, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period)

- (iv) If the Reference Rate from time to time in respect of Floating Rate Instruments is specified in the applicable Final Terms as being "BBSW", the Rate of Interest in respect of such Instruments for the relevant Interest Period shall be the average mid rate for Bills (having the meaning that term has in the *Bills of Exchange Act* 1909 of Australia) having a tenor closest to the relevant Interest Period displayed on the "BBSW" page of the Reuters Monitor System on the first day of that Interest Period, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. However, if the average mid rate is not displayed by 10:30 am on that day, or if it is displayed but the Calculation Agent determines that there is an obvious error in that rate, the Rate of Interest in respect of such Instruments for the relevant Interest Period shall be determined by the Calculation Agent in good faith at approximately 10:30 am on that day, having regard, to the extent possible, to the mid rate of the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time

3.2.4 *Rate of Interest for Index Linked Interest Instruments*

The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue accordingly.

(a) Zero Coupon Instruments

Where an Instrument, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Instrument. As from the Maturity Date, the Rate of Interest for any overdue principal of such an Instrument shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5.4.1(b)).

(b) Accrual of Interest

Interest shall cease to accrue on each Instrument on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 7).

(c) Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3.2.3(b) above, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency which is available as legal tender in the country of such currency.

(d) Calculations

The amount of interest payable per Calculation Amount in respect of any Instrument for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount as specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual

Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(e) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.2.3(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(f) Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or

calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the preceding provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

3.2.5 *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (a) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency (which in the case of: (i) Canadian dollars is Toronto except when the Reference Rate is LIBOR, then the financial centres are London and Toronto; and (ii) in the case of Australian dollars is Sydney); and/or
- (b) in the case of Euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (c) in the case of a currency and/or one or more Business Centres as specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency or, if no currency is indicated, generally in each of the Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Instrument for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **“Calculation Period”**):

- (a) if **“Actual/Actual”** or **“Actual/Actual-ISDA”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **“Actual/365 (Fixed)”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (c) if **“Actual/360”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (d) “if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the relevant Final Terms, 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 and D₁ is greater than 29, in which case D₂ will be 30;

- (e) “if **“30E/360”** or **“Eurobond Basis”** is specified in the relevant Final Terms, 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;

- (f) “if **“30E/360 (ISDA)”** is specified in the relevant Final Terms, 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;

- (g) if “**Actual/Actual-ICMA**” is specified in the relevant Final Terms:
- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Determination Period and (y) the number of Determination Periods in any year; and
 - (ii) if the Calculation Period is longer than one Determination Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (a) the actual number of days in such Determination Period and (b) the number of Determination Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (a) the actual number of days in such Determination Period and (b) the number of Determination Periods in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date and

- (h) if **“RBA Bond Basis”** or **“Australian Bond Basis”** is specified in the relevant Final Terms, one divided by the number of Interest Payment Dates in each 12 month period or, where the relevant period does not constitute an Interest Period, the product of:
 - (i) one divided by the number of Interest Payment Dates in each 12 month period; and
 - (ii) the number of days in the relevant period divided by the actual number of days in the Interest Period ending on the next Interest Payment Date.
- (i) if **“Actual/Actual Canadian Compound Method”** is specified in the applicable Final Terms, whenever it is necessary to compute any amount of accrued interest in respect of the Instruments for a period of less than one full year, other than in respect of any regular semi-annual interest payments, such interest will be calculated on the basis of the actual number of days in the Calculation Period and a year of 365 days.

“Euro-zone” means the region comprising of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Instruments, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the relevant Final Terms.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (a) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (b) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (c) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

“Interest Payment Date” means the 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, as the same may be adjusted in accordance with the relevant Business Day Convention.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

“ISDA Definitions” means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., as may be supplemented or amended from time to time.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Instrument and that is either specified on, or calculated in accordance with the provisions of, 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 or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of the relevant Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms, in the case of AUD-BBR-BBSW, the financial institutions authorised to quote on the Reuters Screen BBSW Page, in the case of CAD-BA-CDOR, four major Canadian Schedule I chartered banks, in the case of HKD-HIBOR-HIBOR=, four major banks in the Hong Kong interbank market and in the case of EUR-ISDA-EURIBOR Swap Rate-11:00, five leading swap dealers in the interbank market.

“Reference Rate” means the rate specified as such in the relevant Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

“Specified Currency” means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated.

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

3.2.6 *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any

Instrument is outstanding. Where more than one Calculation Agent is appointed in respect of the Instruments, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) which is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as specified in this paragraph.

4 Indexation

This Condition 4 is applicable only if the relevant Final Terms specifies the Instruments as Index Linked Instruments.

4.1 U.K. Retail Price Index (RPI)

Where RPI (as defined below) is specified as the Index or Index Figure (each as defined below) in the relevant Final Terms, Conditions 4.1 to 4.6 will apply. For purposes of Conditions 4.1 to 4.6, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Base Index Figure” means (subject to Condition 4.3(i)) the base index figure as specified in the relevant Final Terms;

“Index” or **“Index Figure”** means, subject as provided in Condition 4.3(i), the U.K. Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt (the **“RPI”**). Any reference to the Index Figure which is specified in the relevant Final Terms as:

- (i) applicable to a particular month, shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Conditions 4.3 and 4.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in sub-paragraph (ii) above and rounded to the nearest fifth decimal place.

“Index Ratio” applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place;

“Limited Index Ratio” means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Date” means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Index Linked Instruments” means Index Linked Instruments to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

“Reference Gilt” means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **“Indexation Adviser”**).

4.2 Application of the Index Ratio

Each payment of interest and principal in respect of the Instruments shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Index Linked Instruments applicable to the month or date, as the case may be, on which such payment falls to be made and rounded in accordance with Condition 3.2.4(c).

4.3 Changes in Circumstances Affecting the Index

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of **“Index”** and **“Index Figure”** in Condition 4.1 shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be

the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.

- (ii) Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the “**relevant month**”) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.
- (iii) Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable: If the Index Figure relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.

4.4 Application of Changes

Where the provisions of Condition 4.3(ii) or Condition 4.3(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 4.3(ii)(2) or Condition 4.3(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while an Instrument is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Instrument other than upon final redemption of such Instrument, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 4.3(ii)(2) or Condition 4.3(iii)(2) below or above

the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

4.5 Cessation of or Fundamental Changes to the Index

- (i) If (1) the Trustee has been notified by the Calculation Agent that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of (A) the Issuer be materially prejudicial to the interests of the Issuer, or (B) the Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Instrumentholders, the Trustee will give written notice of such occurrence to the Issuer in the case of (B), and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.
- (ii) If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Instrumentholders, and the Issuer shall give notice to the Instrumentholders in accordance with Condition 14 of such amendments as promptly as practicable following such notification.

4.6 Redemption for Index Reasons

If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 4.3(ii)(2) and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Instrumentholders in accordance with Condition 14, redeem all, but not some only, of the Instruments at their principal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 4.2).

4.7 HICP

Where HICP (as defined below) is specified as the Index or Index Level (each as defined below) in the relevant Final Terms, the Conditions 4.7 to 4.10 will apply. For purposes of Conditions 4.7 to 4.10, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Base Index Level" means the base index level as specified in the relevant Final Terms;

"Index" or **"Index Level"** means (subject as provided in Condition 4.9) the Non-revised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 4.9 (i)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the **"HICP"**). The first publication or announcement of a level of such index for a calculation month (as defined in Condition 4.9 (i)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference to the Index Level which is specified in these Conditions as applicable to any day ("**d**") in any month ("**m**") shall, subject as provided in Condition 4.9, be calculated as follows:

$$I_d = HICP_{m-3} + \frac{nb d}{q_m} \times (HICP_{m-2} - HICP_{m-3})$$

where:

I_d is the Index Level for the day d

$HICP_{m-2}$ is the level of HICP for month $m-2$

$HICP_{m-3}$ is the level of HICP for month $m-3$

$nb d$ is the actual number of days from and excluding the first day of month m to but including day d ; and

q_m is the actual number of days in month m ,

provided that if Condition 4.9 applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition.

"Index Business Day" means a day on which the TARGET System is operating;

"Index Determination Date" means in respect of any date for which the Index Level is

required to be determined, the fifth Index Business Day prior to such date;

“**Index Ratio**” applicable to any date means the Index Level applicable to the relevant Index Determination Date divided by the Base Index Level and rounded to the nearest fifth decimal place, 0.000005 being rounded upwards;

“**Related Instrument**” means an inflation-linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation-linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation-linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those bonds. If the Related Instrument is redeemed the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged).

4.8 Application of the Index Ratio

Each payment of interest and principal in respect of the Instruments shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded in accordance with Condition 3.2.4(c).

4.9 Changes in Circumstances Affecting the Index

(i) Delay in publication of Index

(a) If the Index Level relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Level for any date (the “**Relevant Level**”) has not been published or announced by the day that is five Business Days before the date on which such payment is due (the “**Affected Payment Date**”), the Calculation Agent shall determine a Substitute Index Level (as defined below) (in place of such Relevant Level) by using the following methodology:

(1) if applicable, the Calculation Agent will take the same action to determine the “**Substitute Index Level**” for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level)

Where:

“**Base Level**” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

“**Latest Level**” means the latest level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) prior to the month in respect of which the Substitute Index Level is being calculated; and

“**Reference Level**” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month that is 12 calendar months prior to the month referred to in “Latest Level” above.

- (b) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 4.9(i) will be the definitive level for that calculation month.
- (ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a successor index in lieu of any previously applicable Index (the “**Successor Index**”) by using the following methodology:
 - (a) if at any time (other than after an Early Termination Event (as defined below) has been designated by the Calculation Agent pursuant to paragraph (e) below) a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument, such successor index shall be designated the “Successor Index” for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (b), (c) or (d) below; or
 - (b) if a Successor Index has not been determined under paragraph (a) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or
 - (c) if a Successor Index has not been determined under paragraphs (a) or (b) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), the Calculation Agent shall ask five leading

independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If fewer than three responses are received, the Calculation Agent will proceed to paragraph (d) below;

- (d) if no Successor Index has been determined under paragraphs (a), (b) or (c) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed the "Successor Index";
 - (e) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer and the Instrumentholders shall, in conjunction with the Calculation Agent, determine an appropriate alternative index. If the Issuer and the Instrumentholders, in conjunction with the Calculation Agent, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an Early Termination Event will be deemed to have occurred and the Issuer will redeem the Instruments pursuant to Condition 4.10.
- (iii) **Rebasing of the Index:** If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "**Rebased Index**") will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.
 - (iv) **Material Modification Prior to Interest Payment Date:** If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Instrument.
 - (v) **Manifest Error in Publication:** If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the parties of (A) that correction, (B) the amount that is payable as a result of that correction and (C) take such other action as it may deem necessary to give effect to such correction.

4.10 Redemption for Index Reasons

If an Early Termination Event as described under Condition 4.9(ii)(e) is deemed to have occurred, the Issuer will, upon giving not more than 60 nor less than 30 days' notice to the Instrumentholders in accordance with Condition 14, redeem all, but not some only, of the Instruments at their principal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 4.8).

5 Redemption, Purchase and Options

5.1 Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, this Instrument will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) on the Maturity Date specified in the relevant Final Terms provided, however, that if this Instrument is a Perpetual Instrument it will only be redeemable and repayable in accordance with the following provisions of this Condition 5.

5.2 Redemption for Taxation Reasons

If, on the occasion of the next payment in respect of the Instruments the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that it would be unable to make such payment without having to pay additional amounts as described in Condition 7, and such requirement to pay such additional amounts arises by reason of a change in the laws of the United Kingdom or any political sub-division of the United Kingdom or taxing authority in the United Kingdom or any political sub-division of the United Kingdom or in the interpretation or application of the laws of the United Kingdom or any political sub-division of the United Kingdom or in any applicable double taxation treaty or convention, which change becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer), the Issuer may, at its option, at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders in accordance with Condition 14, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a payment in respect of the Instruments then due. Prior to the publication of any notice of redemption pursuant to this Condition 5.2, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders and Couponholders.

5.3 Purchases

The Issuer and any of its subsidiary undertakings may at any time purchase Instruments (provided that all unmatured Coupons and unexchanged Talons appertaining to them are attached or surrendered with them) in the open market or otherwise at any price.

5.4 Early Redemption

5.4.1 Zero Coupon Instruments

- (a) The Early Redemption Amount payable in respect of any Zero Coupon Instrument, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Instrument pursuant to Condition 5.2 or upon it becoming due and payable as provided in Condition 9 shall be the

Amortised Face Amount (calculated as provided below) of such Instrument unless otherwise specified in the relevant Final Terms.

- (b) Subject to the provisions of sub-paragraph (c) below, the Amortised Face Amount of any such Instrument shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Instruments if they were discounted back to their issue price on the Issue Date) compounded annually.
- (c) If the Early Redemption Amount payable in respect of any such Instrument upon its redemption pursuant to Condition 5.2 or, if applicable, Condition 5.5 or 5.6 or upon it becoming due and payable as provided in Condition 9, is not paid when due, the Early Redemption Amount due and payable in respect of such Instrument shall be the Amortised Face Amount of such Instrument as defined in sub-paragraph (b) above, except that such sub-paragraph shall have effect as though the reference in that sub-paragraph to the date on which the Instrument becomes due and payable was replaced by a reference to the Relevant Date as defined in Condition 7. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date together with any interest that may accrue in accordance with Condition 3.2.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the relevant Final Terms.

5.4.2 *Other Instruments*

The Early Redemption Amount payable in respect of any Instrument (other than Instruments described in Condition 5.4.1), upon redemption of such Instrument pursuant to this Condition 5.4 or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

5.5 Redemption at the Option of the Issuer and Exercise of Issuer's Options

- 5.5.1 If (i) Residual Holding Call Option is specified in the relevant Final Terms, and (ii) if at any time the Residual Holding Percentage or more of the aggregate nominal amount of Instruments originally issued shall have been redeemed or purchased and cancelled, the Issuer shall have the option to redeem such outstanding Instruments in whole, but not in part, at their Residual Holding Redemption Amount. Unless otherwise specified in the relevant Final Terms, the Residual Holding Redemption Amount will be calculated by the Calculation Agent by discounting the outstanding nominal amount of the Instruments and the remaining interest payments (if applicable) to the Maturity Date by a rate per annum (expressed as a percentage to the nearest one hundred thousandth of a percentage point (with halves being rounded up)) equal to the Benchmark Yield, being the yield on the Benchmark Security at the close of business on the third Business Day prior to the date fixed for such redemption, plus the Benchmark Spread. Where the specified calculation is to be made for a period of less

than one year, it shall be calculated using the Benchmark Day Count Fraction. The Issuer will give not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders and the Trustee of any such redemption pursuant to this Condition 5.5.1.

- 5.5.2 If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified hereon and no greater than the maximum nominal amount (if any) permitted to be redeemed specified on this Instrument.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

5.6 Redemption at the Option of Instrumentholders following a Restructuring Event

5.6.1 *[Redemption of Instruments issued by National Grid at the option of Instrumentholders*

If at any time whilst any of the Instruments issued by National Grid remains outstanding, there occurs the National Grid Restructuring Event, a Public Announcement shall be made and if, within the National Grid Restructuring Period, either:

- (a) (if at the time that the National Grid Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of the National Grid Restructuring Event occurs; or
- (b) (if at the time that the National Grid Restructuring Event occurs there are no Rated Securities) a Negative Rating Event in respect of the National Grid Restructuring Event occurs,

(the National Grid Restructuring Event and Rating Downgrade or the National Grid Restructuring Event and Negative Rating Event, as the case may be, occurring within the National Grid Restructuring Period, together called a **"Put Event"**),

then the holder of each Instrument issued by National Grid will have the option upon the giving of a Put Notice (as defined in Condition 5.6.4) to require National Grid to redeem or, at the option of National Grid, purchase (or procure the purchase of) such

* Only applicable where National Grid is the Issuer.

Instrument on the Put Date (as defined in Condition 5.6.4) at its principal amount together with accrued interest to the Put Date.

Promptly upon National Grid becoming aware that a Put Event has occurred, National Grid shall, or at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Instrumentholders, the Trustee shall, give notice (a “**Put Event Notice**”) to the Instrumentholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure (as set out in Condition 5.6.4) for exercising the option contained in this Condition 5.6.1.

National Grid shall, forthwith upon becoming aware of the occurrence of the National Grid Restructuring Event (a) provide the Trustee with the relevant Directors’ Report and (b) provide or procure that the Reporting Accountants provide the Trustee with the Accountants’ Report. The Directors’ Report and the Accountants’ Report shall, in the absence of manifest error, be conclusive and binding on all concerned, including the Trustee and the Instrumentholders. The Trustee shall be entitled to act, or not act, and rely on without being expected to verify the accuracy of the same (and shall have no liability to Instrumentholders for doing so) any Directors’ Report and/or any Accountants’ Report (whether or not addressed to it).

5.6.2 *For the purposes of this Condition*

“**Accountants’ Report**” means a report of the Reporting Accountants stating whether the amounts included in the calculation of the Operating Profit and the amount for Consolidated Operating Profit as included in the Directors’ Report have been accurately extracted from the accounting records of National Grid and its Subsidiaries and whether the Disposal Percentage included in the Directors’ Report has been correctly calculated which will be prepared pursuant to an engagement letter to be entered into by the Reporting Accountants, National Grid and the Trustee.

National Grid shall use reasonable endeavours to procure that there shall at the relevant time be Reporting Accountants who have (a) entered into an engagement letter with National Grid and the Trustee which shall (i) not limit the liability of the Reporting Accountants to the Trustee by reference to a monetary cap and (ii) be available for inspection by Instrumentholders at the principal office of the Trustee or (b) agreed to provide Accountants’ Reports on such other terms as National Grid and the Trustee shall approve. If National Grid, having used reasonable endeavours, is unable to procure that there shall at the relevant time be Reporting Accountants who have entered into an engagement letter complying with (i) above, the Trustee may rely on an Accountants’ Report which contains a limit on the liability of the Reporting Accountants by reference to a monetary cap or otherwise.

Investors should be aware that the engagement letter may contain a limit on the liability of the Reporting Accountants which may impact on the interests of Instrumentholders.

National Grid shall give notice to the Trustee of the identity of the Reporting Accountants;

“**Consolidated Operating Profit**” means the consolidated operating profit on ordinary

activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (for the avoidance of doubt, exceptional items, as reflected in the Relevant Accounts shall not be included) of National Grid and its subsidiaries (including any share of operating profit of associates and joint ventures) determined in accordance with International Financial Reporting Standards (“IFRS”) by reference to the Relevant Accounts;

“**Directors’ Report**” means a report prepared and signed by two directors of National Grid addressed to the Trustee setting out the Operating Profit, the Consolidated Operating Profit and the Disposal Percentage and stating any assumptions which the Directors of National Grid have employed in determining the Operating Profit;

“**Disposal Percentage**” means, in relation to a sale, transfer, lease or other disposal or dispossession of any Disposed Assets, the ratio of (a) the aggregate Operating Profit to (b) the Consolidated Operating Profit, expressed as a percentage;

“**Disposed Assets**” means, where National Grid and/or any of its Subsidiaries sells, transfers, leases or otherwise disposes of or is dispossessed by any means (but excluding sales, transfers, leases, disposals or possessions which, when taken together with any related lease back or similar arrangements entered into in the ordinary course of business, have the result that Operating Profit directly attributable to any such undertaking, property or assets continues to accrue to National Grid or, as the case may be, such Subsidiary), otherwise than to a wholly-owned Subsidiary of National Grid or to National Grid, of the whole or any part (whether by a single transaction or by a number of transactions whether related or not) of its undertaking or (except in the ordinary course of business of National Grid or any such Subsidiary) property or assets, the undertaking, property or assets sold, transferred, leased or otherwise disposed of or of which it is so dispossessed;

“**Negative Rating Event**” shall be deemed to have occurred if either (a) National Grid does not, either prior to or not later than 21 days after the relevant National Grid Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Instruments or any other unsecured and unsubordinated debt of National Grid having an initial maturity of five years or more (“**Rateable Debt**”) from a Rating Agency or (b) if National Grid does so seek and use such endeavours, it is unable, as a result of such National Grid Restructuring Event, to obtain such a rating of at least investment grade (BBB- or Baa3 or their respective equivalents for the time being), provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular National Grid Restructuring Event if the Rating Agency declining to assign a rating of at least investment grade (as described above) does not announce or publicly confirm that its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable National Grid Restructuring Event (whether or not the National Grid Restructuring Event shall have occurred at the time such investment grade rating is declined);

“**National Grid Restructuring Event**” shall be deemed to have occurred at any time (whether or not approved by the Board of Directors of National Grid) that the sum of Disposal Percentages for National Grid within any period of 36 months commencing on or after the issue date of the first Tranche of the Instruments is greater than 50 per cent.;

“National Grid Restructuring Period” means the period ending 90 days after a Public Announcement (or such longer period in which the Rated Securities or Rateable Debt, as the case may be, is or are under consideration (announced publicly within the first mentioned period) for rating review or, as the case may be, rating by a Rating Agency);

“Operating Profit”, in relation to any Disposed Assets, means the operating profits on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (for the avoidance of doubt, exceptional items, as reflected in the Relevant Accounts, shall not be included) of National Grid and its Subsidiaries directly attributable to such Disposed Assets as determined in accordance with IFRS by reference to the Relevant Accounts and, if Relevant Accounts do not yet exist, determined in a manner consistent with the assumptions upon which the Directors’ Report is to be based. Where the Directors of National Grid have employed assumptions in determining the Operating Profit, those assumptions should be clearly stated in the Directors’ Report;

“Public Announcement” means an announcement by National Grid or the Trustee, of the occurrence of the National Grid Restructuring Event published in a leading national newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*);

“Rated Securities” means the Instruments, if and for so long as they shall have an effective rating from a Rating Agency and otherwise any Rateable Debt which is rated by a Rating Agency; *provided that* if there shall be no such Rateable Debt outstanding prior to the maturity of the Instruments, the holders of not less than one-quarter in principal amount of outstanding Instruments may require National Grid to obtain and thereafter update on an annual basis a rating of the Instruments from a Rating Agency. In addition, National Grid may at any time obtain and thereafter update on an annual basis a rating of the Instruments from a Rating Agency, *provided that*, except as provided above, National Grid shall not have any obligation to obtain such a rating of the Instruments;

“Rating Agency” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors or Moody’s Investors Service, Inc. and its successors or any rating agency substituted for either of them (or any permitted substitute of them) by National Grid from time to time with the prior written approval of the Trustee;

“Rating Downgrade” shall be deemed to have occurred in respect of the National Grid Restructuring Event if the then current rating whether provided by a Rating Agency at the invitation of National Grid or by its own volition assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from an investment grade rating (BBB- or Baa3 or their respective equivalents for the time being or better) to a non-investment grade rating (BB+ or Ba1 or their respective equivalents for the time being or worse) or, if a Rating Agency shall already have rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category; *provided that* a Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular National Grid Restructuring Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result

of, or in respect of, the applicable National Grid Restructuring Event (whether or not the applicable National Grid Restructuring Event shall have occurred at the time of the Rating Downgrade);

“Relevant Accounts” means the most recent annual audited consolidated financial accounts of National Grid and its Subsidiaries preceding the relevant sale, transfer, lease or other disposal or dispossession of any Disposed Asset;

“Reporting Accountants” means the auditors of National Grid (but not acting in their capacity as auditors) or such other firm of accountants as may be nominated by National Grid and approved in writing by the Trustee for the purpose or, failing which, as may be selected by the Trustee for the purpose; and

“Subsidiary” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and **“Subsidiaries”** shall be construed accordingly.

5.6.3 The Trustee shall not be responsible for ascertaining or monitoring whether or not the National Grid Restructuring Event, a Negative Rating Event or a Rating Downgrade in relation to National Grid has occurred and, unless and until it has actual knowledge to the contrary, shall be entitled to assume that no such event has occurred.

5.6.4 To exercise the option of redemption of an Instrument under Condition 5.6.1 the Instrumentholder must deliver each Instrument to be redeemed accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **“Put Notice”**) and, in which the Instrumentholder may specify an account to which payment is to be made under this Condition 5.6 to the specified office of any Paying Agent on any business day falling within the period (the **“Put Period”**) of 45 days after a Put Event Notice is given. The Instrument should be delivered together with all Coupons (and Talons) appertaining thereto maturing after the date (the **“Put Date”**) falling seven days after the expiry of the Put Period, failing which (unless Condition 6.6.1 applies) the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon and/or Talon. Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon and/or Talon, subject to Condition 8. The Paying Agent to which such Instrument and Put Notice are delivered will issue to the Instrumentholder concerned a non-transferable receipt in respect of the Instrument so delivered. Payment in respect of any Instrument so delivered will be made, if the Instrumentholder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date in the manner provided in Condition 6 against presentation and surrender (or, in the case of part payment, endorsement) of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of the Conditions and the Trust Deed, receipts issued pursuant to this Condition 5.6 shall be treated as if they were Instruments. National Grid shall redeem the relevant Instruments on the Put Date unless previously redeemed or purchased.]

5.6.1 ^{*}[*Redemption of Instruments issued by NGET at the option of Instrumentholders*

If NGET Restructuring Put Option is specified in the relevant Final Terms and at any

* Only applicable where NGET is the Issuer.

time whilst any of the Instruments issued by NGET remains outstanding there occurs an NGET Restructuring Event and in relation to that NGET Restructuring Event, a Negative Certification is made and, within the NGET Restructuring Period either:

- (a) (if at the time that an NGET Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of the relevant NGET Restructuring Event occurs; or
- (b) (if at the time that an NGET Restructuring Event occurs there are no Rated Securities) a Negative Rating Event in respect of the relevant NGET Restructuring Event occurs,

(the NGET Restructuring Event and Rating Downgrade or the NGET Restructuring Event and Negative Rating Event, as the case may be, occurring within the NGET Restructuring Period, together with a Negative Certification, shall be called a “**Put Event**”),

then the holder of each Instrument of NGET will have the option upon the giving of a Put Notice (as defined in Condition 5.6.4) to require NGET to redeem or, at the option of NGET, purchase (or procure the purchase of) such Instrument on the Put Date (as defined in Condition 5.6.4) at its principal amount together with accrued interest to the Put Date.

Promptly upon NGET becoming aware that a Put Event has occurred, and in any event no later than 14 days after the occurrence of a Put Event, NGET shall, or at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Instrumentholders, the Trustee shall, give notice (a “**Put Event Notice**”) to the Instrumentholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure (as set out in Condition 5.6.4) for exercising the option contained in this Condition 5.6.1.

5.6.2 *For the purposes of this Condition*

“**Electricity Act**” means the Electricity Act 1989 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto;

“**Electricity Transmission Licence**” means the transmission licence, as subsequently amended from time to time, originally granted by the Secretary of State for Energy to NGET under the Electricity Act;

“**Negative Certification**” means, on the occurrence of an NGET Restructuring Event, such event or events being certified in writing by an independent financial adviser appointed by NGET and approved by the Trustee (or, if NGET shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of such NGET Restructuring Event, appointed by the Trustee (following consultation with NGET)) as being in its opinion materially prejudicial to the interests of the Instrumentholders. Any Negative Certification by an independent financial adviser as to whether or not, in its opinion, any event defined as an NGET Restructuring Event is materially prejudicial to the interests of the Instrumentholders shall, in the absence of manifest error, be conclusive and binding upon NGET, the Trustee, the Instrumentholders and the Couponholders;

“Negative Rating Event” shall be deemed to have occurred if NGET is unable as a result of an NGET Restructuring Event to obtain a rating of the Instruments or of any other comparable unsecured and unsubordinated debt of NGET (or of any Subsidiary of NGET and which is guaranteed on an unsecured and unsubordinated basis by NGET) having an initial maturity of five years or more (**“Rateable Debt”**) from a Rating Agency of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being), which rating NGET shall use all reasonable endeavours to obtain, provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular NGET Restructuring Event if the Rating Agency making the relevant reduction or declining to assign a rating of at least investment grade (as described above) does not announce or publicly confirm or otherwise inform the Trustee that the reduction or its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable NGET Restructuring Event;

“NGET Restructuring Event” means the occurrence of any one or more of the following events:

- (a) the Secretary of State for Trade and Industry or any official succeeding to his functions gives NGET written notice of revocation of the Electricity Transmission Licence in accordance with the terms as to revocation set out in Schedule 2 of the Electricity Transmission Licence, such revocation to become effective not later than the Maturity Date of the Instruments or NGET agrees in writing with the Secretary of State for Trade and Industry or any official succeeding to his functions to any revocation or surrender of the Electricity Transmission Licence or any legislation (whether primary or subordinate) is enacted terminating or revoking the Electricity Transmission Licence; or
- (b) any modification is made to the terms and conditions of the Electricity Transmission Licence other than such a modification which the Trustee, in its opinion, considers to be not materially prejudicial to the interests of the Instrumentholders and has so confirmed in writing to NGET; or
- (c) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for Trade and Industry or any official succeeding to his functions and/or the Gas and Electricity Markets Authority under Section 3A of the Electricity Act as compared with those in effect on the issue date of the first Tranche of the Instruments other than such legislation which the Trustee, in its opinion, considers to be not materially prejudicial to the interests of the Instrumentholders and has so confirmed in writing to NGET;

“NGET Restructuring Period” means:

- (a) if at the time at which the NGET Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which an NGET Restructuring Event occurs or such longer period in which the Rated Securities are under consideration (announced publicly within such 90 day period) for rating review by a Rating Agency; or
- (b) if at the time at which an NGET Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which an NGET

Restructuring Event occurs and ending on the day 90 days following the date on which a Negative Certification shall have been given to NGET in respect of that NGET Restructuring Event;

“**Rated Securities**” means (a) the Instruments or (b) such other comparable unsecured and unsubordinated debt of NGET (or of any Subsidiary of NGET and which is guaranteed on an unsecured and unsubordinated basis by NGET) having an initial maturity of five years or more selected by NGET from time to time for the purpose of this definition with the approval of the Trustee and which possesses an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) by any Rating Agency (whether at the invitation of NGET or by its own volition);

“**Rating Agency**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any of its Subsidiaries and their successors or Moody’s Investors Service, Inc., or any of its Subsidiaries and their successors or any rating agency substituted for either of them (or any permitted substitute of them) by NGET from time to time with the prior written approval of the Trustee;

“**Rating Downgrade**” shall be deemed to have occurred in respect of an NGET Restructuring Event if the rating assigned to the Rated Securities by any Rating Agency which is current immediately prior to the occurrence of an NGET Restructuring Event (whether provided by a Rating Agency at the invitation of NGET or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering) provided that a Rating Downgrade shall not be deemed to have occurred in respect of or as a result of a particular NGET Restructuring Event if the Rating Agency making the relevant reduction in rating or declining to assign a rating of at least investment grade as provided in these Conditions does not announce or publicly confirm, or otherwise inform the Trustee, that the reduction or declining was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable NGET Restructuring Event;

“**Subsidiary**” means a subsidiary within the meaning of Section 1156 of the Companies Act 2006 and “**Subsidiaries**” shall be construed accordingly.

- 5.6.3 The Trustee shall not be responsible for ascertaining whether or not an NGET Restructuring Event, a Negative Rating Event or a Rating Downgrade in relation to NGET has occurred and, unless and until it has actual knowledge to the contrary, shall be entitled to assume that no such event has occurred.
- 5.6.4 To exercise the option of redemption of an Instrument under Condition 5.6.1 the Instrumentholder must deliver each Instrument to be redeemed accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Notice**”) and, in which the Instrumentholder may specify an account to which payment is to be made under this Condition 5.6 to the specified office of any Paying Agent on any business day falling within the period (the “**Put Period**”) of 45 days after a Put Event Notice is given.

The Instrument should be delivered together with all Coupons (and Talons) appertaining thereto maturing after the date (the “**Put Date**”) falling seven days after the expiry of the Put Period, failing which (unless Condition 6.6.1 applies) the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon and/or Talon.

Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon and/or Talon, subject to Condition 8. The Paying Agent to which such Instrument and Put Notice are delivered will issue to the Instrumentholder concerned a non-transferable receipt in respect of the Instrument so delivered.

Payment in respect of any Instrument so delivered will be made, if the Instrumentholder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date in the manner provided in Condition 6 against presentation and surrender (or, in the case of part payment, endorsement) of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of the Conditions and the Trust Deed, receipts issued pursuant to this Condition 5.6 shall be treated as if they were Instruments. NGET shall redeem the relevant Instruments on the Put Date unless previously redeemed or purchased.]

5.7 Redemption at the Option of Instrumentholders

If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of any Instrumentholder, upon such Instrumentholder giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified on this Instrument) redeem such Instrument on the Optional Redemption Date(s) (as specified in the Final Terms) at its Optional Redemption Amount (as specified in the Final Terms) together with interest accrued to the date fixed for redemption.

To exercise such option (which must be exercised on an Option Exercise Date) the holder must deposit such Instrument with any Paying Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent within the Instrumentholders’ Option Period (as specified in the Final Terms). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

5.8 Cancellation

All Instruments redeemed pursuant to any of the foregoing provisions will be cancelled forthwith together with all unmatured Coupons and unexchanged Talons attached thereto. All Instruments purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer be held by or may be surrendered together with all unmatured Coupons and all unexchanged Talons attached to them to a Paying Agent for cancellation, but may not be resold and when held by the Issuer or any of its respective Subsidiaries shall not entitle the holder to vote at any meeting of Instrumentholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Instrumentholders or for the purposes of Condition 11.

6 Payments and Talons

6.1 Payments

Payments of principal and interest in respect of Instruments (other than Australian Domestic Instruments) will, subject as mentioned below, be made against presentation and surrender of the relevant Instruments (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6.6.4) or Coupons (in the case of interest, save as specified in Condition 6.6.4), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; provided that in the case of Euro, the transfer shall be in a city in which banks have access to the TARGET System.

6.2 Payments in respect of Australian Domestic Instruments

Payments of principal and interest in respect of Australian Domestic Instruments will be made in Australian dollars to the persons registered in the Australian Register on the relevant Record Date (as defined below) as the holders of such Australian Domestic Instruments. Payments to holders in respect of each Australian Domestic Instrument will be made:

- (i) if the Australian Domestic Instrument is held by Austraclear and entered in the Austraclear System, by crediting on the relevant Interest Payment Date, the Maturity Date or other date on which payment is due the amount then due to the account or accounts to which payments should be made in accordance with the Austraclear Regulations or as otherwise agreed with Austraclear; and
- (ii) if the Australian Domestic Instrument is not held by Austraclear and entered in the Austraclear System, by crediting on the Interest Payment Date, the Maturity Date or other date on which payment is due, the amount then due to an account in Australia previously notified by the Instrumentholder(s) of the Australian Domestic Instrument to the relevant Issuer and the Australian Registrar.

Payment of an amount due in respect of an Australian Domestic Instrument to the holder or otherwise in accordance with this Condition or to the Trustee discharges the obligation of the Issuer to all persons to pay that amount.

Payments will for all purposes be taken to be made when the relevant Issuer or the Agent gives irrevocable instructions for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account to which the payment is to be made on the same day as the day on which the instructions are given.

If, following the application of Condition 6.7 (*Non-business days*), a payment is due to be made under an Australian Domestic Instrument to an account on a business day on which banks are not open for general banking business in the city in which the account is located, the Instrumentholder is not entitled to payment of such amount until the next business day on which banks in such city are open for general banking business and is not entitled to any interest or other payment in respect of any such delay.

In this Condition, in relation to Australian Domestic Instruments, “**Record Date**” means, in the case of payments of principal or interest, close of business on the date which is the eighth calendar day before the due date for the relevant payment of principal or interest.

6.3 Payments in the United States

Notwithstanding the above, if any Instruments are denominated in U.S. dollars, payments in respect of them may be made at the specified office of any Paying Agent in New York City in the same manner as specified above if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Instruments in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

6.4 Payments subject to Fiscal Laws etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Instrumentholders or Couponholders in respect of such payments.

6.5 Appointment of Agents

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (a) an Issuing and Paying Agent, (b) a Paying Agent having its specified office in a major European city, which shall be London so long as the Instruments are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's Regulated Market, (c) a Calculation Agent where the Conditions so require one, (d) so long as the Instruments are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent having a specified office in such place as may be required by the rules and regulations of any other relevant stock exchange or other relevant authority and (e) to the extent that the Issuer is able to do so and not provided for by the foregoing provisions of this Condition 6.5, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. As used in these Conditions, the terms "**Issuing and Paying Agent**", "**Calculation Agent**", and "**Paying Agent**" include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Instruments denominated in U.S. dollars in the circumstances described in Condition 6.3.

Notice of any such change or any change of any specified office shall promptly be given to the Instrumentholders in accordance with Condition 14.

6.6 Unmatured Coupons and unexchanged Talons

6.6.1 Upon the due date for redemption of any Instrument, unexpired Coupons relating to

such Instrument (whether or not attached) shall become void and no payment shall be made in respect of them.

- 6.6.2 Upon the due date for redemption of any Instrument, any unexchanged Talon relating to such Instrument (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- 6.6.3 Where any Instrument which provides that the relevant Coupons are to become void upon the due date for redemption of those Instruments is presented for redemption without all unmatured Coupons, and where any Instrument is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- 6.6.4 If the due date for redemption of any Instrument is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Instrument. Interest accrued on an Instrument that only bears interest after its Maturity Date shall be payable on redemption of that Instrument against presentation of that Instrument.

6.7 Non-business Days

If any date for payment in respect of any Instrument or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” in the relevant Final Terms and:

- 6.7.1 (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency (which in the case of Australian dollars is Sydney); or
- 6.7.2 (in the case of a payment in Euro) which is a TARGET Business Day.

6.8 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Instrument, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 8).

7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Instruments and the Coupons will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division of the United Kingdom or any authority in or of the United Kingdom having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer will pay such additional amounts of principal and interest as will result in the payment to the

Instrumentholders or, as the case may be, the Couponholders of the amounts which would otherwise have been receivable in respect of the Instruments or Coupons had no withholding or deduction been made, except that no such additional amounts shall be payable in respect of any Instrument or Coupon presented for payment:

- (a) by or on behalf of, a person who is liable to such taxes or duties in respect of such Instrument or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Instrument or Coupon; or
- (b) by or on behalf of a person who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption to a tax authority; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on such 30th day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or
- (e) by or on behalf of a holder who would have been able to avoid such withholding or deduction (i) by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or (ii) by satisfying any statutory or procedural requirements (including, without limitation, the provision of information).

As used in these Conditions, “**Relevant Date**” in respect of any Instrument or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 14 that, upon further presentation of the Instrument or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (a) “**principal**” shall be deemed to include any premium payable in respect of the Instruments, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (b) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 or any amendment or supplement to it and (c) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

8 Prescription

Instruments and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution shall, give notice

to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment:

- (a) **Non-Payment:** there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or
- (b) **Breach of Other Obligations:** there is default in the performance or observance by the Issuer of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Acceleration:** if (i) any other present or future Relevant Indebtedness of the Issuer [(or a Principal Subsidiary)]^{*} becomes due and payable prior to its stated maturity by reason of any actual event of default or (ii) any amount in respect of such Relevant Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the Relevant Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds £50,000,000, for the period up to 31 March 2017, and thereafter, £100,000,000.

[For the purposes of this Condition 9, “**Principal Subsidiary**” means National Grid Gas plc, NGET and National Grid USA, and includes any successor entity thereto or any member of the group of companies comprising National Grid and each of its subsidiary undertakings (the “**National Grid Group**”) which the Auditors have certified to the Trustee as being a company to which all or substantially all of the assets of a Principal Subsidiary are transferred. In the event that all or substantially all of the assets of a Principal Subsidiary are transferred to a member of the National Grid Group as described above, the transferor of such assets shall cease to be deemed to be a Principal Subsidiary for the purposes of this Condition.]^{*}; or

- (d) **Winding-up:** a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer be wound up or dissolved; or
- (e) **Enforcement Proceedings:** attachment is made of the whole or substantially the whole of the assets or undertakings of the Issuer and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or an administration or similar order is made in relation to the Issuer and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or
- (f) **Insolvency:** the Issuer ceases to carry on all or substantially all of its business or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (g) **Bankruptcy:** the Issuer is adjudged bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation,

^{*} Only applicable where National Grid is the Issuer.

provided that in the case of paragraph (b) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Instrumentholders.

10 Enforcement

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Instruments or under the Trust Deed, but shall not be bound to do so unless:

- (a) it has been so directed by an Extraordinary Resolution or in writing by the holders of at least one-quarter of the principal amount of the Instruments outstanding; and
- (b) it has been indemnified to its satisfaction.

No Instrumentholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee, having become bound to proceed as specified above, fails to do so within a reasonable time and such failure is continuing.

11 Meetings of Instrumentholders, Modifications and Substitution

11.1 Meetings of Instrumentholders

The Trust Deed and the Australian Deed Poll (in the case of Australian Domestic Instruments) each contains provisions for convening meetings of Instrumentholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed or the Australian Deed Poll (as applicable)) of a modification of any of these Conditions or any provisions of the Trust Deed or the Australian Deed Poll (as applicable). An Extraordinary Resolution duly passed at any such meeting shall be binding on Instrumentholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Instruments or any date for payment of interest on the Instruments, (b) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Instruments, (c) to reduce the rate or rates of interest in respect of the Instruments or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Instruments, (d) if a Minimum and/or a Maximum Rate of Interest is shown on the face of the Instrument, to reduce any such Minimum and/or Maximum Rate of Interest, (e) to vary any method of calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (f) to take any steps that as specified in this Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, and (g) to modify the provisions concerning the quorum required at any meeting of Instrumentholders or the majority required to pass the Extraordinary Resolution will only be binding if passed at a meeting of the Instrumentholders (or at any adjournment of that meeting) at which a special quorum (as defined in the Trust Deed or the Australian Deed Poll (as applicable)) is present. A resolution in writing signed by the holders of not less than 95 per cent. in nominal amount of the Instruments will be binding on all Instrumentholders and Couponholders. The Issuer may convene a meeting of Instrumentholders jointly with the holders of all other instruments issued pursuant to the Agency Agreement and the Australian Deed Poll and not forming a single series with the Instruments to which meeting the provisions referred to above apply as if all such instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the holders

of the instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

11.2 Modification of the Trust Deed and the Australian Deed Poll

The Trustee may agree, without the consent of the Instrumentholders or Couponholders, to (a) any modification of any of the provisions of the Trust Deed or the Australian Deed Poll that is of a formal, minor or technical nature or is made to correct a manifest error, and (b) any other modification (except as mentioned in the Trust Deed or the Australian Deed Poll), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Australian Deed Poll that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders. Any such modification, authorisation or waiver shall be binding on the Instrumentholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Instrumentholders as soon as practicable.

11.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and/or the Australian Deed Poll and such other conditions as the Trustee may require, but without the consent of the Instrumentholders or the Couponholders, to the substitution of any other company in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed or the Australian Deed Poll (in the case of Australian Domestic Instruments) and the Instruments. In the case of such a substitution the Trustee may agree, without the consent of the Instrumentholders or the Couponholders, to a change of the law governing the Instruments, the Coupons, the Talons and/or the Trust Deed and/or the Australian Deed Poll (as applicable) provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Instrumentholders.

11.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Instrumentholders as a class and shall not have regard to the consequences of such exercise for individual Instrumentholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Instrumentholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Instrumentholders or Couponholders.

12 Replacement of Instruments, Coupons and Talons

If an Instrument, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, listing authority and stock exchange regulations, at the specified office of such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Instrumentholders in accordance with Condition 14 on payment by the claimant of the fees and costs incurred in connection with that replacement and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Instrument, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Instruments,

Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Instruments, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Instrumentholders or Couponholders create and issue further instruments having the same terms and conditions as the Instruments and so that such further issue shall be consolidated and form a single series with such Instruments.

References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition and forming a single series with the Instruments. Any such further instruments forming a single series with Instruments constituted by the Trust Deed or any deed supplemental to it or the Australian Deed Poll shall, and any other instruments may (with the consent of the Trustee), be constituted by the Trust Deed or the Australian Deed Poll (in the case of Australian Domestic Instruments).

The Trust Deed and the Australian Deed Poll each contains provisions for convening a single meeting of the Instrumentholders and the holders of instruments of other series if the Trustee so decides.

14 Notices

All notices to the Instrumentholders will be valid if published in a daily English language newspaper of general circulation in the United Kingdom (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

In the case of Australian Domestic Instruments, the following provisions shall apply in lieu of any provisions of this Condition 14 which are inconsistent with the following provisions. Notices regarding Australian Domestic Instruments shall be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in *The Australian Financial Review*. Any such notice will be deemed to have been given to the holders on the date of such publication.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Instruments in accordance with this Condition.

15 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including but not limited to provisions relieving it from any obligation to (a) appoint an independent financial adviser and (b) take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

16 Contracts (Rights of Third Parties) Act 1999

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

17 Governing Law and Jurisdiction

- 17.1** The Instruments (other than Australian Domestic Instruments) and any non-contractual obligations arising out of or connected with them are governed by, and shall be construed in accordance with, English law.
- 17.2** The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Instruments (other than Australian Domestic Instruments).
- 17.3** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 17.4** Nothing in this Condition 17 prevents the Trustee or any Instrumentholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Instrumentholders may take concurrent Proceedings in any number of jurisdictions.
- 17.5** The Australian Domestic Instruments, the Australian Deed Poll and (unless otherwise specified in the applicable Final Terms) the Australian Agency and Registry Agreement will be governed by, and construed in accordance with, the laws in force in New South Wales, Australia, save that the provisions of Condition 9 (*Events of Default*) shall be interpreted so as to have the same meaning they would have if governed by English law.
- 17.6** In the case of Australian Domestic Instruments, each Issuer has irrevocably agreed for the benefit of Instrumentholders that the courts of New South Wales, Australia are to have jurisdiction to settle any disputes which may arise out of or in connection with the Australian Domestic Instruments, the Australian Deed Poll and the Australian Agency and Registry Agreement and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Domestic Instruments, the Australian Deed Poll or the Australian Agency and Registry Agreement (together referred to as “**Australian Proceedings**”) may be brought in such courts.
- 17.7** Each Issuer has irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any Australian Proceedings in any such court and any claim that any such Australian Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgment in any such Australian Proceedings brought in the courts of New South Wales shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

For the avoidance of doubt, these provisions do not apply to Australian Domestic Instruments.

Initial Issue of Instruments

Upon the initial deposit of a Global Instrument with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or a depository for such other clearing system indicated in the applicable Final Terms including CDS Clearing and Depository Services Inc. (“**CDS**”) (each a “**Clearing System**”), the Clearing System will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid.

If the Global Instruments are stated in the applicable Final Terms to be issued in NGN form, the Issuer will notify the relevant Clearing system whether or not such Global Instruments are intended to be held in a manner which would allow Eurosystem eligibility. The Global Instruments will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Instruments with the Common Safekeeper does not necessarily mean that the Instruments 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. Global Instruments which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Instrument is a CGN, upon the initial deposit of a Global Instrument with a depository or the Common Depository, the relevant Clearing System will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid. If the Global Instrument is an NGN, the nominal amount of the Instruments shall be the aggregate amount from time to time entered in the records of the relevant Clearing System. The records of such Clearing System shall be conclusive evidence of the nominal amount of Instruments represented by the Global Instrument and a statement issued by such Clearing System at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

Instruments which are initially deposited with the depository of the relevant Clearing System may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with the relevant Clearing System held by such other clearing systems. Conversely, Instruments that are initially deposited with another clearing system may similarly be credited to the accounts of subscribers with the relevant Clearing System .

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by an Issuer or the Issuers to the bearer of such Global Instrument and in

relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing systems (as the case may be). Such persons shall have no claim directly against either of the Issuers in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument and such obligations of such Issuer or Issuers will be discharged by payment to the bearer of such Global Instrument in respect of each amount so paid.

The Trustee may call for any certificate or other document to be issued by Euroclear, Clearstream, Luxembourg or any other clearing system as to the principal amount of Instruments represented by a Global Instrument standing to the account of any person. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal amount of any other clearing system is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear, Clearstream, Luxembourg or any other clearing system and subsequently found to be forged or not authentic.

Exchange

1 Temporary Global Instruments

Each temporary Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1 if the relevant Final Terms indicates that such Global Instrument is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Instruments defined and described below; and
- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Final Terms, for Definitive Instruments.

If the relevant Final Terms indicates that the temporary Global Instrument may be exchanged for Definitive Instruments, trading of such Instruments in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination, specified in the relevant Final Terms.

2 Permanent Global Instruments

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Instruments", in part for Definitive Instruments if the permanent Global Instrument is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or, if the Global Instrument is held by or on behalf of CDS Clearing & Depository Securities Inc. ("**CDS**") and (i) CDS has notified the Issuer that it is unwilling

or unable to continue to act as a depository for the Instruments and a successor depository is not appointed by the Issuer within 90 working days after receiving such notice; or (ii) CDS ceases to be a recognised clearing agency under the Securities Act (Ontario) or a self-regulatory organisation under the Securities Act (Québec) or other applicable Canadian securities legislation and no successor clearing system satisfactory to the Trustee is available within 90 working days after the Issuer becoming aware that CDS is no longer so recognised.

In the event that a Global Instrument is exchanged for Definitive Instruments, such Definitive Instruments shall be issued in Specified Denomination(s) only. An Instrumentholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Instrument in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.

3 Partial Exchange of Permanent Global Instruments

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments if principal in respect of any Instruments is not paid when due.

4 Delivery of Instruments

If the Global Instrument is a CGN, on or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Instrument, or the part of that Global Instrument to be exchanged, the relevant Issuer will (a) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (b) in the case of a Global Instrument exchangeable for Definitive Instruments, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Instruments or if the Global Instrument is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “**Definitive Instruments**” means, in relation to any Global Instrument, the Definitive Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Instrument, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

5 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Instrument, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Instrument, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Instruments when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located

and in the city in which the relevant clearing system is located.

6 Amendment to Conditions

The temporary Global Instruments and permanent Global Instruments contain provisions that apply to the Instruments which they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Prospectus. The following is a summary of certain of those provisions:

7 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Instruments represented by a Global Instrument will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Instrumentholders for such purpose (which, for Instruments held through CDS, will be the Canadian Paying Agent). If the Global Instrument is a CGN, a record of each payment so made will be endorsed on each Global Instrument, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Instruments. If the Global Instrument is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Instruments recorded in the records of the relevant clearing system and represented by the Global Instrument will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 6.7 (Non-Business Days).

The records of the relevant clearing systems which reflect the amount of the Instrumentholders' interests in the Instruments shall be conclusive evidence of the nominal amount of Instruments represented by the Global Instruments.

8 Prescription

Claims against an Issuer in respect of Instruments which are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

9 Meetings

The holder of a permanent Global Instrument shall (unless such permanent Global Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in

respect of each integral currency unit of the Specified Currency of the Instruments for which it may be exchanged in accordance with its terms.

10 Cancellation

Cancellation of any Instrument represented by a permanent Global Instrument which is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Instrument.

11 Purchase

Instruments represented by a permanent Global Instrument may only be purchased by an Issuer or any of its subsidiary undertakings if they are purchased together with the right to receive all future payments of interest on those Instruments.

12 Issuer's Option

Any option of an Issuer provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument shall be exercised by such Issuer giving notice to the Instrumentholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of such Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of account holders with a clearing system or Approved Intermediary in respect of the Instruments will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

13 Instrumentholders' Options

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent stating the nominal amount of Instruments in respect of which the option is exercised and at the same time, where the permanent Global Instrument is a CGN, presenting the permanent Global Instrument for notation. Where the Global Instrument is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Instruments recorded in those records will be reduced accordingly.

14 NGN nominal amount

Where the Global Instrument is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Instruments, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Instruments represented by such Global Instrument shall be adjusted accordingly.

15 Trustee's Powers

In considering the interests of Instrumentholders while any Global Instrument is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Instrument and may consider such interests as if such accountholders were the holders of the Instruments represented by such Global Instrument.

16 Events of Default

Each Global Instrument provides that the Trustee, at its discretion, may, and if so requested by holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall cause such Global Instrument to become due and repayable in the circumstances described in Condition 9 by stating in the notice to the relevant Issuer the principal amount of such Global Instrument which is becoming due and repayable. If principal in respect of any Instrument is not paid when due, only the Trustee may enforce the rights of the Instrumentholders against such Issuer under the terms of the Trust Deed unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

17 Notices

So long as any Instruments are represented by a Global Instrument and such Global Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument.

FURTHER INFORMATION RELATED TO INDEX LINKED INSTRUMENTS

The Issuers can issue Instruments which are linked to an index (“**Index Linked Instruments**”) pursuant to the Programme, where the underlying index is either (i) the U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics (“**RPI Linked Instruments**”) or (ii) the Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP) (“**HICP Linked Instruments**”). The following information provides a clear and comprehensive explanation to prospective investors about how the value of Index Linked Instruments is affected by the value of the underlying index.

U.K. Retail Price Index

The U.K. Retail Prices Index (the “**RPI**”) is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (the “**ONS**”) using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI. The UK Government uses the RPI for its own existing inflation-linked instruments. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month’s RPI figure during the following month, i.e. the figure relating to February will be published in March. The RPI figures used in the calculation of interest payments on the RPI Linked Instruments and the amount due to be repaid on the RPI Linked Instruments at redemption are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on the RPI, including past and current levels, can be found at www.statistics.gov.uk.

RPI Linked Instruments

An RPI Linked Instrument is a type of Instrument where the interest payable and the nominal amount of the Instrument are both adjusted in line with the RPI. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the RPI Linked Instrument are adjusted to take account of changes in the RPI since the specified reference date for calculating the RPI (i.e. the index fixing date, as described below).

To calculate the RPI adjustment, two RPI ‘fixing’ figures are required – one that relates to the start of the Instrument’s life (the “**Base RPI**”) and one that relates to the relevant payment date. The real rate of interest offered on RPI Linked Instruments (i.e. the rate before taking inflation into account) is fixed when the RPI Linked Instruments are issued.

Interest on RPI Linked Instruments

The interest amount due on each interest payment date of a RPI Linked Instrument will be adjusted to take into account the change in inflation between the Base RPI figure and the RPI figure relating to the relevant interest payment date, and is calculated using the following simple formula:

Specified Denomination x Real Rate of Interest x Day Count Fraction x (RPI relating to the relevant

interest payment date/ Base RPI)

Redemption of RPI Linked Instruments

Assuming that the relevant Issuer is able to pay its debts in full and the RPI Linked Instruments are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, RPI Linked Instruments will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the RPI between the Base RPI figure and the RPI figure relevant to the payment date. The redemption amount will be calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the RPI figure relevant to the payment date is lower than the Base RPI, investors will receive less than the nominal amount of the RPI Linked Instruments on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount × [RPI figure relating to the maturity date / Base RPI]

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the “**HICP**”) is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States’ individual harmonised index of consumer prices excluding tobacco (“**Individual HICP**”). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country’s weight in the HICP for the Eurozone equals the share that such country’s final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries’ indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State’s weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat’s internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are “price updated” to December of the previous year.

More information on the HICP, including past and current levels, can be found at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>

HICP Linked Instruments

A HICP Linked Instrument is a type of Instrument where the interest payable and the nominal amount of the Instrument are both adjusted in line with the HICP. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the HICP Linked Instrument are adjusted to take account of changes in the HICP since the specified reference date for calculating the HICP (i.e. the index fixing date, as described below).

To calculate the HICP adjustment, two HICP ‘fixing’ figures are required – one that relates to the start of the Instrument’s life (the “**Base HICP**”) and one that relates to the relevant payment date. The real rate of interest offered on HICP Linked Instruments (i.e. the rate before taking inflation into account) is fixed when the HICP Linked Instruments are issued.

Interest on HICP Linked Instruments

The interest amount due on each interest payment date of a HICP Linked Instrument will be adjusted to take into account the change in inflation between the Base HICP figure and the HICP figure relating to the relevant interest payment date, and is calculated using the following simple formula:

Specified Denomination x Real Rate of Interest x Day Count Fraction x (HICP relating to the relevant interest payment date/ Base HICP)

Redemption of HICP Linked Instruments

Assuming that the relevant Issuer is able to pay its debts in full and the HICP Linked Instruments are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, HICP Linked Instruments will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the HICP between the Base HICP figure and the HICP figure relevant to the payment date. The redemption amount is calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the HICP figure relevant to the payment date is lower than the Base HICP, investors will receive less than the nominal amount of the HICP Linked Instruments on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount × [HICP figure relating to the maturity date / Base HICP]

FURTHER INFORMATION RELATED TO YIELD

The yield in respect of each issue of Fixed Rate Instruments under the Programme will be calculated on the basis of the Issue Price using the following formula:

$$P = \frac{nC}{r} \left(1 - \left(1 + \frac{r}{n}\right)^{-N}\right) + A \left(1 + \frac{r}{n}\right)^{-N}$$

where

P is the Issue Price of the Instruments;

C is the periodic interest amount;

A is the principal amount of Instruments due on redemption;

N is the number of interest periods to maturity;

n is the number of interest periods per annum; and

r is the yield.

As an example, if an investor knows that the redemption amount will be 100 per cent., the periodic interest amount is 5 per cent., the number of interest periods per annum is 1 i.e. pays interest once a year and wishes to calculate the yield on an instrument with an Issue Price of 99.81 per cent. and the number of interest periods to maturity is 3 i.e. there will be three interest payments, i.e. as per the following:

$$99.81 = \frac{1 \times 5}{r} \left(1 - \left(1 + \frac{r}{1}\right)^{-3}\right) + 100 \left(1 + \frac{r}{1}\right)^{-3}$$

then a first estimate of $r = 5.05$ would show an issue price of 99.864 as per the following:

$$\frac{1 \times 5}{0.0505} \left(1 - \left(1 + \frac{0.0507}{1}\right)^{-3}\right) + 100 \left(1 + \frac{0.0507}{1}\right)^{-3} = 99.864$$

An informed second estimate of $r = 5.07$ would show that the right amount had been found as follows:

$$\frac{1 \times 5}{0.0507} \left(1 - \left(1 + \frac{0.0507}{1}\right)^{-3}\right) + 100 \left(1 + \frac{0.0507}{1}\right)^{-3} = 99.81$$

Yield is not an indication of future price.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Instruments will be used by the relevant Issuer for its general corporate purposes. If in respect of any particular issue of Instruments, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

CLEARING AND SETTLEMENT

CREST Depository Interests

Following their delivery into a clearing system, interests in Instruments may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Instruments. The CDIs will be issued by the CREST Depository to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the “**CREST Nominee**”) in the Underlying Instruments. Pursuant to the CREST Manual (as defined below), Instruments held in global form by the Common Depository may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Instruments will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Instrument, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Instruments on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Instruments and other relevant notices issued by the Issuers.

Transfers of interests in Underlying Instruments by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Instruments to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Instruments and will not require a separate listing on the Official List.

Prospective subscribers for Instruments represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuers including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Instruments which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the “**CREST International Settlement Links Service**”). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Instruments. The CDIs are separate legal instruments from the Underlying Instruments to which they relate and represent an indirect interest in such Underlying Instruments.
- (ii) The Underlying Instruments themselves (as distinct from the CDIs representing indirect

interests in such Underlying Instruments) will be held in an account with a custodian. The custodian will hold the Underlying Instruments through a clearing system. Rights in the Underlying Instruments will be held through custodial and depositary links through the appropriate clearing systems. The legal title to the Underlying Instruments or to interests in the Underlying Instruments will depend on the rules of the clearing system in or through which the Underlying Instruments are held.

- (iii) Rights under the Underlying Instruments cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Instruments will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Instruments are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Instruments. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Instruments in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Instruments held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “**CREST Manual**”) and the CREST Rules (the “**CREST Rules**”) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI
- (vii) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDI's through the CREST International Settlement Links Service.
- (viii) Potential investors should note that none of the Issuers, the Arranger, the Dealers, the Trustee or the Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (ix) Potential investors should note that Instruments issued in temporary global form

exchangeable for a permanent Global Instrument will not be eligible for CREST settlement as CDIs. As such, investors investing in the Underlying Instruments through CDIs will only receive the CDIs after such temporary Global Instrument is exchanged for a permanent Global Instrument, which could take up to 40 days after the issue of the Instruments.

CDS

CDS was formed in November 2006 pursuant to the restructuring of The Canadian Depository for Securities Limited (“**CDS Ltd.**”). CDS is wholly owned by CDS Ltd. CDS Ltd. was incorporated in 1970 and remains the holding company for CDS and two other operating subsidiaries and is Canada’s national securities clearing and depository services organisation. CDS Ltd. was acquired in August, 2012 by Maple Group Acquisition Corporation (renamed TMX Group Limited).

Functioning as a service utility for the Canadian financial community, CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. CDS participants (“**CDS Participants**”) include banks (including the Canadian Subcustodians (defined below)), investment dealers and trust companies and may include the Dealers or affiliates of the Dealers. Indirect access to CDS is available to other organisations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests, including cash distributions, in Instruments in CDS may only be processed through CDS Participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary and Vancouver to centralise securities clearing functions through a central securities depository.

CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of over the counter trading in equities and bonds. The address for CDS is 85 Richmond Street West, Toronto, ON, Canada, M5H 2C9.

Global Clearance and Settlement Procedures

Initial settlement for Instruments settling in CDS will be made in immediately available Canadian dollar funds. Such Instruments will be held by CDS & CO., as nominee of CDS. Beneficial interests in the relevant Global Instrument will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in CDS. If the Final Terms indicates the Instruments may clear in Euroclear and Clearstream, Luxembourg, investors may elect to hold interests in the Global Instrument directly through any of CDS (in Canada) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organisations which are participants in such systems. Links have been established among CDS, Euroclear and Clearstream, Luxembourg to facilitate issuance of Instruments and cross-market transfers of Instruments associated with secondary market trading. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian Schedule I chartered bank (Canadian Subcustodians), which in turn will hold such interests in customers’ securities accounts in the names of the Canadian Subcustodians on the books of CDS. CDS will be directly linked to Euroclear and Clearstream, Luxembourg through the CDS accounts of their respective Canadian Subcustodians.

Secondary market trading between CDS Participants will be in accordance with market conventions applicable to transactions in book-based Canadian domestic bonds. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional

Eurobonds in immediately available funds.

Transfers between CDS and Euroclear or Clearstream, Luxembourg

Cross-market transfers between persons holding directly or indirectly through CDS Participants, on the one hand, and directly or indirectly through Euroclear participants or Clearstream, Luxembourg participants, on the other, will be effected in CDS in accordance with CDS rules; however, such cross-market transactions will require delivery of instructions to the relevant clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. The relevant clearing system will, if the transaction meets its settlement requirements, deliver instructions to CDS directly or through its Canadian Subcustodian to take action to effect final settlement on its behalf by delivering or receiving Instruments in CDS, and making or receiving payment in accordance with normal procedures for settlement in CDS. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to CDS or the Canadian Subcustodians.

Because of time-zone differences, credits of Instruments received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a CDS Participant will be made during subsequent securities settlement processing and dated the business day following the CDS settlement date. Such credits or any transactions in such Instruments settled during such processing will be reported to the relevant Euroclear participants or Clearstream, Luxembourg participants on such business day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of Instruments by or through a Euroclear participant or a Clearstream, Luxembourg participant to a CDS Participant will be received with value on the CDS settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in CDS.

Australian Domestic Instruments

Austraclear

On issue of any Australian Domestic Instruments, the relevant Issuer may, as specified in the applicable Final Terms, procure that the Australian Domestic Instruments are entered into the clearance and settlement system ("**Austraclear System**") operated by Austraclear Ltd (ABN 94 002 060 773) ("**Austraclear**"). On entry, Austraclear will become the sole registered Instrumentholder and legal owner of the Australian Domestic Instruments. Subject to the rules and regulations known as the Austraclear Regulations established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System, together with any directions or instructions, participants of the Austraclear System ("**Accountholders**") may acquire rights against Austraclear in relation to those Australian Domestic Instruments as beneficial owners and Austraclear is required to deal with the Australian Domestic Instruments in accordance with the directions and instructions of the Accountholders. Any potential investors who are not Accountholders would need to hold their interest in the relevant Australian Domestic Instruments through a nominee who is an Accountholder. All payments by the relevant Issuer in respect of Australian Domestic Instruments entered in the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear Regulations.

Relationship of Accountholders with Austraclear

Where Austraclear is registered as the Instrumentholder of any Australian Domestic Instruments that are lodged in the Austraclear System, Austraclear may, where specified in the Austraclear Regulations, transfer the Australian Domestic Instruments to the person in whose Security Record

(as defined in the Austraclear Regulations) those Australian Domestic Instruments are recorded and, as a consequence, remove those Australian Domestic Instruments from the Austraclear System.

Potential investors in Australian Domestic Instruments should inform themselves of, and satisfy themselves with, the Austraclear Regulations and (where applicable) the rules of Euroclear and Clearstream, Luxembourg and the arrangements between them and their nominees in the Austraclear System.

Holding of Australian Domestic Instruments through Euroclear and Clearstream, Luxembourg

On entry in the Austraclear System, interests in the Australian Domestic Instruments may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Australian Domestic Instruments in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear, while entitlements in respect of holdings of interests in the Australian Domestic Instruments in Clearstream, Luxembourg would be held in the Austraclear System by JP Morgan Nominees Australia Limited as nominee of Clearstream, Luxembourg.

The rights of a holder of interests in Australian Domestic Instruments held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations of Euroclear and Clearstream, Luxembourg, the arrangements between Euroclear and Clearstream, Luxembourg and their respective nominees and the Austraclear Regulations.

Transfers

Any transfer of Australian Domestic Instruments will be subject to the Australian Corporations Act and the other requirements set out in the Terms and Conditions of the Australian Domestic Instruments and, where the Australian Domestic Instruments are entered in the Austraclear System, the Austraclear Regulations. Secondary market sales of Australian Domestic Instruments settled in the Austraclear System will be settled in accordance with the Austraclear Regulations.

DESCRIPTION OF NATIONAL GRID PLC

Overview

National Grid plc (“**National Grid**”) is the name of the holding company of the group of companies (the “**National Grid Group**”) which was the product of a recommended merger between National Grid Group plc (“**NGG**”) and Lattice Group plc (“**Lattice**”). This merger was implemented by way of a sanctioned scheme of arrangement under the Companies Act 1985 between Lattice and its shareholders and was completed on 21 October 2002. Following the closing of the merger, NGG was renamed National Grid Transco plc and on 26 July 2005 it changed its name to National Grid plc.

National Grid was incorporated in England and Wales on 11 July 2000 as a public company limited by shares under the Companies Act 1985. The address of National Grid’s registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the registered office is +44 20 7004 3000.

National Grid is, directly or indirectly, the ultimate holding company of all the companies in the National Grid Group and its assets are substantially comprised of shares in such companies. National Grid does not conduct any other business and is accordingly dependent on the other members of the National Grid Group and revenues received from them.

National Grid’s senior unsecured debt obligations are rated BBB+ by Standard & Poor’s, BBB+ by Fitch and Baa1 by Moody’s and its short term debt obligations are rated A2 by Standard & Poor’s, F2 by Fitch and P2 by Moody’s. Standard & Poor’s, Fitch and Moody’s are established in the European Union and registered under the CRA Regulation.

Introduction

National Grid’s principal operations are ownership and operation of regulated electricity and gas infrastructure networks in the U.K. and the U.S. serving around 19 million customers directly and many more indirectly. National Grid also has interests in related markets, including electricity interconnectors, metering services, liquefied natural gas (“**LNG**”) storage and importation facilities and property in the U.K., LNG storage and transportation and non-regulated gas transmission pipelines in the U.S. and a generator of electricity on Long Island New York.

Business overview

Principal activities and markets

National Grid’s principal activities are:

- Gas and electricity transmission;
- Gas distribution;
- Electricity distribution and generation; and
- Non-regulated businesses.

The performance of these activities is reported by National Grid by segments reflecting the management responsibilities and economic characteristics of each activity as follows:

- Transmission – U.K.;
- Gas Distribution – U.K.; and
- US.

The National Grid Group's remaining non-regulated businesses are not treated as a segment but are instead classified and reported as other activities. Further information about each of these segments and other operations is set out below.

National Grid's principal subsidiaries are: National Grid Electricity Transmission plc, which owns its U.K. electricity transmission business; National Grid Gas plc, which owns its U.K. gas transmission and U.K. gas distribution businesses; and National Grid USA ("**NGUSA**"), the holding company for its U.S. electricity transmission, electricity distribution and generation and gas distribution businesses.

NGUSA's more significant subsidiary companies include KeySpan Corporation, which directly or indirectly owns public utilities consisting of Boston Gas Company, Colonial Gas Company, The Brooklyn Union Gas Company, KeySpan Gas East Corp. and Essex Gas Company. Other principal subsidiaries of NGUSA are Niagara Mohawk Power Corporation, Massachusetts Electric Company, The Narragansett Electric Company, New England Power Company and Nantucket Electric Company.

National Grid's objects and purposes are not restricted by its Articles of Association.

Transmission – U.K.

Electricity

National Grid, through National Grid Electricity Transmission plc ("**NGET**"), owns the electricity transmission system in England and Wales. National Grid is also the National Electricity Transmission System Operator ("**NETSO**") responsible for managing the operation of the National Electricity Transmission System ("**NETS**") (i.e. both the England and Wales transmission system which it owns and also the two high-voltage electricity transmission networks in Scotland and offshore transmission systems which it does not own).

Day-to-day operation of the NETS involves the continuous real-time matching of demand and generation output, ensuring the stability and security of the power system and the maintenance of satisfactory voltage and frequency.

Gas

National Grid, through National Grid Gas plc ("**National Grid Gas**") also owns the gas national transmission system in Great Britain. This connects to eight distribution networks and to third party independent systems for onward transportation of gas to end consumers. National Grid operates the gas national transmission system, which includes balancing supply and demand, maintaining satisfactory system pressures and ensuring gas quality standards are met.

Other transmission assets

National Grid also owns and operates the U.K. assets and a portion of the subsea cables that comprise the electricity interconnector between England and France as part of a joint arrangement with the French transmission operator. As at 31 March 2012, National Grid also owned and

operated two liquefied natural gas storage facilities in Great Britain. The revenues from the interconnector and part of the revenues from LNG storage are not regulated, but realised from tenders or capacity auctions.

Gas Distribution – U.K.

National Grid, through National Grid Gas owns and operates a gas distribution business comprising four of Great Britain's eight regional gas distribution networks. As at 31 March 2012 this consisted of approximately 132,000 kilometres of distribution pipeline. National Grid transports gas on behalf of 26 active gas shippers from the gas national transmission network through its four regional gas distribution networks to around 10.8 million consumers.

National Grid also manages the national emergency number for all of the distribution networks and other gas transporters in Great Britain.

United States

Transmission

In the United States, National Grid owns and operates an electricity transmission network spanning upstate New York, Massachusetts, Rhode Island and Vermont. Its U.S. electricity transmission facilities operate at voltages ranging from 69 kV to 345 kV. National Grid is the largest electricity transmission service provider in New England and New York by reference to the length of these high-voltage transmission lines. In addition, it owns and operates a 224 kilometre direct current transmission line rated at 450 kV that is a key section of an interconnector between New England and Canada.

National Grid's electricity transmission network is directly interconnected with other utility systems in New York, Massachusetts, Vermont, Pennsylvania, Rhode Island, Connecticut, New Hampshire and the Canadian provinces of Ontario and Quebec and indirectly interconnected with most of the electric utility systems through the Eastern Interconnection power grid of the United States and Canada.

Gas Distribution

As at 31 March 2012, National Grid's U.S. gas distribution segment comprised gas distribution networks providing services to approximately 3.5 million consumers across the north eastern United States, located in service territories in upstate New York, New York City, Long Island, Massachusetts and Rhode Island. Its network of approximately 58,000 kilometres of gas pipelines serves an area of approximately 26,400 square kilometres.

Gas is delivered by the interstate pipeline companies to National Grid's and other companies' local distribution companies for distribution to their customers. As is the case with the distribution networks in the U.K., each local distribution company has a geographically defined service territory and is the only local distribution company within that territory. Local distribution companies are regulated by the state utility commission of the state in which their service territory is located.

The gas transported by National Grid's local distribution companies includes gas purchased by National Grid for its own end user customers as well as third party gas that it delivers to its transportation customers. This contrasts with the U.K., where National Grid does not purchase or sell the gas it transports.

National Grid also manages gas assets such as transportation and storage capacity to ensure

supply adequacy for delivery to customers. It maintains a diversified and flexible portfolio of gas supply and storage assets, and is able to deliver additional benefits to customers and shareholders by optimising the use of these assets. During cold weather, National Grid supplements gas from the interstate pipeline system with LNG and propane facilities in a number of locations.

Electricity Distribution and Generation

National Grid's electricity distribution networks in upstate New York through Niagara Mohawk Power Corporation, in Massachusetts through Massachusetts Electric Company and Nantucket Electric Company and in Rhode Island through The Narragansett Electric Company, with customers that include domestic homes and small and large commercial and industrial enterprises. As at 31 March 2012, through its electricity distribution networks, served approximately 3.5 million electricity consumers in New England and upstate New York.

Until 31 December 2013, National Grid is responsible for maintaining and operating the electricity transmission and distribution system on Long Island, owned by the Long Island Power Authority ("LIPA"), providing energy to homes, small businesses and large commercial and industrial enterprises, LIPA's transmission line facilities deliver power to substations and on to transmission and distribution facilities which, as at 31 March 2012, delivered electricity to approximately 1.1 million consumers. In December 2011, LIPA announced that, after a lengthy competitive bid process related to the management services agreement, National Grid had not been selected to continue to manage and operate Long Island's electricity system beyond the term of the current management services agreement, which expires on 31 December 2013.

As at 31 March 2012, National Grid, through its US subsidiary, National Grid Generation LLC ("GENCO") owned 57 electricity generation units on Long Island that together provided 4.1 GW of power to LIPA under a power sales contract. This contract expires in 2013 and new contract negotiations are underway. National Grid's plants consist of oil and gas fired steam turbine, gas turbine and diesel driven generating units ranging from 2 MW to 385MW.

Non-regulated businesses and other activities

National Grid also has an interest in certain non-regulated and other business activities. In the U.K., National Grid Metering Limited provides installation and maintenance to gas and electricity suppliers in the regulated metering market. This business provides services for an asset base of around 15 million domestic, industrial and commercial meters. National Grid Grain LNG Limited is an LNG import terminal, with revenues driven by the provision of importation capacity to shippers under long-term take-or pay contracts (typically 20 years from commissioning). National Grid Property is responsible for the management of all of National Grid's major occupied property in the United Kingdom and the management, clean-up and disposal of surplus sites (largely comprising former gas works).

BritNed Development Limited is a joint venture between National Grid and TenneT, the Dutch transmission system operator, which operates a 260 kilometre 1,000 MW subsea electricity link between the Netherlands and the U.K.

In addition to these non-regulated activities, National Grid is a majority shareholder in Xoserve Limited which delivers transportation transactional services on behalf of the major gas network transportation companies in Great Britain, including National Grid.

In the U.S., National Grid's non-regulated businesses include LNG storage, LNG road transportation, unregulated transmission pipelines, including shares in the Millennium and Iroquois

pipelines and West Virginia gas fields.

Regulatory environment

National Grid's securities are listed on the London Stock Exchange and on the New York Stock Exchange and, as a consequence, National Grid is subject to regulation by the Financial Services Authority in the U.K., and by the U.S. Securities and Exchange Commission ("**SEC**") and the stock exchanges themselves.

National Grid operates in a highly regulated environment, which means that good relationships with economic and safety regulators, in addition to its other stakeholders, are essential because they set the frameworks within which its businesses operate.

U.K. Regulation

Regulatory framework

In the U.K., energy networks are regulated by the Office of Gas and Electricity Markets ("**Ofgem**"). Ofgem operates under the direction and governance of the Gas and Electricity Markets Authority ("**GEMA**") and has established price control mechanisms that restrict the amount of revenue that can be earned by regulated businesses. Ofgem's main priority is to protect the interests of consumers. It does this by regulating monopoly activities such as the companies that run the gas and electricity networks and by promoting competitive gas and electricity markets.

The Gas Act 1986 and Electricity Act 1989, as amended (the "**Acts**"), provide the fundamental legal framework for gas and electricity companies. The Acts establish the licences for electricity generation, transmission, distribution and supply, and for gas transmission, distribution, shipping and supply.

Regulatory licences

National Grid's main licensed businesses in the U.K. are:

- the gas transportation businesses of National Grid Gas plc, consisting the businesses of owning and operating the national transmission system and the retained distribution network businesses;
- National Grid Metering, which is a subsidiary of National Grid Gas and manages the latter's domestic and non domestic metering assets;
- the electricity transmission business of National Grid Electricity Transmission plc; and
- the interconnector business of National Grid Interconnectors Ltd.

The Acts and licences granted under them require the gas transporter and electricity transmission businesses to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of gas and electricity in Great Britain. The Acts also provide the licensed businesses with statutory powers such as the right to bury National Grid's pipes or cables under public highways and the ability to purchase land compulsorily in order to facilitate the conduct of its businesses. To ensure that its licensed businesses are operating efficiently, and that consumers are protected, National Grid operates under price controls in the U.K. These cover:

- the electricity transmission business's role as transmission owner ("**TO**"),
- the electricity transmission business's role as system operator ("**SO**") (both in relation to

internal and external costs);

- the gas transmission business's TO and SO activities; and
- each of its four regional gas distribution networks.

In addition to the price controls, National Grid's LNG storage business has a price control covering some aspects of its operations. There is also a tariff cap price control applied to certain elements of domestic metering and daily meter reading activities undertaken by National Grid Metering.

Price control mechanism

Price control regulation is designed to ensure that National Grid's interests as a monopoly are balanced with those of its customers. Ofgem allows National Grid to charge reasonable, but not excessive, prices giving it a future level of revenue sufficient to enable it to fulfil its statutory duties and licence obligations and also to make a reasonable return on its investment.

The price control regulation includes a number of mechanisms to achieve its objectives, including financial incentives, designed to encourage National Grid to: continuously improve the cost and effectiveness of its services; manage and operate its networks; provide quality customer service and invest in the development of the network in a manner that ensures long-term security of supply.

To ensure that its licensed businesses are operating efficiently, and consumers are protected, National Grid operates under eight type of price control mechanisms in the U.K., comprising two for its U.K. electricity transmission operations, one covering its role as TO and the other for its role as SO; two for its gas transmission operations, again one as a TO and other as a SO; and one for each of its four regional gas distribution networks. In addition to the eight price controls, the LNG storage business has a price control covering some aspects of its operations. There is also a tariff cap price control applied to certain elements of domestic metering and daily meter reading activities undertaken by National Grid Metering.

Current price controls

The current price control mechanisms for National Grid's gas distribution business will expire on 31 March 2013. The price control mechanisms for its transmission business were extended for one year and will now also expire on 31 March 2013. The extension included real increases in revenues for electricity and gas transmission next year and a base real vanilla return of 4.75 per cent. The revenue increase partly reflects the capital investment National Grid has made over the current price control period, which forms part of its total U.K. regulatory asset base value ("**RAV**"), which at 31 March 2012 was over £22 billion.

The current price control mechanism establishes that the amount of money that can be earned by its regulated businesses is restricted by what is referred to as an RPI-X price control. The RPI-X allowance is based on Ofgem's estimates of efficient operating expenditure ("**opex**"), capital expenditure ("**capex**") and asset replacement, together with an allowance for depreciation and an allowed rate of return on capital invested in its businesses. The RPI-X price control takes the RPI as its inflation benchmark and subtracts X, an efficiency factor, from it. For example, at a time when annual inflation was 3 per cent., a value for X of 2 per cent. would allow its regulated businesses to raise prices by no more than 1 per cent.

The RAV, which represents the value ascribed by Ofgem to the capital employed in National Grid's regulated businesses, is adjusted to reflect asset additions, removals, depreciation and the rate of

inflation.

UK returns

As at 31 March 2012	RAV	Allowed vanilla return	Achieved vanilla return	Achieved ROE
Electricity transmission	£9,136m	5.05%	5.60%	11.7%
Gas transmission	£5,100m	5.05%	7.30%	15.9%
Gas distribution	£7,940m	4.94%	5.74%	12.7%
Total	£22,176m			13.0%

U.K. regulatory developments

Future price controls

It is estimated that National Grid will need to invest over £31 billion during the coming years, partly to facilitate the move to a low carbon economy. This will include the gas and electricity networks developing smarter grids, meeting environmental challenges and securing energy supplies.

In light of the challenges around the evolving energy environment and the significant investments required, Ofgem has introduced a new regulatory price control framework to replace the existing framework which has been in use for over 20 years. This is known as the RIIO model i.e. revenue = incentives + innovation + outputs ("**RIIO**").

Under this regime, networks will be encouraged to deliver outputs, such as agreed levels of safety, reliability and environmental performance, while ensuring timely connections for customers, improving on customer satisfaction and (for gas distribution only) complying with social obligations. The networks will be incentivised to deliver these, innovatively and efficiently. During the price control review process, Ofgem assesses what an efficient level of expenditure would be to deliver these outputs and then sets the revenue levels accordingly.

The RIIO price control will last for eight years with a mid-period review at four years. The fundamentals of how its revenue is derived under RIIO are not that different, but the mechanics of how capex and opex ("**totex**") are treated have changed. A fixed proportion of totex goes into the RAV (slow money) with the remainder being remunerated within the year (fast money).

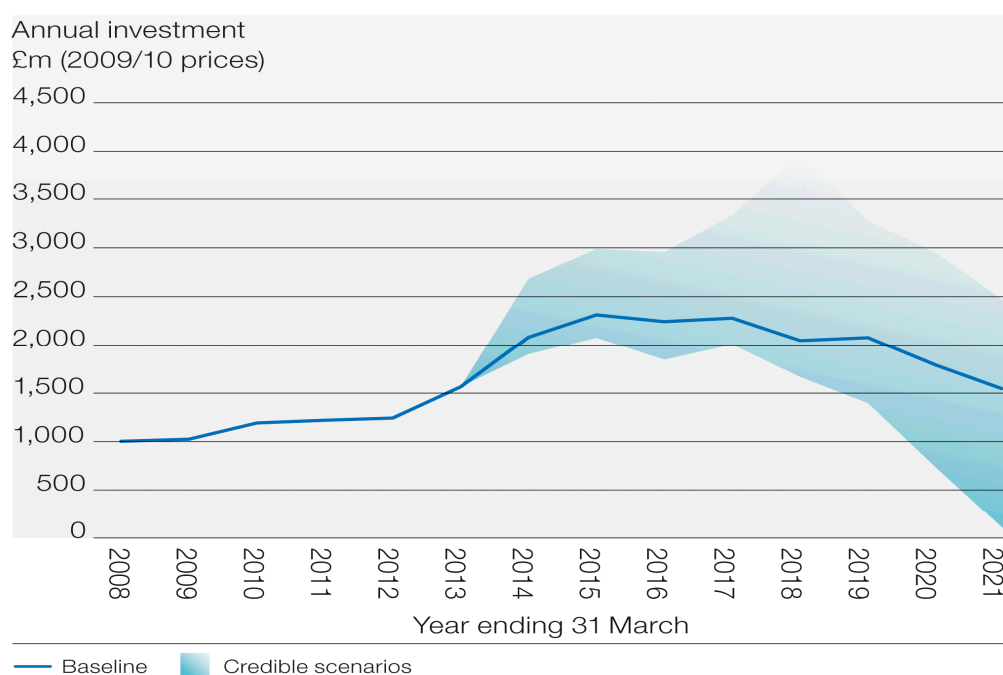
National Grid has developed its business plans in conjunction with its stakeholders and has reflected their views and feedback in its updated plans, which were submitted to Ofgem in March and April 2012 for its U.K. Transmission and U.K. Gas Distribution businesses respectively.

On 27 July 2012, Ofgem published detailed initial proposals for price controls for National Grid's regulated UK Transmission and Distribution businesses. Overall, the proposals outline plans for around £35 billion of total expenditure, in nominal terms, over the eight year period, together with uncertainty mechanisms to allow additional revenue if further investment is required. The

consultation period on these proposals is open until 21 September for Transmission and 24 September for Gas Distribution and final proposals are expected in December 2012. National Grid will continue to work with Ofgem as the RIIO price controls are finalised to secure positive opportunities to invest for long-term profitable growth and reasonable returns.

Managing uncertainty

With an eight year price control period replacing the previous five year controls, there will inevitably be a larger exposure to potential variance against its forecasts; for example, on its electricity transmission business a different mix of generators may look to connect to the system than those National Grid has assumed in its baseline plan. In order to understand the impact that different outcomes might have, National Grid has modelled a range of credible future demand and generation scenarios using the scenarios developed with stakeholders through the U.K. Future Energy Scenarios process. The impact of these alternative scenarios against its baseline capital investment forecast (which uses the 'gone green' scenario) is illustrated below:



To understand the range of risks faced by its business, and building on its existing risk management approach, National Grid has developed an innovative risk model to better understand the risks that its business will face, how those risks might best be managed and to evaluate the relationship between uncertainty mechanisms and the required rate of return. National Grid has shared this model with stakeholders, including Ofgem, who have broadly been supportive of it.

Following discussions with stakeholders, National Grid has therefore proposed a number of regulatory mechanisms which would adjust its allowed investment levels over the period of the price control in order to ensure there are no inappropriate windfall gains or losses for its networks or consumers because of reality diverging from the assumptions it has made in forecasting the next eight years. In doing this, National Grid has maintained the principle that risks should be borne by the party best able to manage them.

US Regulation

Regulators

In the US, public utilities' retail transactions are regulated by state utility commissions, including the New York Public Service Commission ("**NYPSC**"), the Massachusetts Department of Public Utilities ("**MADPU**") and the Rhode Island Public Utilities Commission ("**RIPUC**"). Utility commissions serve as economic regulators in approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services, and focus on services and costs within their jurisdictions. The Federal Energy Regulatory Commission ("**FERC**") regulates the wholesale transactions of public utilities, such as interstate transmission and electricity generation, and provides for the cost recovery of these services.

Utility commissions are also charged with serving the public interest by ensuring utilities provide safe and reliable service at just and reasonable prices. They establish service standards and approve mergers and acquisitions of public utilities. FERC also regulates public utility holding companies and centralised service companies, including those of the US businesses of National Grid.

All the states in which National Grid operates have deregulated the commodity or supply component of electricity and gas utility services. Customers in deregulated states have the option to purchase electricity or gas service from competitive suppliers.

Regulatory process

Utilities in the US submit a formal rate filing requesting a revenue adjustment in a proceeding known as a rate case. The rate case process is conducted in a litigated setting and, in the states in which National Grid operate, it can take six to 13 months for the commission to render a final decision. In all states, the utility is required to prove that its requested rate change is prudent and reasonable. At FERC there is no defined process for adjudicating a rate case. FERC allows rates to be put in place before a final decision is reached. However, a refund may be required if the outcome is unfavourable. The utility may request a rate plan that can span multiple years.

During the rate case process, consumer advocates and other intervening parties scrutinise and often file opposing positions to the utility's rate request. The rate case decision reflects a weighing of the facts in light of the regulator's policy objectives. During a rate case, the utility, consumer advocates and intervening parties may agree on the resolution of aspects of a case and file a negotiated settlement with a commission for approval.

Gas and electricity rates are established from a revenue requirement, or cost of service, representing the utility's total cost of providing distribution or delivery service to its customers. It includes operating expenses, depreciation, taxes and a fair and reasonable return on the utility's regulated asset base, typically referred to as its rate base. The rate of return applied to the rate base is the utility's weighted average cost of capital, representing its cost of debt and an allowed return on equity ("**RoE**") intended to provide the utility with an opportunity to attract capital from investors and maintain its financial integrity. The total cost of service is apportioned among different customer classes and categories of service to establish the rates, through a process called rate design, for these classes of customers. The final cost of service and rate design is ultimately approved in the rate case decision.

The revenue requirement is derived from a comprehensive study of the utility's total costs during a recent 12 month period of operations, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year which are intended to arrive at the total costs

expected in the first year new rates will be in effect, or the rate year, and may include forecasted capital investments in determining rate year rate base. Often, known and measurable adjustments are made to test year data to reflect normal operating conditions. In Massachusetts, only limited adjustments to this test year data are allowed, which are required to be both known and measurable. New York and Rhode Island allow more comprehensive adjustments to the test year data.

Once approved, base rates are typically either fixed until the next request is filed and litigated, or may be adjusted pursuant to a multi-year rate plan. Consequently, if costs change substantially between rate cases and base rates remain unchanged during the same period, the result can be large discrepancies between revenue generated from rates and actual costs incurred and recoverable, commonly referred to as 'regulatory lag'.

US regulatory developments

National Grid's rate plans

National Grid has four sets of electricity rates and six sets of gas rates, covering its electricity distribution operations in upstate New York, Massachusetts and Rhode Island, and its gas distribution networks in upstate New York, New York City, Long Island, Massachusetts and Rhode Island. Distribution and transmission electricity services in upstate New York continue to be subject to a combined rate that is billed to end use customers. In New England, retail transmission rates reflect the recovery from National Grid's end use customers of wholesale transmission charges assessed to National Grid's electricity distribution companies. Wholesale rates for National Grid's electricity transmission network in New England and New York and for its Long Island generation business (i.e. GENCO) are subject to FERC approval.

National Grid has regulatory arrangements that provide for the recovery of its historical investments and commitments related to its former electricity generation business that were stranded when some of its US subsidiaries divested their generation assets as part of industry restructuring and wholesale power deregulation in New England and New York. National Grid has recovered most of its sunk investments in generation assets and revenue associated with stranded cost recoveries will decline significantly in future years.

National Grid's rate plans are designed to produce a specific allowed ROE, by reference to an allowed operating expense level and rate base. Some rate plans include earned savings mechanisms that allow National Grid to retain a proportion of the savings National Grid achieves through improving efficiency, with the balance benefiting customers.

In addition, National Grid's performance under certain rate plans is subject to service performance targets. National Grid may be subject to monetary penalties in cases where it does not meet those targets.

Allowed ROE in context

One measure used to monitor the performance of National Grid's regulated businesses is a comparison of achieved ROE to allowed ROE, with a target that the achieved should be equal to or above the allowed. However, this measure cannot be used in isolation, as there are a number of factors that may prevent National Grid from achieving that target in any given year:

- Regulatory lag: in the years following the rate year, costs may increase due to inflation or other

factors. If the cost increases cannot be offset by productivity gains, the total cost to deliver will be higher as a proportion of revenue and therefore achieved ROE will be lowered.

- Cost disallowances: a cost disallowance is a decision by the regulator that a certain expense should not be recovered in rates from customers. The regulator may do this for a variety of reasons. National Grid can respond to some disallowances by choosing not to incur those costs; others may be unavoidable. As a result, unless offsetting cost reductions can be found, the achieved ROE will be lowered.
- Market conditions: if a utility files a new rate case, the new allowed ROE may be below the current allowed ROE as financial market conditions may have changed. As such, a utility that appears to be underperforming the allowed ROE and files a new rate case may not succeed in increasing revenues.

National Grid works to increase achieved ROEs through: productivity improvements; positive performance against incentives or earned savings mechanisms such as energy efficiency programmes, where available; and, through filing a new rate case when achieved returns are lower than that which it could reasonable expect to have granted through a new rate case.

Features of National Grid's rate plans

Unlike the position in the U.K., National Grid is responsible for billing its customers for their use of electricity and gas services. Customer bills typically comprise a commodity charge, covering the cost of the electricity or gas delivered, and delivery charges, covering National Grid's delivery service. Depending on the state, delivery rates are either based upon actual sales volumes and costs incurred in an historical test year, or on estimates of sales volumes and costs, and in both cases may differ from actual amounts. A substantial proportion of National Grid's costs, in particular electricity and gas purchases for supply to customers, are pass-through costs, meaning they are fully recoverable from its customers. National Grid's charges to customers are designed to recover these costs with no profit. Rates are adjusted from time to time to ensure any over- or under-recovery of these costs is returned to, or recovered from, its customers. There can be timing differences between costs being incurred and rates being adjusted.

Revenue for National Grid's wholesale transmission business in New England and New York is collected from wholesale transmission customers, who are typically other utilities and include its own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end use customers, these wholesale transmission costs are incurred by distribution utilities on behalf of their customers and are fully recovered as a pass-through from end use customers as approved by each state commission.

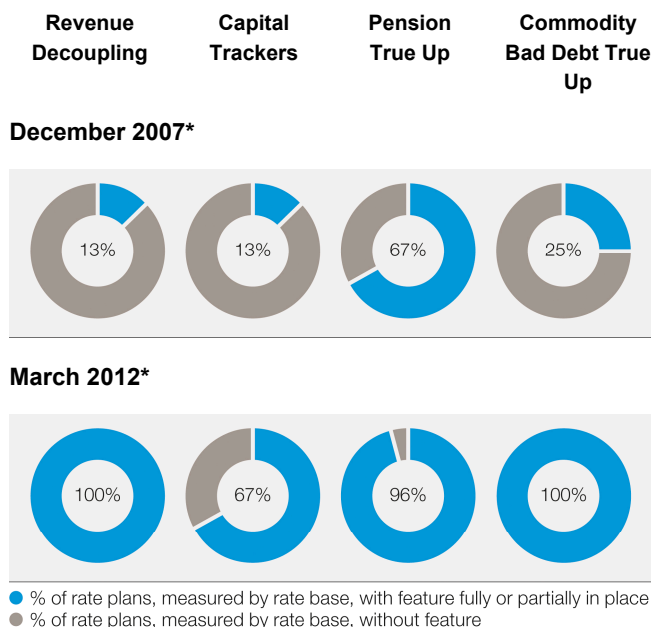
National Grid's Long Island generation plants, GENCO, sell capacity to LIPA under a power sales contract, approved by FERC, which provides a similar economic effect to cost of service rate regulation. This contract expires in 2013 and new contract negotiations are underway.

Regulatory filings

The objectives of National Grid's rate case filings are to ensure that National Grid has the right cost of service with the ability to earn a fair and reasonable rate of return, while providing safe and reliable service to its customers. In order to achieve these objectives and to reduce regulatory lag, National Grid has been requesting structural changes, such as revenue decoupling mechanisms, capital trackers, commodity related bad debt true ups, and pension and other post-employment

benefit (“OPEB”) true ups, separately from base rates. These terms are explained below.

The chart below shows the progress National Grid has made on these regulatory principles. National Grid continues to work towards implementing these regulatory principles across its US business.



*Percentage figure relates to proportion of rate base (at 31 March 2012) affected (excluding stranded costs)

Although many of National Grid's rate plans feature revenue decoupling, in some cases decoupling applies only to some classes of customer. As a result, the proportion of revenues which is decoupled is 91 per cent. for National Grid's electricity businesses and 64 per cent. for its gas businesses for 2011/12. Transmission and generation revenue is effectively decoupled.

National Grid has ongoing regulatory filings associated with downstate New York deferrals and tax refunds. Progress continues in these areas. Significant developments in rate filings during the year are summarised below.

Upstate New York 2012 deferral filing

On 27 April 2012, National Grid filed a one year rate plan filing for its upstate New York electricity and gas businesses, to take effect from 1 April 2013. The filing included a request for an increase in electricity delivery revenue of U.S.\$131 million. This would be more than offset by approximately U.S.\$190 million per annum of rate reductions related to the recovery of certain past deferred costs, resulting in an overall net decrease of approximately U.S.\$59 million to customers. The filing also includes a request for an increase in gas delivery revenue of U.S.\$40 million, which would be partially offset by a net decrease in deferral recovery of U.S.\$29 million. The filing is based on an ROE of 10.55 per cent. for the one year rate filing, and includes annual reconciliation mechanisms for certain non-controllable costs.

The filing, which is expected to take eleven months to review and to conclude in March 2013, includes investments of U.S.\$454 million and U.S.\$82 million in the electricity and gas businesses, respectively. The increased electricity service costs also include the creation of a U.S.\$29 million

sustainable storm fund.

Upstate New York deferral filing

On 16 December 2011, NYPSC approved Niagara Mohawk Power Corporation's request to recover U.S.\$240 million in deferred costs (U.S.\$211 million related to deferred environmental, capital expenditures, and pension costs included in its July 2011 deferral filing, U.S.\$25 million related to recent storm response costs, and \$4 related million to carrying charges and other adjustments). This amount will be collected over 15 months, effective from 1 January 2012. In addition, NYPSC approved the removal of U.S.\$573 million from Niagara Mohawk's rates related to stranded cost recoveries.

Summary of US price controls and rate plans

Rate plan		2010	2011	2012	2013	2014	Rate base (31 Mar 2012)	Equity to debt ratio	Allowed return on equity	Achieved return on equity (31 Dec 2011)	Revenue decoupling [†]	Capital tracker [‡]	Commodity related bad debt true up [§]	Pension/OPEB true up [¶]
New York Public Service Commission	Niagara Mohawk* (upstate, electricity)						\$3,861m	48:52	9.30%	5.6%	✓	✗	P	✓
	Niagara Mohawk (upstate, gas)						\$980m	44:56	10.20%	6.5%	✓	✗	P	✓
	KEDNY (downstate)						\$2,048m	45:55	9.80%	11.9%	P	P	P	✓
	KEDLI (downstate)						\$1,806m	45:55	9.80%	9.4%	P	P	P	✓
Massachusetts Department of Public Utilities	Massachusetts Electric/ Nantucket Electric						\$1,677m	50:50	10.35%	9.5%	✓	P	✓	✓
	Boston Gas Essex Gas						\$1,072m	50:50	9.75%	10.6%	✓	P	✓	✓
	Colonial Gas						\$244m	50:50	9.75%	10.7%	✓	P	✓	✓
Rhode Island Public Utilities Commission	Narragansett Electric						\$544m	49:51	9.80%	7.6%	✓	✓	P	F
	Narragansett Gas						\$332m	48:52	10.50%	6.4%	✓	✓	P	✓
Federal Energy Regulatory Commission	Narragansett						\$427m	50:50	11.14%	11.6%	N/A	✓	N/A	✓
	Canadian Interconnector						\$45m	40:60	13.00%	12.0%	N/A	✓	N/A	✓
	New England Power						\$965m	65:35	11.14%	11.1%	N/A	✓	N/A	✓
	Long Island Generation						\$470m	45:55	10.75%	12.4%	N/A	✓	N/A	✓

Rate filing made ✓ Feature in place
 New rates effective ✗ Feature not in current rate plan
 Rate plan ends P Feature partially in place
 Rates continue indefinitely F Feature requested in pending filing

* Both transmission and distribution, excluding stranded costs

†Revenue decoupling: A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. Allows the utility to support energy efficiency.

‡Capital tracker: A mechanism that allows for the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

§Commodity related bad debt true up: A mechanism that allows a utility to reconcile commodity related bad debt to either actual commodity related bad debt or to a specified commodity related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

◊ **Pension/OPEB true up:** A mechanism that reconciles the actual non capitalised costs of pension and other post-employment benefits and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case

New York State review

In February 2011, NYPSC instituted a New York State proceeding to review its site investigation and environmental remediation (“**SIR**”) expenditure policies. The proceeding directed New York State’s utilities to assist in developing the future scope of utility SIR programmes including cost containment, cost allocation and methods for minimising the impact on customers of SIR cost recovery. A Recommended Decision was issued on 3 November 2011 – the proceeding is open and ongoing.

Rhode Island 2012 rate filing and appeal of ruling in 2009 rate filing

On 27 April 2012, National Grid filed a new rate plan for its Rhode Island electricity and gas businesses, to take effect from 1 February 2013. The filing requests increases in electricity distribution revenue of U.S.\$31 million and gas delivery revenue of U.S.\$20 million, based on an ROE of 10.75 per cent. with annual reconciliation mechanisms for certain non-controllable costs such as pensions and OPEB, property taxes and commodity bad debt.

In order to ensure the new investments are effectively implemented, the new filing sets out the case for new rates, cost of service allowances and other needs for the businesses. The capital spending programme for these two utilities is addressed annually outside of this filing. The current levels of approved capital investment for the year which commenced on 1 April 2012 are U.S.\$61.9 million for the gas system and U.S.\$56.5 million for the electricity system. The filing is expected to take 9 months to review and to conclude in January 2013.

On 23 January 2012, the Rhode Island Supreme Court issued its decision on its appeal of RIPUC’s decision in its 2009 rate case. The Court reversed RIPUC’s decision to impose National Grid’s capital structure onto Narragansett but affirmed their decision to disallow 50 per cent. of its incentive compensation. On 11 April 2012, RIPUC adopted a settlement resolving the capital structure aspects of the rate order, which National Grid had appealed. The settlement authorises Narragansett a capital structure comprised of 48.78 per cent. common equity, an overall rate of return of 7.31 per cent., and an additional U.S.\$3.2 million electricity rate increase, effective from 23 April 2012.

Overland audit

In February 2011, NYPSC selected Overland Consulting Inc., a management consulting firm, to perform a management audit of its affiliate cost allocation, policies and procedures. The audit of these service company charges seeks to determine if any service company transactions have resulted in unreasonable costs to New York customers for the provision of delivery services. If potentially material levels of misallocated or inappropriate costs are discovered, at the direction of NYPSC, the investigation will be expanded to prior years to determine if they have been charged to the New York utilities. A report of this review to NYPSC is anticipated in 2012.

Disposal of New Hampshire businesses

On 8 December 2010, National Grid signed an agreement with a subsidiary of Algonquin Power & Utilities Corp. for the sale of the EnergyNorth gas and Granite State electricity companies. The sale

completed on 3 July 2012.

Other US Developments

KeySpan Class Actions

Two putative class actions were commenced in 2009 against KeySpan and Morgan Stanley, one in the federal court (the “**Simon**” case) and one in a New York state court (the “**Perez**” case). The claims were based on allegations that the financial swap transaction between KeySpan and Morgan Stanley dated 18 January 2006 caused customers of Consolidated Edison, Inc. to overpay for electricity between May 2006 and February 2008. Both claims were dismissed – the Simon case on 22 March 2011 and the Perez case, on appeal, on 10 April 2012. The plaintiff in the Perez case filed a motion for leave to appeal the 10 April 2012 decision to the New York State Court Appeals which was also denied on 28 August 2012, effectively concluding further judicial review of the Perez case allegations at this time. On 6 January 2012, a third putative class action was commenced in the federal court on behalf of Niagara Mohawk Power Corporation customers on similar grounds and in respect of the same financial swap transaction, which National Grid believes is also without merit.

Reorganisation of US business

In 2011, National Grid changed from a global line of business model to a regional model, to meet customers’ and regulators’ requirements for a model more closely aligned to their local needs. It was also designed to enable National Grid to balance local needs with its objective of achieving greater efficiency and, where it could achieve cost savings through centralising activities, it has continued to pursue these opportunities. The primary focus was to improve National Grid’s US performance. The restructuring included a significant reduction in cost with the elimination of around 1,100 management roles. The reorganisation of the US business was completed in September 2011 and National Grid reached its target of delivering a U.S.\$200 million costs savings run rate by the end of March 2012.

Recent trends, uncertainties and demands

Save as disclosed under “Risk Factors – Factors that may affect National Grid’s ability to fulfil its obligations under Instruments issued under the Programme” and “Regulatory Environment”, National Grid is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for the current financial year.

Board of Directors

The Directors of National Grid and their functions and principal activities outside the National Grid Group, are as follows:

Name	Title	Principal activities outside the National Grid Group
Sir Peter Gershon	Chairman (Non-Executive)	Chairman of Tate & Lyle plc, member of the U.K. Defence Academy Advisory Board and HM Government Efficiency Board

Name	Title	Principal activities outside the National Grid Group
Steven Holliday	Chief Executive	Non-Executive Director of Marks and Spencer Group plc and Chairman of The U.K. Business Council for Sustainable Energy, Crisis U.K., the National Technician Council and member of both the Board of Trustee Directors for Business in The Community and Infrastructure U.K. Advisory Council
Andrew Bonfield	Finance Director	Non-Executive Director of Kingfisher plc
Tom King	Executive Director Electricity Distribution and Generation	None
Nick Winser	Executive Director, Transmission	Non-Executive Director of Kier Group plc and co-Chair of the Energy Research Partnership
Linda Adamany	Non-Executive Director	None
Philip Aiken	Non-Executive Director	Chairman of Robert Walters plc, Deputy Chairman of AVEVA Group plc, Non-Executive and Senior Independent Director of Kazakhmys plc, and Non-Executive Director of Miclyn Express Offshore Limited and Essar Energy plc
Nora Brownell	Non-Executive Director	Non-executive director of Spectra Energy Partners LP, ONCOR Electric Delivery Holding Company, Tangent Energy Solutions and Times Publishing Company and a partner in ESPY Energy Solutions, LLC
Paul Golby	Non-Executive Director	Non-executive Chairman of AEA Technology Group plc, Chairman of Engineering U.K., Chair of the Engineering and Physical Sciences Research Council and a member of the Council for Science and Technology
Kenneth Harvey	Non-Executive Director (Senior Independent Director)	Chairman of Pennon Group plc
Ruth Kelly	Non-Executive Director	Managing Director at HSBC and Governor for the National Institute of Economic and Social Research
Maria Richter	Non-Executive Director	Non-Executive Chairman of Pro Mujer U.K. and Non-Executive Director of Pro Mujer International, The Pantry Inc., The

Name	Title	Principal activities outside the National Grid Group
		Vitec Group plc and The Bessemer Group Inc.
George Rose	Non-Executive Director	Member of the U.K. Industrial Development Advisory Board, Non-executive Director of Genel Energy plc and Laing O'Rourke plc
Mark Williamson	Non-Executive Director	Non-Executive and Senior Independent Director of Imperial Tobacco Group plc

The business address of each of the above is 1-3 Strand, London WC2N 5EH.

There are no potential conflicts of interest between the duties to National Grid of the Directors listed above and their private interests or other duties. Stephen Pettit, who had been a Non-executive director of National Grid since October 2002 and previously a Non-executive director of Lattice Group plc, stepped down from the board on 30 July 2012 and Linda Adamany will step down with effect from 31 October 2012.

Audit Committee

The key functions of the Audit Committee include (in accordance with its terms of reference): reviewing the Company's financial reporting and internal controls and their effectiveness; the procedures for the identification, assessment and reporting of risks; the appropriateness of the auditors in carrying out certain non-audit work; and the level of audit and non-audit fees payable to the auditors. The Audit Committee holds at least four meetings a year.

The current Audit Committee members are George Rose (chairman), Linda Adamany, Philip Aiken, Ruth Kelly, Maria Richter and Mark Williamson.

Corporate Governance

National Grid complied, throughout the 2011/2012 financial year, with the provisions of the U.K. Corporate Governance Code.

Share Capital

As at 7 September 2012 (being the latest practicable date prior to the publication of this document), the allotted, called up and fully paid share capital of National Grid comprised 3,768 million shares having a par value of 11.395 pence each.

DESCRIPTION OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Overview

National Grid Electricity Transmission plc (“**National Grid Electricity Transmission**” or “**NGET**”), a wholly-owned subsidiary of National Grid, is the owner of the electricity transmission system in England and Wales and operator of the electricity transmission system throughout Great Britain.

NGET is the holder of an electricity transmission licence (the “**Transmission Licence**”) under the Electricity Act 1989 (the “**Electricity Act**”). The Electricity Act requires all persons who participate in the transmission of the electricity to hold a licence to do so (if not exempted from such requirement)

The Transmission Licence permits NGET to:

- (A) own electricity transmission assets in England and Wales (there are separate licensees in respect of transmission assets in Scotland); and
- (B) operate the electricity transmission system throughout Great Britain (that is, including the transmission systems owned by the electricity transmission licensees in Scotland) as well as being system operator designate in relation to offshore transmission systems.

NGET was incorporated in England and Wales on 1 April 1989 as a public company limited by shares under the Companies Act 1985. The address of NGET’s registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the main switchboard at the registered office is +44 20 7004 3000.

NGET’s senior unsecured debt obligations are rated A- by Standard & Poor’s, A by Fitch and A3 by Moody’s and its short term debt obligations are rated A2 by Standard & Poor’s, F2 by Fitch and P2 by Moody’s. Standard & Poor’s, Fitch and Moody’s are established in the European Union and are registered under the CRA Regulation.

Business of NGET

NGET derives the vast majority of its turnover and profits from charges for services provided by its transmission business (the “**Transmission Business**”) to, *inter alia*, generators, interconnector owners and users, distributors, suppliers and directly-connected customers.

As the electricity transmission asset owner in England and Wales, NGET:

- (A) owns and maintains assets comprising high-voltage overhead lines, underground cables and substations;
- (B) develops the network to accommodate new connections and disconnections; and
- (C) manages a programme of asset replacement and investment to ensure the long term reliability of the system.

Revenue from:

- charges for using the transmission network; and
- charges for connections made before March 1990

is controlled by revenue restriction conditions set out in the Transmission Licence. This revenue restriction, known as a price control, takes into account, among other factors, operating expenditure, capital expenditure and cost of capital. In addition, the costs of non-domestic rates and the fees payable by NGET to the Gas and Electricity Markets Authority (“GEMA”) under the Transmission Licence are passed directly through to NGET’s customers through its charges.

NGET is permitted to set charges for connections to the transmission system in Great Britain made since March 1990 to recover the costs directly or indirectly incurred in providing connections, together with a reasonable rate of return on such costs.

As a NETSO, NGET is responsible for the residual balancing of generation and demand in the Great Britain electricity market and ensuring the secure, reliable and efficient delivery of electricity in real-time. NGET is the counterparty for all connection and use of system agreements in Great Britain with generators, suppliers, distributors and interconnector owners and users. It levies charges to fund balancing activities and transmission services which are provided by NGET in England and Wales and by the transmission system owners in Scotland.

Revenue from charges for provision of balancing services is regulated under an incentive scheme, where benefits of external cost savings in system operation compared to targets are shared with customers. NGET is also incentivised over the five years of the price control in relation to its internal costs of providing balancing services and is subject to wider statutory and licence obligations in relation to the external costs of providing those services.

National Grid Electricity Transmission has three wholly-owned subsidiaries, NG Leasing Limited, NGC Employee Shares Trustee Limited (dormant) and Elexon Limited (solely as nominee shareholder).

Board of Directors

The Directors of NGET and their principal activities outside the NGET Group are as follows:

Name	Title	Principal Activities outside NGET Group
Malcolm Cooper	Director	Group Tax and Treasury Director of National Grid plc, Director of British Transco Capital Inc., British Transco Finance Inc, National Grid Commercial Holdings Ltd, National Grid Gas Holdings Limited, National Grid Gas plc, National Grid Holdings One plc, National Grid International Limited, Lattice Group plc, Lattice Group Trustees Limited, National Grid Insurance Company (Isle of Man) Ltd, National Grid Insurance Company (Ireland) Ltd, Melmar Limited, NGG Finance plc, NGG Finance (No1) Limited and CLS Holdings plc, Chief Financial Officer and Treasurer of KeySpan Corporation and Treasurer of National Grid USA.
Nick Winsor	Director	Executive Director of National Grid plc. Director of National Grid Gas plc, National Grid Gas Holdings Limited, National Grid U.K. Limited, NGET/SPT Upgrades Limited, Non-Executive director of Kier Group plc and co-chair of the Energy Research Partnership.

Name	Title	Principal Activities outside NGET Group
Paul Whittaker	Director	U.K. Director of Regulation for National Grid plc and Director of National Grid Gas plc.
Stuart Humphreys	Director	Director of National Grid Gas plc, National Grid Gas Holdings Limited, National Grid Interconnectors Ltd, National Grid Grain LNG Ltd, BritNed Development Ltd and NGET/SPT Upgrades Limited.

The business address of the Directors of NGET is 1-3 Strand, London WC2N 5EH.

There are no potential conflicts of interest between the duties to NGET of any of the Directors listed above and their private interests or other duties.

Regulation

The electricity industry in Great Britain is regulated under the Electricity Act, as modified by the Utilities Act 2000 and the Energy Acts 2004, 2008 and 2010. This legislation establishes GEMA as the specialist economic sectoral regulator with responsibility for both the electricity industry and the onshore gas industry and provides that various activities may not be conducted unless the person carrying on those activities is either exempted from the requirement to hold a licence, or holds the relevant licence. GEMA is responsible for granting new licences or licence extensions for each of the supply of electricity, electricity transmission, electricity distribution, electricity interconnection and electricity generation.

The Electricity Act (together with the Transmission Licence) requires NGET to:

- develop, operate and maintain an efficient, co-ordinated and economical system of electricity transmission; and
- facilitate competition in the supply and generation of electricity.

GEMA is responsible for the supervision and enforcement of the licensing regime (although the Secretary of State does retain some limited functions). The principal objective of the Secretary of State and GEMA is to protect the interests of customers, wherever appropriate by promoting effective competition. In carrying out those functions, the Secretary of State and GEMA are required to have regard to the need to secure that all reasonable demands for electricity are met; the need to ensure that licence holders are able to finance their functions; and the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes or residing in rural areas. GEMA exercises certain functions relating to anti-competitive conduct (concurrently with the Office of Fair Trading), under the Enterprise Act, the Competition Act 1998 and Articles 101 and 102 of the TFEU. These include powers to investigate breaches of competition laws and to impose fines of up to 10 per cent. of worldwide group turnover in the event of breach of certain of those laws, namely those which prohibit anti-competitive agreements or the abuse of a dominant position. GEMA also manages U.K. compliance with the EU's regulatory framework, which has sought to introduce competition in generation and supply and non-discriminatory access to gas transportation and electricity transmission and distribution across the European Union. The Transmission Licence can only be amended in accordance with the Electricity Act. The Transmission Licence came into effect on privatisation and, unless revoked, will continue in force until determined by not less than 25 years' notice by the Secretary of State. The Transmission Licence may also be revoked by the

Secretary of State on shorter notice (immediately or not less than 30 days) in specified circumstances, including non-payment of fees or penalties, insolvency, cessation of the Transmission Business of NGET and non-compliance with enforcement orders made by GEMA and non-compliance with orders issued under certain provisions of general competition legislation. Consistent with the position under NGET's gas licence, Part 3 of the Energy Act 2004 also provides for Ofgem to be able to apply to the court, with the consent of the Secretary of State, to place NGET into special administration if it gets into financial distress.

The Transmission Licence contains conditions which have the effect of "ring fencing" NGET's business. These include:

- prohibiting NGET from carrying on activities other than those permitted by the Transmission Licence;
- requiring that the business has sufficient managerial and financial resources available to it to conduct its licensed activities;
- requiring NGET to maintain an investment grade issuer credit rating;
- prohibiting NGET from creating indebtedness (except in limited circumstances) other than on an arm's length basis on normal commercial terms for one of its permitted purposes;
- prohibiting the creation of "cross-default" obligations; and
- prohibiting NGET from giving or receiving any cross-subsidy to or from any other group business.

If NGET is in default of any of the "ring fence" obligations, it is prohibited from declaring and paying a dividend.

NGET is prohibited by the Transmission Licence from purchasing or otherwise acquiring electricity on its own account for the purpose of sale to third parties except:

- pursuant to the procurement or use of balancing services in connection with co-ordinating and directing the flow of electricity onto and over the National Electricity Transmission System (and doing so economically and efficiently); or
- with the written consent of GEMA.

Regulatory Developments

Current price controls

The price controls for NGET's transmission business were extended for one year and will now expire on 31 March 2013. The extension included real increases in revenues for electricity transmission next year and a base real vanilla return of 4.75 per cent. The revenue increase partly reflects the capital investment NGET has made over the current price control period which forms part of its total RAV, which at 31 March 2012 was over £9 billion.

The current price control mechanism establishes the amount of money that can be earned by our regulated businesses which is restricted by what is referred to as an RPI-X price control. The RPI-X allowance is based on Ofgem's estimates of efficient opex, capex, together with an allowance for depreciation and an allowed rate of return on capital invested in our businesses. The RPI-X price control takes the RPI as its inflation benchmark and subtracts X, an efficiency factor, from it. For example, at a time when as per National Grid Electricity Transmission plc Annual Report and Accounts 2011/12 5 annual inflation was 3 per cent., a value for X of 2 per cent. would allow our

regulated businesses to raise prices by no more than 1 per cent. The RAV, which represents the value ascribed by Ofgem to the capital employed in our regulated businesses, is adjusted to reflect asset additions, removals, depreciation and the rate of inflation.

Future price controls

In light of the challenges around the evolving energy environment and the significant investments required, Ofgem has introduced a new regulatory price control framework to replace the existing framework which has been in use for over 20 years. This is known as RIIO and its key features are set out under the section headed, "*Future price controls*" on page 110.

It is estimated that NGET will need to invest over £21 billion during the RIIO period to facilitate the move to a low carbon economy. This will include the electricity networks developing smarter grids, meeting environmental challenges and securing energy supplies.

Under the RIIO regime, networks will be encouraged to deliver outputs, such as agreed levels of safety, reliability and environmental performance, while ensuring timely connections for customers and improving on customer satisfaction. The networks will be incentivised to deliver these innovatively and efficiently. During the price control review process, Ofgem assesses what an efficient level of expenditure would be to deliver these outputs and then sets the revenue levels accordingly.

The RIIO price control will last for eight years with a mid-period review at four years.

The fundamentals of how NGET revenue will be derived under RIIO are not that different, but the mechanics of how capex and opex (totex) are treated have changed. A fixed proportion of totex goes into the RAV ('slow' money) with the remainder remunerated within the year ('fast' money).

NGET has developed its business plans in conjunction with its stakeholders and has reflected their views and feedback in its updated plans, submitted to Ofgem in March 2012.

As noted above on page 110, Ofgem issued its initial proposals for the first RIIO control period on 27 July 2012 and its final proposals are expected in December 2012. NGET will continue to work with Ofgem as the RIIO price controls are finalised, to secure positive opportunities to invest for long term profitable growth and reasonable returns.

The regulatory framework within which NGET operates as NETSO is also under review in parallel to the ongoing price control reviews for all National Grid's U.K. gas and electricity businesses. This will be the first review of the system operator activity under the new RIIO regulatory framework model, where a new system operator incentive framework will be established for an eight year duration. The review commenced with Ofgem's consultation on its initial views of the incentive principles applicable from 1 April 2013 in June 2011 when Ofgem stated its aspiration to lead the development of the system operator incentives for the RIIO-T1 price control review.

To inform this system operator incentives development process, NGET submitted its system operator external incentives plan for the eight year RIIO-T1 period to Ofgem on 31 May 2012. In this plan NGET proposed a longer-term incentive framework than exists currently, where schemes are designed to operate on an annual basis, with annual targets, caps/collars and sharing factors that reflect a fair balance of risk and reward between NGET and consumers. The framework that NGET proposed includes cost and financial incentives that will drive it to minimise the external

balancing services costs of operating NETS. Given the extended length of the framework, adjustment mechanisms are proposed to ensure that the strength of the incentive to reduce costs on behalf of consumers is maintained throughout the period. Ofgem's initial proposals were published in July 2012, with their final proposals due to follow before the end of the year.

Other Recent Regulatory Developments

Certification of transmission system operators

The Electricity and Gas (Internal Markets) Regulations 2011 (“**the GB Regulations**”) require transmission system operators (“**TSOs**”) to be certified as complying with the ownership unbundling requirements of the Third Package of EU energy legislation (in particular Directive 2009/72/EC (the “**Electricity Directive**”)) which require full ownership unbundling of TSOs from interests relating to the generation and supply of electricity. The certification procedures are set out in the Electricity Act, as amended by the GB Regulations. On 1 December 2011, NGET submitted an application under section 10B(2) of the Electricity Act requesting to be certified pursuant to the ownership unbundling requirements (as set out in Article 9(1) of the Electricity Directive and transposed into GB law by section 10F of the Electricity Act). On 19 June 2012, the Authority Certified that NGET is a TSO and independent of generation and supply interests as required by the Electricity Act.

Electricity market reform

In July 2011, the Department of Energy and Climate Change (“**DECC**”) published its Electricity Market Reform White Paper ‘Planning our Electric Future’ which set out the Government’s proposals for reforming the existing electricity market in the U.K. The U.K. Government has committed to a reduction in green house gas emissions of 80 per cent. by 2050, largely through decarbonisation of electricity generation. While doing this there is a need to ensure continued security of supply.

The ongoing decommissioning of ageing nuclear plant and the closure of old coal fired power stations under European legislation amounts to the loss of 25 per cent. of our existing generation fleet, on a base year of 2008. These generation closures, coupled with an increase in the amount of renewable generation which is both intermittent and less flexible than conventional generation plant, will bring security of supply challenges. The expected increase in the number of electric vehicles, ground source heat pumps and other technologies that will change the way consumers use electricity will inevitably lead to increased demand. As a result, DECC has estimated that required investment in U.K. generation and transmission will be around £110 billion between now and 2020, double the rate of the past decade.

The reform measures introduced by the Government:

- provide details of a carbon price floor to put a fair price on carbon and provide a stronger incentive to invest in low carbon generation;
- set an emissions performance standard of 450g CO₂/KWh;
- introduce new long-term contracts in the form of a feed in tariff with contracts for difference to provide stable financial incentives to invest in all forms of low carbon electricity generation; and
- a capacity mechanism to ensure future security of supply.

Following engagement with industry stakeholders, DECC decided that, through its existing role as system operator, NGET is best placed to operate the capacity mechanism and administer a feed in tariff with contracts for difference. A project team has been established to advise DECC as they develop the market reforms. Government will be responsible for setting the policy approach and objectives and for taking final decisions on key rules and parameters. NGET will provide independent advice on those key rules and parameters. Ofgem will continue its independent regulation of the market, incorporating the new instruments.

Other Business Developments

The current price controls contain allowances for transmission reinforcement works to accommodate the growing impact of renewable energy from Scotland. In February 2012, in a joint venture with ScottishPower, NGET awarded a £1 billion contract to build the first ever sub-sea electricity link between England and Scotland – the western high voltage direct current link.

The London power tunnels project, started in 2011, will create 10 new 400 kV circuits at the heart of the capital's transmission system. Investment could reach nearly £0.9 billion once completed in 2018 to meet London's growing demand on the network – around 6 GW at peak. To ensure NGET can deliver the reliability demanded by its customers in the future, the new cables being installed are bigger and will run at a higher voltage; providing more than twice the capacity of the cables they are replacing.

As of May 2012, the amount of NGET's transmission connected contracted renewable generation stood at just under 43GW. This is against a requirement of 29GW of to meet the government's 2020 renewable energy targets. Currently connected renewable generation is 7.4GW; this means that of the future contracted 43GW, around half needs to achieve consent, financial close and complete the build and commissioning in order to meet NGET's target.

The use of overhead lines versus underground cables is one that continues to give rise to public debate. In January 2012, the Institute of Engineering and Technology published the Electricity Transmission Costing Study which has been widely welcomed and is expected to become an authoritative reference document. This study supports National Grid's view that; at very high voltages, it is much more expensive to underground, but the right balance between landscape and affordability needs to be achieved.

TAXATION

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment and certain information sharing provisions, in each case as at the date hereof in relation to payments of principal and interest in respect of the Instruments. It is based on current United Kingdom tax law as applied in England and Wales and the published practice of HM Revenue & Customs (which may not be binding on HM Revenue & Customs), 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 Instruments. The comments relate only to the position of persons who are absolute beneficial owners of the Instruments and does not apply to certain categories of Instrumentholders (including Instrumentholders connected with an Issuer). Prospective Instrumentholders should be aware that the particular terms of issue of any series of Instruments as specified in the relevant Final Terms may affect the tax treatment of that and other series of Instruments. The following is a general guide for information purposes which is not intended to be exhaustive 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. Instrumentholders who are in any doubt as to their tax position should consult their professional advisers. Instrumentholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Instruments 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 Instruments. In particular, Instrumentholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Instruments even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

1 U.K. Withholding Tax on U.K. Source Interest

The Instruments issued by an 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 London Stock Exchange is a recognised stock exchange for these purposes. Section 1005 Income Tax Act 2007 provides that securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the Market or the PSM. Whilst the Instruments are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Instruments may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the Instruments may fall to be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other exemptions or reliefs, or any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available under the provisions of any applicable double taxation treaty. However, the obligation to withhold will not apply if the relevant interest is paid on Instruments with a maturity date of less than one year from the date of issue and

which are not issued under arrangements the effect of which is to render such Instruments part of a borrowing with a total term of a year or more.

HM Revenue & Customs has issued a consultation document which, amongst other things, invites views on the proposal that deduction on account of United Kingdom income tax at the basic rate be required from payments of interest arising in the United Kingdom irrespective of whether such payments are payments of yearly interest. If this proposal is implemented, interest on Instruments with a maturity date of less than one year would nevertheless be subject to deduction or withholding on account of United Kingdom income tax at the basic rate, subject to the availability of other reliefs or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

2 Provision of Information

Instrumentholders should note that in certain circumstances HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of the Instrumentholders. Such details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of other jurisdictions. These provisions may also apply, in certain circumstances to amounts payable on the redemption of such Instruments which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. However, HM Revenue & Customs' published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2013.

3 Other Rules Relating to United Kingdom Withholding Tax and Provision of Information

- Instruments may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Instruments will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
- Where Instruments 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 and reporting requirements as outlined above.
- Where interest has been paid under deduction of United Kingdom income tax, Instrumentholders 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 and an appropriate claim is submitted to HM Revenue & Customs by the recipient of the interest.
- 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 Instruments or any related documentation. Instrumentholders should seek their own professional advice, as regards the withholding tax treatment of any payment on the Instruments which does not constitute "interest" or "principal" as those terms are

understood in United Kingdom tax law.

- Where a payment on an Instrument does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Instrument). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HM Revenue & Customs pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.
- The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer and does not consider the tax consequences of any such substitution.

4 EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain other limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead (unless during that period they elect otherwise) apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU territories to the exchange of information relating to such payments.

A number of non-EU territories (including Switzerland), and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment in respect of an Instrument which is the subject of the Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Instrument as a result of the imposition of such withholding tax. However, the Issuer is required, to

the extent it is able to do so, as provided in Condition 6.5 of the Instruments, to maintain a Paying Agent with a specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Australian Taxation

So long as an Issuer continues to be a non-resident of Australia and the Australian Domestic Instruments issued by it are not attributable to a permanent establishment of the relevant Issuer in Australia, payments of principal and interest made under the Australian Domestic Instruments issued by such Issuer should not be subject to Australian withholding tax. The Australian Commissioner of Taxation may issue a notice requiring any person who owes, or who may later owe, money to a taxpayer who has a tax-related liability, to pay to him the money owed to the taxpayer. If an Issuer is served with such a notice in respect of a holder of an Australian Domestic Instrument, then the Issuer will comply with that notice.

PLAN OF DISTRIBUTION

Summary of Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 10 September 2012 (as amended or supplemented from time to time), between the Issuers, the Permanent Dealers and the Arranger (the “**Dealer Agreement**”), the Instruments will be offered on a continuous basis by each of the Issuers to the Permanent Dealers. However, the Issuers have reserved the right to issue Instruments directly on their own behalf to dealers which are not Permanent Dealers. The Instruments may also be issued by each of the Issuers through the Dealers, acting as agents of the Issuers. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. The commissions in respect of an issue of Instruments on a syndicated basis will be stated in the relevant Final Terms. Each of the Issuers have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

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 Issuers or the Issuers’ affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers 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 Instruments. Any such short positions could adversely affect future trading prices of the Instruments. 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.

Selling Restrictions

United States

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form having a maturity of more than one year 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 U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations under it.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has

not offered, sold or delivered and will not offer, sell or deliver the Instruments of any identifiable Tranche, (a) as part of its distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer and the Issuing and Paying Agent by such Dealer, or in the case of Instruments issued on a syndicated basis, by each Dealer participating in the syndicate with respect to Instruments of such Tranche purchased by or through it, in which case the relevant Issuer shall request the Issuing and Paying Agent to 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 it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments 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, an offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Instruments which are the subject of an offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) if the final terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer has consented in writing to its use for the purpose of a Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision only, the expression an “**offer of Instruments to the public**” in

relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73 EU.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments 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 “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, “**resident of Japan**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Australia

No prospectus or other disclosure document (as defined in the *Corporations Act* 2001 of Australia) (“**Corporations Act**”) in relation to the Instruments has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”).

Each Dealer has represented and agreed that, it:

- (a) has not made or invited, and will not make or invite, an offer of the Instruments for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Instruments in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;
- (ii) such action complies with all applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);
- (iii) such action does not require any document to be lodged with ASIC; and
- (iv) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act.

Switzerland

Each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Instruments described herein. The Instruments may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Instruments constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Instruments may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Instruments have been or will be filed with or approved by any Swiss regulatory authority. The Instruments are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Instruments will not benefit from protection or supervision by such authority.

Hong Kong

In relation to each Tranche of Instruments issued by the Issuer, each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments except for Instruments which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong other than (a) to “professional

investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

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

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Instruments may not be circulated or distributed, nor may any Instruments be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA.

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275

of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

Canada

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

- (a) the sale and delivery of any Instruments to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser or principal a Canadian Purchaser) by such Dealer shall be made so as to be exempt from the prospectus filing requirements, and exempt from or in compliance with the dealer registration requirements, of all applicable securities laws and regulations, rulings and orders made thereunder and rules, instruments and policy statements issued and adopted by the relevant securities regulator or regulatory authority, including those applicable in each of the provinces and territories of Canada (the “**Canadian Securities Laws**”);
- (b) where required under applicable Canadian Securities Laws, (i) it is appropriately registered under the applicable Canadian Securities Laws in each province and territory to sell and deliver the Instruments to each Canadian Purchaser that is a resident of, or otherwise subject to the Canadian Securities Laws of, such province or territory, and to whom it sells or delivers any Instruments, or (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein;
- (c) it will comply with all relevant Canadian Securities Laws concerning any resale of the Instruments by it and will prepare, execute, deliver and file the report of exempt distribution under NI 45-106 (as defined below) and the Canadian Offering Memorandum, if applicable, required by the applicable Canadian Securities Laws to permit each resale by it of Instruments to a Canadian Purchaser;
- (d) it will ensure that each Canadian Purchaser purchasing from it (i) has represented to it that such Canadian Purchaser is a resident in, and subject to the Canadian Securities Laws of, a province or territory of Canada, or is a corporation, partnership, or other entity, resident and created in or organised under the laws of Canada or any province or territory thereof, (ii) has represented to it that such Canadian Purchaser is an “accredited investor” as defined in section 1.1 of National Instrument 45-106-Prospectus and Registration Exemptions (“**NI 45-106**”) and which categories set forth in the relevant definition of “accredited investor” in NI 45-106 correctly describes such Canadian Purchaser, (iii) has represented to it that it is not a person created or used solely to purchase or hold the Instruments as an accredited investor as described in Section 2.3(5) of NI 45-106, and (iv) consents to disclosure of all required

information about the purchase to the relevant Canadian securities regulatory authorities;

- (e) the offer and sale of the Instruments by the Dealer was not made through or accompanied by any advertisement of the Instruments, including, without limitation, in printed media of general and regular paid circulation, radio, television, or telecommunications, including electronic display or any other form of advertising or as part of a general solicitation in Canada by the Dealer;
- (f) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than the Canadian Offering Memorandum prepared in connection with the issue of the relevant Instruments to be prepared by the Issuer, in form and content satisfactory to the Dealer, acting reasonably, and provided to the Dealer (the “**Canadian Offering Memorandum**”));
- (g) it will ensure that each Canadian Purchaser purchasing from it is advised that no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon the Canadian Offering Memorandum or the merits of the Instruments described therein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to the Instruments, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure;
- (h) it has not made and it will not make any written or oral representations to any Canadian Purchaser (i) that any person will resell or repurchase the Instruments purchased by such Canadian Purchaser; (ii) that the Instruments will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods; (iii) that any person will refund the purchase price of the Instruments; or (iv) as to the future price or value of the Instruments; and
- (i) it will inform each Canadian Purchaser purchasing from it (i) that the Issuer is not a “reporting issuer” (as defined under applicable Canadian Securities Laws) and is not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Instruments, and one may never develop; (ii) that the Instruments will be subject to resale restrictions under applicable Canadian Securities Laws; and (iii) such Canadian Purchaser’s name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure.

Guernsey

The Instruments cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, and the regulations enacted thereunder, or any exemption therefrom.

This Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey. This Prospectus may not be distributed or circulated directly or indirectly to any persons in the Bailiwick of Guernsey other than (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, or (ii) to those persons regulated by the Guernsey Financial Services Commission as

licensees under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law, 2000.

Isle of Man

The Instruments cannot be marketed, offered or sold in, or to persons resident in, the Isle of Man, other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 and the Regulated Activities Order 2008 or any exemption therefrom.

General

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Instruments to which it relates or in a supplement to this Prospectus.

No action has been or will be taken in any country or jurisdiction by the Issuers or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuers 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 Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Instruments or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuers nor any other Dealer shall have responsibility for such material.

FORM OF FINAL TERMS (for denominations of less than €100,000 or its equivalent in any other currency as at the date of issue of the relevant Instruments)

The Final Terms in respect of each Tranche of Instruments will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue. This set of Final Terms will be applicable for issues by National Grid plc with a denomination of less than €100,000 (or equivalent) to be admitted to trading on an EEA Regulated Market and/or offered to the public on a non-exempt basis in the European Economic Area.

Final Terms dated [●]

NATIONAL GRID PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]
under the Euro 15,000,000,000 Euro Medium Term Note Programme

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer of the Instruments may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in the United Kingdom, provided such person is one of the persons mentioned in Paragraph 8(iii) of Part B below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances].

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances].

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in

the Prospectus dated 10 September 2012 which [together with the supplementary Prospectus/supplementary listing particulars dated [●]] constitute[s] (i) a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and (ii) listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Services Authority (the “**Listing Rules**”). This document constitutes the Final Terms of the Instruments described herein for the purposes of [Article 5.4 of the Prospectus Directive/Listing Rule 4.2.3 of the Listing Rules] and must be read in conjunction with such Prospectus [as so supplemented]. However, a summary of the issue of the Instruments is annexed to these Final Terms. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Prospectus [as so supplemented] and these Final Terms. The Prospectus [and the supplementary Prospectus[es]/supplementary listing particulars] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [date of current prospectus] and which are attached hereto. This document constitutes the Final Terms of the Instruments described herein for the purposes of [Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”)/Listing Rule 4.2.3 of the Listing Rules of the Financial Services Authority (the “**Listing Rules**”)] and must be read in conjunction with the Prospectus dated [current date] [and the supplementary Prospectus/supplementary listing particulars dated [●]], which [together] constitute[s] (i) a base prospectus for the purposes of the Prospectus Directive and (ii) listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules, save in respect of the Conditions which are extracted from the Prospectus dated [original date]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] [and the supplementary Prospectuses/supplementary listing particulars dated [●] and [●]]. However, a summary of the issue of the Instruments is annexed to these Final Terms. [The Prospectus [and the supplementary Prospectus/supplementary listing particulars] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

1. (i) Issuer: National Grid plc
2. (i) Series Number: [●]
- [(ii) Tranche Number: [●]]
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 [•]]
6. (i) Specified Denominations: [•]
 (ii) Calculation Amount: [•]
7. [(i)] Issue Date: [•]
 [(ii)] Interest Commencement Date [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
 [[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW] +/- [•] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [[•] / Not Applicable]
11. Change of Interest or Redemption/Payment Basis:
12. Put/Call Options:[†] [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. (i) Status of the Instruments: Senior
 (ii) Date [Board] approval for issuance of Instruments obtained: [•] [and [•], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Instrument** [Applicable/Not Applicable]

[†] Only insert any additional put/call option other than the National Grid Restructuring Put contained in Condition 5.6 and the call option contained in Condition 5.5.1. This does not include the National Grid Restructuring Put in Condition 5.6.

Provisions

- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction (Condition 3.2.5): [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis/ Actual/ Actual Canadian Compound Method]
- (vi) Determination Dates (Condition 3.2.5): [●] in each year

15. Floating Rate Instrument [Applicable/Not Applicable]

Provisions

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [[●] in each year , subject to adjustment in accordance with the Business Day Convention set out below]
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (iv) First Interest Payment Date: [●]
- (v) Business Centre(s) (Condition 3.2.5): [●]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Interest Period Date(s): [[●]/ Not Applicable]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [[●] / Not Applicable]
- (ix) Screen Rate Determination

(Condition 3.2.3(b)):	
– Reference Rate:	[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months]CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW]
– Interest Determination Date(s):	[●]/ [The first day in each Interest Accrual Period]/ [[TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
– Relevant Screen Page:	[●]
- Reference Banks (if Primary Source is “Reference Banks”):	[●]
(x) ISDA Determination (Condition 3.2.3(a)):	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(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 (Condition 3.2.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
16. Zero Coupon Instrument Provisions	[Applicable/Not Applicable]
(i) Amortisation Yield (Condition 5.4):	[●] per cent. per annum
(ii) Day Count Fraction (Condition 3.2.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
17. Index-Linked Interest Instrument	[Applicable/Not Applicable]
(i) Index/Formula:	As specified in Condition [4.1 / 4.7]
(ii) Interest Rate:	[●]

- | | |
|--|--|
| (iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent): | [[●] / Not Applicable] |
| (iv) Provisions for determining Coupon calculated by reference to Index and/or Formula: | [●] |
| (v) Interest Determination Date(s): | [●] |
| (vi) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: | Condition(s) [4.3 to 4.5/ 4.9] apply |
| (vii) Interest Payment Dates: | [●] |
| (viii) First Interest Payment Date: | [●] |
| (ix) Interest Period(s): | [●] |
| (x) Business Day Convention: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] |
| (xi) Minimum Indexation Factor: | [Not Applicable/[●]] |
| (xii) Business Centre(s) (Condition 3.2.5): | [●] |
| (xiii) Maximum Indexation Factor: | [Not Applicable/[●]] |
| (xiv) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor: | [●] per cent. per annum |
| (xv) Base Index Figure: | [●] |
| (xvi) Day Count Fraction (Condition 3.2.5): | [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis] |
| (xvii) "Index" or "Index Figure" | Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index |

(Condition 4.1): Figure” as set out in Condition 4.1 shall apply
 (xviii) Reference Gilt: [●]

PROVISIONS RELATING TO REDEMPTION

18. Residual Holding Call Option	[Applicable/Not Applicable]
(i) Residual Holding Percentage:	[●] per cent.
(ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent):	[[●] / Not Applicable]
(iii) Benchmark Security:	[●]
(iv) Benchmark Spread:	[●] per cent. per annum
(v) Benchmark Day Count Fraction:	[●]
19. Call Option[‡]	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum nominal amount to be redeemed:	[●] per Calculation Amount
(b) Maximum nominal amount to be redeemed:	[●] per Calculation Amount
(iv) Option Exercise Date(s):	[●]
(v) Notice period	[[●] / Not Applicable]
20. Put Option[§]	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) Option Exercise Date(s):	[●]

[‡] This does not include the tax call in Condition 5.2 or the call option contained in Condition 5.5.1

[§] This does not include the National Grid Restructuring Put in Condition 5.6.

(iii) Notice period	[•]
21. NGET Restructuring Put Option:	[Applicable/Not Applicable]
22. Final Redemption Amount of each Instrument:	[•] per Calculation Amount
(i) Index/Formula:	The Index as defined in Condition [4.1/ 4.7]
(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[[•] / Not Applicable]
(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula:	The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with Condition [4.2/ 4.8]
(iv) Determination Date(s):	[•]
(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5/ 4.9] shall apply
(vi) Payment Date:	
(vii) Minimum Final Redemption Amount:	[•] per Calculation Amount
(viii) Maximum Final Redemption Amount:	[•] per Calculation Amount
23. Early Redemption Amount	
(i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9) or other early redemption:	[•]
(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2)	[Yes/No]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. Form of Instruments:	[Bearer Instruments: [temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]
---------------------------------	--

[temporary Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the temporary Global Instrument]
[permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]

[CREST Depository Interests (“**CDIs**”) representing the Instruments may also be issued in accordance with the usual procedures of Euroclear U.K. & Ireland Limited (“**CREST**”).]

[Australian Domestic Instruments]

25. New Global Note

[Yes] [No] [Not Applicable]

26. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.7):

[Not Applicable/[●]]

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/ None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [Not Applicable.]

2. RATINGS

- Ratings: The Instruments to be issued [have been] / [are expected to be] rated:
- [Standard & Poor's: [●]]
[Moody's: [●]]
[[Fitch: [●]]

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

["Save as discussed in "Plan of Distribution", so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer." / [●]]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer [●]
- [(ii) Estimated net proceeds: [●]
- [(iii) Estimated total expenses: [●]

5. [Fixed Rate Instruments only – YIELD

- Indication of yield: [●]

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. *[Index-Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING]*

(i) Name of underlying index: [U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics] / [Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP)]

(ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/ HICP] can be found at [www.statistics.gov.uk / www.epp.eurostat.ec.europa.eu]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]*.

7. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/[•]]

[The Instruments will also be made eligible for CREST via the issue of CDIs representing the Instruments.]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

Process Agent^{**}: [National Grid Australia Pty Limited ACN 115132664/Not Applicable]

8. DISTRIBUTION

(i) Indication of the overall amount of the underwriting [•] per cent. of the Aggregate Nominal Amount

^{**} Applicable for Australian Domestic Instruments only.

commission and of the placing commission:

(ii) U.S. Selling Restrictions (Categories of potential investors to which the Instruments are offered):

Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA not applicable]

(iii) Public Offer:

[Not Applicable] [An offer of the Instruments may be made by the relevant Dealer(s) and the financial intermediaries named below other than pursuant to Article 3(2) of the Prospectus Directive in the United Kingdom during the period from [●] until [●]. See further paragraph 9 to Part B below.]

9. TERMS AND CONDITIONS OF THE OFFER

Offer Period:	[[●] to [●]]
Offer Price:	[Issue Price] [●]
Conditions to which the offer is subject:	[Not Applicable/[●]]
Description of the application process:	[Not Applicable/[●]]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/[●]]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[●]]
Details of the method and time limits for paying up and delivering the Instruments:	[Not Applicable/[●]]
Manner and date in which results of the offer are to be made public:	[Not Applicable/[●]]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[●]]
Categories of potential investors to which the Instruments are offered and whether tranche(s)	[Not Applicable/[●]]

have been reserved for certain countries:

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[●]]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[●]]

Name(s) and address(es), of the co-ordinator(s) of the global offer and of single points of the offer and to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/[●]]

ANNEX TO THE FINAL TERMS — SUMMARY OF THE ISSUE

[Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Instruments being issued]

FORM OF FINAL TERMS

(for denominations of at least €100,000 or its equivalent in any other currency as at the date of issue of the relevant Instruments)

The Final Terms in respect of each Tranche of Instruments will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue. This set of Final Terms will be applicable for issues with a denomination of at least €100,000 (or equivalent) to be admitted to trading on an EEA Regulated Market.

Final Terms dated [●]

[NATIONAL GRID PLC/NATIONAL GRID ELECTRICITY TRANSMISSION PLC]*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]
under the Euro 15,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 10 September 2012 which [together with the supplementary Prospectus/supplementary listing particulars dated [●]] constitute[s] (i) a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and (ii) listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Services Authority (the “**Listing Rules**”). This document constitutes the Final Terms of the Instruments described herein for the purposes of [Article 5.4 of the Prospectus Directive/Listing Rule 4.2.3 of the Listing Rules] and must be read in conjunction with such Prospectus [as so supplemented]. However, a summary of the Instruments (which comprises the summary of the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplementary Prospectus[es]/supplementary listing particulars] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [date of current prospectus] and which are attached hereto. This document constitutes the Final Terms of the Instruments described herein for the purposes of [Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”)/Listing Rule 4.2.3 of the Listing Rules of the Financial Services Authority (the “**Listing Rules**”)] and must be read in conjunction with the Prospectus dated [current date] [and the supplementary Prospectus/supplementary listing particulars dated [●]],

* Delete as applicable.

which [together] constitute[s] (i) a base prospectus for the purposes of the Prospectus Directive and (ii) listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Prospectus dated [current date] [and the supplementary Prospectuses/supplementary listing particulars dated [●] and [●]] and these Final Terms. However, a summary the Instruments (which comprises the summary of the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. [The Prospectus [and the supplementary Prospectus/supplementary listing particulars] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

- | | |
|--------------------------------------|--|
| 1. (i) Issuer: | [National Grid plc/National Grid Electricity Transmission plc] ^{††} |
| 2. (i) Series Number: | [●] |
| [(ii) Tranche Number: | [●] |
| 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 [●]] |
| 6. (i) Specified Denominations: | [●] and integral multiples of [●] in excess thereof [up to and including [●]. No Instruments in definitive form will be issued with a denomination above [●]]. |
| (ii) Calculation Amount: | [●] |
| 7. [(i)] Issue Date: | [●] |
| [(ii)] Interest Commencement Date | [[●]/Issue Date/Not Applicable] |
| 8. Maturity Date: | [●] |
| 9. Interest Basis: | [[●] per cent. Fixed Rate] |

^{††} Delete as applicable

- [[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
11. Change of Interest or Redemption/Payment Basis: [[●] / Not Applicable]
12. Put/Call Options:^{##} [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. (i) Status of the Instruments: Senior
- (ii) Date [Board] approval for issuance of Instruments obtained: [●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction (Condition 3.2.5): [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360 (ISDA) / RBA Bond Basis/ Actual/Actual Canadian Compound Method]
- (vi) Determination Dates (Condition 3.2.5): [●] in each year
15. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]

^{##} If Instruments are issued by National Grid, only insert any additional put/call option other than the National Grid Restructuring Put contained in Condition 5.6 and the call option contained in Condition 5.5.1. This does not include the National Grid or NGET Restructuring Put in Condition 5.6.

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (iv) First Interest Payment Date: [●]
- (v) Business Centre(s) (Condition 3.2.5): [●]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Interest Period Date(s): [[●] / Not Applicable]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Screen Rate Determination (Condition 3.2.3(b)):
- Reference Rate: [LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW]
 - Interest Determination Date(s): [●] / [The first day in each Interest Accrual Period] / [[[TARGET] Business Days in [●] for [●] prior to [*the first day in each Interest Accrual Period/each Interest Payment Date*]]
 - Relevant Screen Page: [●]
 - Reference Banks (if Primary Source is “Reference Banks”): [●]
- (x) ISDA Determination (Condition 3.2.3(a)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (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 (Condition 3.2.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
16. Zero Coupon Instrument Provisions	[Applicable/Not Applicable]
(i) Amortisation Yield (Condition 5.4):	[●] per cent. per annum
(ii) Day Count Fraction (Condition 3.2.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
17. Index-Linked Interest Instrument	[Applicable/Not Applicable]
(i) Index/Formula:	As specified in Condition [4.1/4.7]
(ii) Interest Rate:	[●]
(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[●] / Not Applicable]
(iv) Provisions for determining Coupon calculated by reference to Index and/or Formula:	[●]
(v) Interest Determination Date(s):	[●]
(vi) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5 / 4.9] apply
(vii) Interest Payment Dates:	[●]
(viii) First Interest Payment Date:	[●]
(ix) Interest Period(s):	[●]

(x) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(xi) Minimum Indexation Factor:	[Not Applicable/[●]]
(xii) Business Centre(s) (Condition 3.2.5):	[●]
(xiii) Maximum Indexation Factor:	[Not Applicable/[●]]
(xiv) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
(xv) Base Index Figure:	[●]
(xvi) Day Count Fraction (Condition 3.2.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
(xvii) "Index" or "Index Figure" (Condition 4.1):	Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 4.1 shall apply
(xviii) Reference Gilt:	[●]

PROVISIONS RELATING TO REDEMPTION

18. Residual Holding Call Option	[Applicable/Not Applicable]
(i) Residual Holding Percentage:	[●] per cent.
(ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent):	[[●] / Not Applicable]
(iii) Benchmark Security:	[●]
(iv) Benchmark Spread:	[●] per cent. per annum
(v) Benchmark Day Count Fraction:	[●]
19. Call Option^{§§}	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]

^{§§} This does not include the tax call in Condition 5.2 or the call option contained in Condition 5.5.1

- (ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
 - (a) Minimum nominal amount to be redeemed: [●] per Calculation Amount
 - (b) Maximum nominal amount to be redeemed: [●] per Calculation Amount
 - (iv) Option Exercise Date(s): [●]
 - (v) Notice period [[●] / Not Applicable]
- 20. **Put Option** *** [Applicable/Not Applicable]
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Option Exercise Date(s): [●]
 - (iii) Notice period (if other than as set out in the Conditions) [●]
- 21. **NGET Restructuring Put Option:** [Applicable/Not Applicable]
- 22. **Final Redemption Amount of each Instrument:** [●] per Calculation Amount
 - (i) Index/Formula: The Index as defined in Condition [4.1/ 4.7]
 - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [[●] / Not Applicable]
 - (iii) Provisions for determining Final Redemption Amount The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with

*** This does not include the National Grid or NGET Restructuring Put in Condition 5.6.

where calculated by reference to Index and/or Formula: Condition [4.2/ 4.8]

- (iv) Determination Date(s): [•]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: Condition(s) [4.3 to 4.5/ 4.9] shall apply
- (vi) Payment Date: [•]
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. Early Redemption Amount

- (i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9) or other early redemption: [•]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2) [Yes/No]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. Form of Instruments:

[Bearer Instruments:

[temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]

[temporary Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the temporary Global Instrument]

[permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]]

[Australian Domestic Instruments]

25. New Global Note

[Yes] [No] [Not Applicable]

26. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.7):

[Not Applicable/[•]]

27. U.S Selling Restrictions:

Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA not applicable]

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND TRADING

- (i) Listing: [London/ None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's [regulated market / Professional Securities Market] with effect from [●].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings: The Instruments to be issued [have been / are expected to be] rated:
- [Standard & Poor's: [●]]
[Moody's: [●]]
[[Fitch: [●]]

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

"So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer." / [●]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer [●]
- [(ii) Estimated net proceeds: [●]
- [(iii) Estimated total expenses: [●]]

5. [Fixed RATE Instruments only – YIELD

- Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Index-Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION

CONCERNING THE UNDERLYING

(i) Name of underlying index: [U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics] / [Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP)]

(ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/ HICP] can be found at [www.statistics.gov.uk / www.epp.eurostat.ec.europa.eu]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]*.

7. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/[•]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

Process Agent^{†††}: [National Grid Australia Pty Limited ACN 115 132 164/Not Applicable]

^{†††} Applicable for Australian Domestic Instruments only.

ANNEX TO THE FINAL TERMS — SUMMARY OF THE ISSUE

[Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Instruments being issued]

GENERAL INFORMATION

1. The admission of the Programme to listing on the Official List of the U.K. Listing Authority and to trading on the Market is expected to take effect on or about 13 September 2012. The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List of the U.K. Listing Authority and admitted to trading on the Market or the PSM, as the case may be, will be so admitted to listing and trading upon submission to the U.K. Listing Authority and the London Stock Exchange (in accordance with their rules and procedures) of the relevant Final Terms and any other information required by the U.K. Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the Market or the PSM, as the case may be, in accordance with their respective rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Instruments may be issued pursuant to the Programme which will not be admitted to listing and/or trading by the U.K. Listing Authority or the Market, the PSM or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer(s) may agree.

2. National Grid has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments.
3. NGET has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments.
4. The establishment of the Programme was authorised by a resolution of the Finance Committee of the Board of Directors of National Grid (which was established by a resolution of the Board of Directors of National Grid passed on 21 October 2002) passed on 23 October 2002.
5. The establishment of the Programme was authorised by resolutions of the Finance Committee of the Board of Directors of NGET (which was established by a resolution of the Board of Directors of NGET passed on 19 November 2002) passed on 19 November 2002.
6. The issuance of retail securities by National Grid was authorised by a resolution of the Finance Committee of the Board of Directors of National Grid (which was established by a resolution of the Board of Directors of National Grid passed on 21 October 2002) passed on 27 January 2009. The update of the Programme was authorised by a resolution of the Finance Committee of the Board of Directors of National Grid (which was established by a resolution of the Board of Directors of National Grid passed on 21 October 2002) passed on 26 June 2012.
7. The update of the Programme was authorised by a resolution of the Finance Committee of the Board of Directors of NGET (which was established by a resolution of the Board of Directors of NGET passed on 19 November 2002) passed on 26 June 2012.
8. The Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification

Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system(s) as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

9. Neither National Grid nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which National Grid is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period had, significant effects on the financial position or profitability of National Grid or of the National Grid Group.
10. Neither NGET nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NGET is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period had, significant effects on the financial position or profitability of NGET or of the NGET Group.
11. There has been no significant change in the financial or trading position of National Grid or the National Grid Group since 31 March 2012 and no material adverse change in the prospects of National Grid since 31 March 2012.
12. There has been no significant change in the financial or trading position of NGET or the NGET Group since 31 March 2012 and no material adverse change in the prospects of NGET since 31 March 2012.
13. Pricewaterhouse Coopers LLP, Chartered Accountants and Registered Auditors of 1 Embankment Place, London, WC2N 6RH (members of the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of National Grid for the two years ended 31 March 2012.
14. Pricewaterhouse Coopers LLP, Chartered Accountants and Registered Auditors of 1 Embankment Place, London, WC2N 6RH (members of the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of NGET for the two years ended 31 March 2012.
15. Each Instrument, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
16. Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). Interests in the Instruments may also be held through CREST through the issuance of CDIs representing Underlying Instruments. Instruments may also be held through and cleared in CDS. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Instruments will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear U.K. & Ireland, 33 Cannon Street, London, EC4M 5SB. The address of any

alternative clearing system will be specified in the applicable Final Terms.

17. For so long as the Programme remains in effect or any Instruments are outstanding, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the registered offices of the relevant Issuer and the specified office in London of the Issuing and Paying Agent:
 - (f) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
 - (g) the Articles of Association of National Grid;
 - (h) the Articles of Association of NGET;
 - (i) the audited consolidated financial statements of National Grid for the financial years ended 31 March 2011 and 31 March 2012, respectively, together with the audit report thereon and any consolidated interim financial statements of National Grid published subsequently to such financial statements; and
 - (j) the audited consolidated accounts of NGET for the two financial years ended 31 March 2011 and 31 March 2012, respectively, together with the audit report thereon.
18. In addition, this Prospectus is and, in the case of Instruments to be admitted to the Official List and admitted to trading on the Market or the PSM, the relevant Final Terms will be, available on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews. Unless otherwise stated in the applicable Final Terms, the Issuers do not intend to provide post-issuance information in connection with any issue of Instruments.
19. National Grid and NGET can issue Index Linked Instruments, where the amounts payable in respect of such Instruments is derived either (i) the UK Retail Price Index (RPI) or (ii) the Non-revised index of consumer prices excluding tobacco (HICP). Further information on the RPI and HICP (including past and current levels) can be found at www.statistics.gov.uk and www.epp.eurostat.ec.europa.eu, respectively.
20. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as each Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

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(as to English law)

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PAYING AGENT

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BNY Trust Company of Canada

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