

# centrica

## Centrica plc

(incorporated with limited liability in England and Wales, with registered number 3033654)

### €750,000,000 Subordinated Resetable Fixed Rate Notes due 2076

### £450,000,000 Subordinated Resetable Fixed Rate Notes due 2075

The €750,000,000 Subordinated Resetable Fixed Rate Notes due 2076 (the “**Euro Notes**”) and the £450,000,000 Subordinated Resetable Fixed Rate Notes due 2075 (the “**Sterling Notes**”) and together with the Euro Notes, the “**Notes**” and each, a “**Series**”) will be issued by Centrica plc (the “**Issuer**”) on 10 April 2015 (the “**Issue Date**”). The Euro Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 10 April 2021 (the “**Euro Notes First Call Date**”) at a rate of 3.000 per cent. per annum, payable annually in arrear on 10 April in each year, commencing on 10 April 2016. Thereafter, unless previously redeemed, the Euro Notes will bear interest from (and including) the Euro Notes First Call Date to (but excluding) 10 April 2026 at a rate per annum which shall be 2.687 per cent. above the 5 year Swap Rate (as defined in the “*Terms and Conditions of the Euro notes*”) (the “**Euro Conditions**”) for the relevant Reset Period (as defined in the Euro Conditions), payable annually in arrear on 10 April in each year. From (and including) 10 April 2026 to (but excluding) 10 April 2041 the Euro Notes will bear interest at a rate per annum which shall be 2.937 per cent. above the 5 year Swap Rate for the relevant Reset Period payable annually in arrear on 10 April in each year. From (and including) 10 April 2041 to (but excluding) 10 April 2076 (the “**Euro Maturity Date**”) the Euro Notes will bear interest at a rate per annum which shall be 3.687 per cent. above the 5 year Swap Rate for the relevant Reset Period payable annually in arrear on 10 April in each year, all as more particularly described in “*Terms and Conditions of the Euro Notes—Interest Payments*”. The Sterling Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 10 April 2025 (the “**Sterling Notes First Call Date**”) at a rate of 5.250 per cent. per annum, payable semi-annually in arrear on 10 April and 10 October in each year, commencing on 10 October 2015. Thereafter, unless previously redeemed, the Sterling Notes will bear interest from (and including) the Sterling Notes First Call Date to (but excluding) 10 April 2045 at a rate per annum which shall be 3.861 per cent. above the 5 year Swap Rate (as defined in the “*Terms and Conditions of the Sterling Notes*”) (the “**Sterling Conditions**”, and together with the Euro Conditions, the “**Conditions**”) for the relevant Reset Period (as defined in the Sterling Conditions), payable semi-annually in arrear on 10 April and 10 October in each year. From (and including) 10 April 2045 to (but excluding) 10 April 2075 (the “**Sterling Maturity Date**”), the Sterling Notes will bear interest at a rate per annum which shall be 4.611 per cent. above the 5 year Swap Rate for the relevant Reset Period payable semi-annually in arrear on 10 April and 10 October in each year, all as more particularly described in “*Terms and Conditions of the Sterling Notes—Interest Payments*”. References herein to the “**First Call Date**” shall be construed as the Euro Notes First Call Date or Sterling Notes First Call Date, as appropriate and references herein to the “**Maturity Date**” shall be construed as the Euro Maturity Date or Sterling Maturity Date, as appropriate.

If the Issuer does not elect to redeem a Series of the Notes in accordance with Condition 6(f) thereof following the occurrence of a Change of Control Event (as defined in the relevant Conditions), the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the relevant Conditions) for such Series shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred, see “*Terms and Conditions of the Euro Notes—Interest Payments—Step-up after Change of Control Event*” and “*Terms and Conditions of the Sterling Notes—Interest Payments—Step-up after Change of Control Event*”.

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Notes as more particularly described in “*Terms and Conditions of the Euro Notes—Optional Interest Deferral*” and “*Terms and Conditions of the Sterling Notes—Optional Interest Deferral*”, respectively. Any amounts so deferred, together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute Arrears of Interest, in whole or in part, at any time in accordance with the relevant Conditions. Notwithstanding this, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date (as defined in the relevant Conditions) following the Interest Payment Date on which a Deferred Interest Payment (as defined in the relevant Conditions) arose, all as more particularly described in “*Terms and Conditions of the Euro Notes—Optional Interest Deferral—Mandatory Settlement*” and “*Terms and Conditions of the Sterling Notes—Optional Interest Deferral—Mandatory Settlement*”.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount, on the Euro Maturity Date in respect of the Euro Notes and the Sterling Maturity Date in respect of the Sterling Notes, together with any interest accrued up to (but excluding) such date and any outstanding Arrears of Interest. Each Series shall be redeemable (at the option of the Issuer) in whole but not in part on the First Call Date or any Interest Payment Date (as defined in the relevant Conditions) thereafter, at the principal amount of the relevant Series, together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest in each case in respect of such Series. In addition, upon the occurrence of a Rating Methodology Event, a Change of Control Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event (each such term as defined in the relevant Conditions), each Series shall be redeemable (at the option of the Issuer) in whole but not in part at the prices set out, and as more particularly described, in “*Terms and Conditions of the Euro Notes—Redemption*” and “*Terms and Conditions of the Sterling Notes—Redemption*”, respectively.

The Issuer may, upon the occurrence of a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event, at any time, without the consent of the holders of the relevant Notes, either (i) substitute all, but not some only, of such Notes for, or (ii) vary the terms of such Notes with the effect that they remain or become, as the case may be, Qualifying Notes, in each case in accordance with Condition 7 thereof and subject to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8 thereof.

The Notes will be unsecured notes of the Issuer and will constitute subordinated obligations of the Issuer, all as more particularly described in “*Terms and Conditions of the Euro Notes—Status*”, “*Terms and Conditions of the Euro Notes—Subordination*”, “*Terms and Conditions of the Sterling Notes—Status*” and “*Terms and Conditions of the Sterling Notes—Subordination*”.

Payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described in “*Terms and Conditions of the Euro Notes—Taxation*” and “*Terms and Conditions of the Sterling Notes—Taxation*”, respectively.

Application has been made to the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for the Notes to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that the Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is 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 Notes of each Series will initially be represented by a temporary global note (each, a “**Temporary Global Note**” and, together with the Temporary Global Note in respect of the other Series, the “**Temporary Global Notes**”), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on or about the Issue Date. Each Temporary Global Note will be exchangeable for interests in a permanent global note (each, a “**Permanent Global Note**” and, together with the Permanent Global Note in respect of the other Series, the “**Permanent Global Notes**” and, together with the Temporary Global Notes, the “**Global Notes**”), without interest coupons or talons, on or after a date which is expected to be 21 May 2015, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for definitive Notes in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Euro Notes and (ii) £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Sterling Notes, in each case in the limited circumstances set out in “*Summary of Provisions relating to the Notes while in Global Form*”. No definitive Notes will be issued with a denomination above €199,000 in respect of the Euro Notes and above £199,000 in respect of the Sterling Notes.

The Notes are expected to be rated BBB by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”) and Baa3 by Moody’s Investors Service Ltd. (“**Moody’s**”) (each, a “**Rating Agency**”). Each of Standard & Poor’s and Moody’s is established in the European Union (the “**EU**”) and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Investing in the Notes involves a high degree of risk.** Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

### ***Joint Global Co-ordinators and Joint Bookrunners***

**BNP PARIBAS**

**HSBC**

#### ***Joint Bookrunners***

**BofA Merrill Lynch**

**J.P. Morgan**

**RBC Capital Markets**

#### ***Passive Bookrunners***

**Credit Suisse**

**Lloyds Bank**

**MUFG**

**UBS Investment Bank**

This Prospectus comprises a prospectus for the purpose of 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**”) and for the purpose of giving information with regard to the Issuer, its subsidiaries and affiliates taken as a whole (the “**Group**”) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

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

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Bookrunners (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Bookrunners to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Bookrunners. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes 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.

To the fullest extent permitted by law, the Bookrunners accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by a Bookrunner or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Bookrunner accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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

The Notes may not be a suitable investment for all investors. Each potential investor in the relevant Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact the relevant Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the relevant Notes; and
- (e) 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.

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

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the relevant Notes.

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) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Unless otherwise specified or the context requires, references in this Prospectus to “EUR”, “€” and “euro” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended and those to “£”, “sterling” or “Sterling” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the “UK” or the “United Kingdom”).

**In connection with the issue of the Notes of each Series, BNP Paribas (the “Stabilising Manager”) (or persons acting on behalf of any Stabilising Manager) may over-allot the relevant Notes or effect transactions with a view to supporting the market price of the relevant Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes of the relevant Series 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 Notes and 60 days after the date of the allotment of the Notes of the relevant Series. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.**

References herein to a “Condition” shall be to the Terms and Conditions of the Notes of the relevant Series.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*intend*”, “*may*”, “*plan*”, “*predict*”, “*project*”, “*will*” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Group’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Group’s business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: “*Overview*”, “*Risk Factors*” and “*The Issuer*”. These sections include more detailed descriptions of factors that might have an impact on the Group’s business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur.

In addition, none of the Issuer or the Bookrunners assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following information, which has been previously published and which has been filed with the Financial Conduct Authority:

- (i) the audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014, together with the independent audit report thereon, which are included on pages 85 to 173 of the 2014 Annual Report of the Issuer, including the information set out at the following pages in particular:

Independent Auditors' Report to members of Centrica plc	Pages 85 to 90
Group Income Statement	Page 92
Group Statement of Comprehensive Income	Page 93
Group Statement of Changes in Equity	Page 93
Group Balance Sheet	Page 94
Group Cash Flow Statement	Page 95
Notes to the Financial Statements	Pages 96 to 165
Company Balance Sheet	Page 166
Notes to the Company Financial Statements	Pages 167 to 173

- (ii) the audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013, together with the independent audit report thereon, which are included on pages 83 to 166 of the 2013 Annual Report of the Issuer, including the information set out at the following pages in particular:

Independent Auditors' Report to members of Centrica plc	Pages 83 to 86
Group Income Statement	Page 88
Group Statement of Comprehensive Income	Page 89
Group Statement of Changes in Equity	Page 89
Group Balance Sheet	Page 90
Group Cash Flow Statement	Page 91
Notes to the Financial Statements	Pages 92 to 159
Company Balance Sheet	Page 160
Notes to the Company Financial Statements	Pages 161 to 166

Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this 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, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of the documents referred to above are incorporated by reference in this Prospectus,

the parts of the document which are not incorporated by reference are either not relevant for the prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and viewed on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/en-gb/pricesnews/marketnews/](http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/).

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## OVERVIEW OF THE NOTES

The following overview refers to certain provisions of the “*Terms and Conditions of the Euro Notes*” and the “*Terms and Conditions of the Sterling Notes*”, and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in “*Terms and Conditions of the Euro Notes*” or, as the case may be, “*Terms and Conditions of the Sterling Notes*”.

<b>Issuer</b>	Centrica plc
<b>Trustee</b>	Citicorp Trustee Company Limited
<b>Principal Paying Agent</b>	Citibank N.A., London Branch
<b>Issue Size</b>	€750,000,000 of Euro Notes and £450,000,000 of Sterling Notes.
<b>Issue Date</b>	10 April 2015.
<b>Maturity</b>	<p>Unless previously redeemed, or purchased and cancelled, the Euro Notes and Sterling Notes will be redeemed at their principal amount on 10 April 2076 in respect of the Euro Notes (the “<b>Euro Maturity Date</b>”) and on 10 April 2075 in respect of the Sterling Notes (the “<b>Sterling Maturity Date</b>”), together with any interest accrued up to (but excluding) such date and any outstanding Arrears of Interest.</p> <p>References herein to the “<b>Maturity Date</b>” shall be construed as the Euro Notes Maturity Date or Sterling Notes Maturity Date, as appropriate.</p>
<b>Interest</b>	<p>The Euro Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 10 April 2021 (the “<b>Euro Notes First Call Date</b>”) at a rate of 3.000 per cent. per annum, payable annually in arrear on 10 April in each year, commencing on 10 April 2016. Thereafter, unless previously redeemed, the Euro Notes will bear interest from (and including) the Euro Notes First Call Date to (but excluding) 10 April 2026 at a rate per annum which shall be 2.687 per cent. above the 5 year Swap Rate (as defined in the Euro Conditions) for the relevant Reset Period (as defined in the Euro Conditions), payable annually in arrear on 10 April in each year. From (and including) 10 April 2026 to (but excluding) 10 April 2041 the Euro Notes will bear interest at a rate per annum which shall be 2.937 per cent. above the 5 year Swap Rate for the relevant Reset Period payable annually in arrear on 10 April in each year. From (and including) 10 April 2041 to (but excluding) the Euro Maturity Date, the Euro Notes will bear interest at a rate per annum which shall be 3.687 per cent. above the 5 year Swap Rate for the relevant Reset Period payable annually in arrear on 10 April in each year, all as more particularly described in “<i>Terms and Conditions of the Euro Notes—Interest Payments</i>”.</p>

The Sterling Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 10 April 2025 (the “**Sterling Notes First Call Date**”) at a rate of 5.250 per cent. per annum, payable semi-annually in arrear in equal instalments on 10 April and 10 October in each year, commencing on 10 October 2015. Thereafter, unless previously redeemed, the Sterling Notes will bear interest from (and including) the Sterling Notes First Call Date to (but excluding) 10 April 2045 at a rate per annum which shall be 3.861 per cent. above the 5 year Swap Rate (as defined in the Sterling Conditions) for the relevant Reset Period (as defined in the Sterling Conditions), payable semi-annually in arrear in equal instalments on 10 April and 10 October in each year. From (and including) 10 April 2045 to (but excluding) the Sterling Maturity Date, the Sterling Notes will bear interest at a rate per annum which shall be 4.611 per cent. above the 5 year Swap Rate for the relevant Reset Period payable semi-annually in arrear in equal instalments on 10 April and 10 October in each year, all as more particularly described in “*Terms and Conditions of the Sterling Notes—Interest Payments*”.

References herein to the “**First Call Date**” shall be construed as the Euro Notes First Call Date or the Sterling Notes First Call Date, as appropriate.

**Issue Price**

100 per cent. in respect of the Euro Notes.

**Status**

100 per cent. in respect of the Sterling Notes.

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

**Subordination**

The rights and claims of the Holders and the Couponholders will be subordinated to the claims of holders of all Senior Obligations in that if at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the relevant Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the relevant Trust Deed) and (y) do not provide that the Notes shall thereby become redeemable or repayable in accordance with the relevant Conditions) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders will be subordinated in accordance with Condition 3(a) thereof.

Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration proceedings before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration proceedings. See “*Risk Factors—Risks related to the Notes generally—Limited Remedies*”.

### **Optional Interest Deferral**

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date by giving a Deferral Notice of such election to the Holders, the Trustee and the Principal Paying Agent. Subject as described in “*Mandatory Settlement*”, if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Arrears of Interest in respect of either Series may be satisfied at the option of the Issuer in whole or in part at any time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the relevant Holders, the Trustee and the Principal Paying Agent informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b) of the relevant Notes, in each case such further interest being compounded on each Interest Payment Date. Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the relevant Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b) of the relevant Notes.

### **Mandatory Settlement**

Notwithstanding the above and the provisions of “*Optional Interest Deferral*”, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment

Date on which a Deferred Interest Payment first arose.

### **Redemption**

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 10 April 2076 with respect to the Euro Notes and 10 April 2075 with respect to the Sterling Notes and in each case together with any interest accrued up to (but excluding) the relevant Maturity Date and any outstanding Arrears of Interest.

### **Optional Redemption**

The Issuer may redeem all, but not some only, of either Series of Notes on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Series.

### **Special Event Redemption**

If a Special Event has occurred and is continuing, then the Issuer may redeem at any time all, but not some only, of either Series of Notes at:

- (i) in the case of a Rating Methodology Event or Tax Deductibility Event where such redemption occurs prior to the First Call Date, 101 per cent. of their principal amount;
- (ii) in the case of a Rating Methodology Event or Tax Deductibility Event where such redemption occurs on or after the First Call Date, their principal amount; or
- (iii) in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount,

in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Series.

### **Change of Control**

If a Change of Control Event has occurred and is continuing, the Issuer may elect to redeem all, but not some only, of a Series at any time at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Series.

If the Issuer does not elect to redeem a Series of the Notes following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate, on the relevant Notes shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred. See “*Terms and Conditions of the Euro Notes—Interest Payments—Step-up after Change of Control Event*” and “*Terms and Conditions of the Sterling Notes—Interest Payments—Step-up after Change of Control Event*”, respectively.

**Substitution or Variation instead of Special Event Redemption**

If a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, without the consent of the Holders of the relevant Series the Issuer may either (i) substitute all, but not some only, of the relevant Notes for, or (ii) vary the terms of the relevant Notes with the effect that they remain or become, as the case may be, Qualifying Notes, in each case in accordance with Condition 7 thereof and subject, *inter alia*, to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8 thereof.

**Event of Default**

If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or 21 days or more in the payment of any interest, in each case in respect of a Series and which is due, then the Issuer shall without notice from the Trustee be deemed to be in default under the relevant Trust Deed, the relevant Notes and the relevant Coupons and the Trustee at its sole discretion may, or shall, if so requested by an Extraordinary Resolution of the relevant Holders or in writing by the Holders of at least one-quarter in principal amount of such relevant Notes then outstanding, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment and give notice to the Issuer that such Notes are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest in respect of the relevant Series.

**Additional Amounts**

Payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described under “*Terms and Conditions of the Euro Notes—Taxation*” and “*Terms and Conditions of the Sterling Notes—Taxation*”.

**Replacement Intention**

In relation to each Series, unless (a) the rating assigned by Standard & Poor’s to the Issuer is at least “A-” (or such similar nomenclature then used by Standard & Poor’s) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or (b) the Notes are not assigned an “equity credit” (or such similar nomenclature then used by Standard & Poor’s), at the time of such redemption or repurchase; or (c) in the case of a repurchase, such repurchase is in an amount necessary to allow the Issuer’s aggregate principal amount of hybrid capital remaining

outstanding after such repurchase to remain below the maximum aggregate principal amount of hybrid capital to which Standard & Poor's would assign equity content under its prevailing methodology, the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the relevant Notes to but excluding the Reset Date falling on 10 April 2041 in the case of the Euro Notes and 10 April 2045 in the case of the Sterling Notes, in the event of:

- (i) an early redemption of the relevant Notes pursuant to Conditions 6(b) or 6(f) thereof, or
- (ii) a repurchase of the relevant Notes of more than (a) 10 per cent. of the aggregate principal amount of the relevant Notes originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the relevant Notes originally issued in any period of 10 consecutive years,

to redeem or repurchase such Notes only to the extent that such part of the aggregate principal amount of the relevant Notes to be redeemed or repurchased as was characterised as equity by Standard & Poor's at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the relevant Notes) does not exceed such part of the net proceeds which is received by the Issuer or any subsidiary of the Issuer during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or any subsidiary of the Issuer to third party purchasers (other than subsidiaries of the Issuer) of securities as is characterised by Standard & Poor's, at the time of sale or issuance, as equity.

## **Form**

The Notes will be in bearer form and each Series will initially be represented by a Temporary Global Note, without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Each Temporary Global Note will be exchangeable for interests in a Permanent Global Note, without interest coupons or talons, on or after a date which is expected to be 21 May 2015, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for definitive Notes in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Euro Notes and (ii) £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Sterling Notes, in each case in the limited circumstances set out in "*Summary of Provisions relating to the Notes while in Global*

	<p><i>Form</i>”. No definitive Notes will be issued with a denomination above €199,000 in respect of the Euro Notes and above £199,000 in respect of the Sterling Notes.</p>
<b>Denominations</b>	<p>€100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Euro Notes.</p> <p>£100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Sterling Notes.</p>
<b>Listing and Admission to Trading</b>	<p>Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market.</p>
<b>Governing Law</b>	<p>English law.</p>
<b>Ratings</b>	<p>The Notes are expected to be rated BBB by Standard &amp; Poor’s and Baa3 by Moody’s. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended). As such each Rating Agency is included in the list of credit rating agencies published by the European Notes and Markets Authority on its website in accordance with such Regulation.</p>
<b>Use of Proceeds</b>	<p>The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes.</p>
<b>Selling Restrictions</b>	<p>The United States, the United Kingdom, Japan and the Republic of Italy. See “<i>Subscription and Sale</i>”.</p> <p>Category 2 offering restrictions have been implemented for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the “<b>TEFRA D Rules</b>”).</p>
<b>Risk Factors</b>	<p>Prospective investors should carefully consider the information set out in “<i>Risk Factors</i>” in conjunction with the other information contained or incorporated by reference in this Prospectus.</p>
<b>ISIN</b>	<p>XS1216020161 in respect of the Euro Notes.</p> <p>XS1216019585 in respect of the Sterling Notes.</p>
<b>Common Code</b>	<p>121602016 in respect of the Euro Notes.</p> <p>121601958 in respect of the Sterling Notes.</p>

## RISK FACTORS

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

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the Euro Notes” or, as the case may be, in “Terms and Conditions of the Sterling Notes”. Unless otherwise indicated, references in this “Risk Factors” section to “Notes” shall be to Notes of either Series.*

### **Factors that may affect the Issuer’s ability to fulfil its obligations in respect of the Notes**

#### ***The Group is exposed to movement in commodity prices***

A significant proportion of the Group’s financial performance and price competitiveness is dependent upon its ability to manage exposure to increasingly volatile world energy markets, including wholesale commodity prices for gas, oil, coal, carbon and power.

In the downstream businesses, commodity price increases or decreases may require the Group to change the price at which it sells energy to its customers. The Group may not be able to pass on all increases in commodity prices to its customers or, when commodity prices fall, may need to reduce prices for downstream customers to remain price competitive. Where the Group increases prices to its customers or fails to pass on decreases in commodity costs, customers may seek to switch to competitors. There has been significant adverse publicity associated with UK residential energy prices, which may increase the number of customers switching to competitors or damage public trust in the Group’s business and its consumer brands. In North America, the relatively low cost of natural gas may encourage new market entrants, resulting in additional pressure on margins.

In the upstream production businesses, commodity price decreases may reduce gas and oil production profits and, over the longer term, may make certain exploration and development projects uneconomic. In upstream power, higher gas prices may put pressure on profits from gas-fired power plants, and lower power prices will reduce profits from nuclear and wind generation assets. In UK electricity generation, as is common in other European markets, the combination of power, gas and European Union (“EU”) emissions prices and the UK carbon price floor means that the opportunities to run economically the Group’s fleet of gas-fired power stations are currently limited.

In the midstream business, uncertain demand creates a risk that surplus commodity positions cannot be sold profitably in the wholesale markets and that any short commodity position cannot be covered at a cost that can be passed on to customers. The Group also has a number of contractual capacity contracts, the economic value of which depends on certain price relationships.



In Centrica Storage, profits depend on the difference between summer and winter gas prices in the UK (summer/winter “spreads”). A narrowing of these spreads over recent years has reduced levels of profitability for Centrica Storage, and further narrowing of these spreads would have an adverse impact on the profitability of the storage business.

For all assets, both investment decisions and the valuation of existing assets are based upon evaluations underpinned by forecasts of longer-term commodity prices. Assets, including goodwill, may be impaired if discounted future cash flows from such assets are insufficient to cover their cost on the balance sheet.

Commodity prices fluctuate based on a large number of considerations, most notably forecasts for supply and demand in local and global markets as well as political and economic elements. Seasonal variations and, in the short-to-medium term, economic conditions, make it difficult to forecast future energy demand. Current political factors may trigger an expectation of or actual disruptions in supplies from those regions affected. In recent years, there has also been significant investment in shale gas in North America resulting in lower wholesale gas prices and a weakening of the traditional links between gas and oil prices in North American markets. This energy source could further influence global energy markets over time and, in particular, the surplus of gas could affect the current liquefied natural gas (“LNG”) sector, which is becoming an increasingly important source of natural gas in the United Kingdom. If the Group is unable to manage its exposure to fluctuating commodity prices, its competitive position could be negatively impacted and its business, financial condition and results of operations could be adversely affected.

The rapid and material drop in both oil and gas prices during and since 2014 has impacted the Group’s position. It is not clear that the forward price curves for oil and gas will improve in the near term, and the current environment could persist for all of 2015 and beyond. Until upstream supply chain costs respond to the lower price environment, the Group’s cash flows from its upstream business will be materially impacted. The changed external commodity price environment could also impact the Group’s longer term strategy and future dividend payments.

***The Group’s business is subject to political intervention and regulatory oversight***

The Group is subject to various political and regulatory interventions implemented by governments and regulatory bodies in the UK, Ireland, North America and elsewhere. Objectives of these regulatory interventions vary, but include carbon emission reduction, security of energy supplies, and protection of consumers and business customers.

The Group is subject to oversight from a wide range of regulatory bodies including the Office of Gas and Electricity Markets (“Ofgem”), the Competition and Markets Authority (“CMA”), the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom, the Federal Energy Regulatory Commission (“FERC”) in the United States and a number of regulators at state, provincial and federal level in the United States and Canada. Regulatory bodies have the power to amend licences, conduct investigations into companies’ operations, issue financial penalties and enforcement notices and take direct oversight of operations. In certain cases, regulators have the power to impose substantial fines that in some cases could have a material adverse impact on the Group’s profitability. In the case of an energy licence breach in the UK for example, this could be up to 10 per cent. of Group revenue. While fines imposed to date by regulators on the Group and close competitors have not come close to these levels, future fines may be more significant. Private actions could also follow regulatory enforcement in some cases.

In the downstream business, the Group is facing heightened levels of scrutiny from regulators, and other key stakeholders, including governments and consumer groups, and as a result of widening levels of public distrust in energy companies and the resulting media attention. In addition, the leader of the main UK opposition political party has indicated that it would pursue a policy of further regulation of the energy industry if it were to form a UK Government following the next general election, which will occur on 7 May

2015. The policy proposals include the imposition of a price freeze, or cap on energy prices from May 2015 to early 2017 and the separation, in some way, of ownership of power generation and supply. Although there is uncertainty regarding how or if these proposals would be implemented, the heightened level of political discussion in periods preceding the election may lead to additional pressure for increased regulation of energy suppliers.

The UK upstream and downstream businesses have also seen regulators impose significant obligations to implement carbon reduction measures. The Energy Companies Obligation (“**ECO**”) came into effect from January 2013. The Group expects its obligations under ECO to cost approximately £1.7 billion through to the end of the programme, which has been extended to March 2017. There is a risk that the assumptions underlying the Group’s estimates may change or may prove to be incorrect. In addition, there may be changes to the UK Government’s policy regarding carbon emissions or a lack of industry capacity or customer uptake. Any of the aforementioned may result in a substantial increase in the estimated cost to fulfil the Group’s obligations, which, to the extent that such costs cannot be adequately passed through to customers, could have an adverse impact on the Group’s results of operations and financial condition. There can be no assurance that the speed at which the Group implements its ECO obligations will be sufficient to meet the ECO targets, which could also harm the Group’s reputation and have an adverse effect on its results of operations and financial condition.

The UK downstream business is also affected by changes to the retail supply and wholesale industry procedures, which could have an impact on the Group’s operating costs. Ofgem published a decision in July 2014 confirming its decision to change the electricity transmission charging methodology and approve the option known as ‘WACM 2’ which will be implemented from 1 April 2016. WACM 2 represents a significant change in the charging methodology for electricity network access rates and there is uncertainty how WACM 2 will affect the market in general and the Group’s business in particular. Ofgem also published, in December 2014, final determinations for how much revenue electricity distribution networks will be allowed to recover from supply businesses from April 2015. Any material increases in the regulated charges that the Group pays for use of transmission, distribution, network price controls and other infrastructure may impact the Group’s margins, to the extent that any such increases cannot be passed on to its customers.

In North America, regulatory approaches vary by jurisdiction and regulator. Although the Group operates primarily in price-deregulated markets in North America, it is subject to certain regulations and oversight by state or provincial regulatory agencies in Direct Energy Marketing Limited (“**Direct Energy**”)’s principal residential energy markets, primarily Texas, the north eastern United States, and the Canadian province of Alberta, as well as by federal regulators in the wholesale commodity and derivative markets.

In the UK power generation business, key elements of the UK Government’s initiative to increase investment in low carbon infrastructure are set out in the provisions of the Energy Act 2013 which relate to Electricity Market Reform (“**EMR**”). There is uncertainty regarding how EMR will affect the market in general and the Group’s business in particular, but the effects may change the generation mix in the UK and adversely affect the profitability of the Group’s existing generation assets. In December 2014, the UK’s first power capacity auction took place for capacity in 2018/19. The auction clearing price was significantly below market expectations. Whilst the Group’s two largest gas-fired power stations were both successful in the auction, as were all the nuclear reactors in which the Group has a 20% equity interest, the Group’s remaining four operational and one mothballed gas-fired stations were unsuccessful. The risk remains that the clearing price for future UK power capacity auctions may also be below market expectations, adversely affecting the profitability of the Group’s remaining generation assets.

In the Group’s upstream and midstream businesses, energy markets in the United Kingdom, North America and mainland Europe are closely regulated and significant changes to the legal, regulatory and political framework of these markets could have an impact on the Group’s ability to achieve its operational or financial

goals. The Issuer's LNG contract with Cheniere to take gas export capacity at the Sabine Pass facility in Louisiana from 2018 provides the Group with destination rights over cargoes and allows the Group to benefit from any differential between North American gas prices and other worldwide gas markets. In the United States, however, there is the risk that LNG exports to non-Free Trade Agreement countries, such as the United Kingdom, will not be approved or that limitations may be imposed on such exports. In Russia and the Ukraine, a worsening of the political standoff between Russia and the EU, the U.S. and others could increase the possibility of sanctions or other trade limiting actions that could impact the Group's ability to source commodities.

In the current environment, the Group is facing heightened levels of scrutiny from regulators and any changes in regulations or legislation could increase the risk of non-compliance. The current level of public distrust in energy companies in the UK serves to heighten further the level of scrutiny from regulatory bodies, and other key stakeholders, including the UK Government and consumer groups, adding to the level of public attention already directed towards compliance matters in large corporate organisations. In North America, regulatory approaches vary by jurisdiction and regulator, with the Group's entry into new markets being assessed on a case-by-case basis.

Following the acquisition by the Group of the Rough facility and a subsequent Competition Commission inquiry, the Group and Centrica Storage gave undertakings to the Secretary of State for Trade and Industry in 2003 which place certain obligations on Centrica Storage and the Group in respect of the storage business. The undertakings require Centrica Storage to be legally, financially and physically separate from all other Centrica businesses. In addition, there are restrictions prohibiting the disclosure by Centrica Storage of commercially sensitive information to other parts of the Group and prohibiting the solicitation or making use of such information by other parts of the Group. In March 2012, the Issuer and Centrica Storage signed amended undertakings with certain variations. Any failure to comply with these undertakings could result in substantial fines for the Group.

Political and regulatory developments affecting the energy markets within which the Group operates are uncertain and may have a material adverse effect on the Group's business, results of operations and financial condition. Government intervention in energy markets, or changes in government policy, may also affect the Group's ability to invest in new assets in the markets concerned. Additionally, any failure or perceived failure by the Group to comply with such developments or related requirements could result in substantial fines and have a negative impact on its brands, operations and reputation.

***The Group is now subject to the Energy Market Investigation being conducted by the CMA***

In June 2014, the UK regulator, Ofgem, referred the UK energy market to the CMA for a market investigation due to concerns that there are features of the market that are adversely affecting competition in the supply and acquisition of energy in the UK. This market investigation is now underway and is due to conclude at the end of 2015. If the investigation finds an adverse impact on competition, the CMA can impose remedies on market participants or recommend changes to regulation or legislation, including possible price regulation or other material intervention. There can be no assurance that the CMA will not implement one or more remedies that could materially adversely impact the Group's business, operations and overall financial condition.

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

The Group must actively manage its reputation, and that of senior management and the executive, with a number of different stakeholders including customers, investors, opinion-formers, consumer and community representatives, employees, the media, governments and government agencies, other political parties and regulatory and trade union bodies. Any failure to follow the Group's global business principles of operating professionally, fairly and with integrity, or the public perception that there has been such a failure or other real

or perceived failures of governance or regulatory compliance could further undermine public trust in the Group, one or more of its businesses or its management, lead to increased regulatory intervention, harm the Group's reputation, damage its consumer brands and adversely affect its business, results of operations and overall financial condition.

The challenges of day-to-day costs of living, including energy, increased political pressures and other recessionary impacts have all increased the level of media coverage of the energy industry. The increased use of social media also allows customers and consumer groups to engage, share views, and take part in direct action and other campaigns more readily than before. Any failure to retain the trust of the Group's customers and/or shareholders could lead to campaigns for corporate change through shareholder resolutions and/or challenges in attracting and retaining new customers. In addition, British Gas, as the UK's leading residential energy and services provider, due to the scale of its operations in the UK, and Bord Gáis Energy as one of the leading energy providers in the Republic of Ireland, may be subject to heightened scrutiny by the media, in particular regarding compliance with its regulatory obligations and its retail energy pricing policies. The fall in wholesale energy prices during 2014 and the timing of reduction in British Gas retail energy bills further heightened media attention on the Group. The increased level of media coverage may also result in additional or heightened government and regulatory scrutiny. In North America, the Group operates under numerous brands, each of which faces the risk of heightened media scrutiny and/or adverse media coverage, which could have a negative impact on the reputation of one or more of the individual brands and, ultimately, the Group.

In June 2013, the Group acquired a 25 per cent. interest in a shale exploration licence with Cuadrilla Resources Ltd and AJ Lucas. This strategic move into hydraulic fracturing or 'fracking', together with the Group's exploration licence in Norwegian waters close to the Arctic, has the potential to cause significant adverse publicity affecting the brand and reputation of the Group. The Group intends to continue to explore opportunities for unconventional energy supply and generation as part of its overall business strategy. Any investment in unconventional energy or related technologies may expose the Group to adverse publicity and reputational risk.

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

As part of the demerger in 1997 (see "*Description of the Centrica Group – Background and Formation*"), BG Group plc, (which is a separately listed company and not a part or affiliate of the Group) assigned ownership of the British Gas trademarks and related logos for use in Great Britain to the Group. BG Group plc has the right to call for a reassignment of this intellectual property if a third party acquires control of the Group. If, as a result of a change of control, the Group is unable to continue to use the British Gas trademarks and logos, this could adversely affect its competitive position. In addition to the British Gas trademarks and logos, the Group trades under various other well-known brands, such as Dyno in the UK, Direct Energy in North America and Bord Gáis Energy in the Republic of Ireland. Any damage to corporate reputation or brand perception could have a material adverse effect on the Group's overall reputation, business, results of operations and overall financial condition.

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

The Group is subject to tax rates and tax legislation applicable in the markets and jurisdictions in which it operates. In particular, the Group pays significantly higher rates of tax in its upstream production businesses, most notably in the UK, where at 31 December 2014 tax rates varied from 62 per cent. to 81 per cent. and in Norway where applicable tax rates are 78 per cent. The Group's upstream production businesses are typically subject to different tax rates and regimes than those that apply to its Downstream businesses. Consequently, the Group is exposed to changes, both in the general corporate tax regime and specific tax regimes in relation to upstream production or other business segments. Tax laws, tax rates and interpretation of legislation change

regularly. Compliance and disclosure requirements, with associated costs and penalties, are also subject to regular change.

Following the 2014 referendum there is also uncertainty on the new powers (including areas such as fuel poverty and energy efficiency) that will be devolved to Scotland and the changes this could mean for the tax system in Scotland compared to the rest of the UK. The Organisation for Economic Co-operation and Development Base Erosion and Profit Shifting Project is expected to generate changes to tax policy and systems across many countries, including those where the Group has operations. The scope and impact of these changes cannot currently be assessed, but may be material. Action by governments to increase tax rates, impose additional taxes, revise tax legislation or its interpretation could have a material adverse effect on the Group's business, results of operations and overall financial condition.

***The Group may fail to provide good quality customer service levels***

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

***The Group operates in competitive markets***

There is strong competition for the supply of energy and services to business and residential customers in the Group's principal markets.

The Group operates in retail energy supply markets in Great Britain, Ireland and North America that are highly competitive. Suppliers price aggressively in order to build market share, and customers may switch supplier based on price, product and service levels, as well as competitor activity. The retail energy environment is highly competitive across residential and business segments as well as in energy services, including new business areas, such as smart enabled applications. The value of customer data has increased and the widening range of virtual interaction with customers through digital media, smart technology, the internet and mobile devices plays a greater role in the retail energy sector. The Group also operates in the competitive home services market in both the UK and North America. Competition in these markets is increasing as existing energy and other service providers, such as insurance companies, telecom companies, supermarkets and other large retail companies have entered the services market and seek to strengthen their positions and diversify their product offerings. In addition, small suppliers continue to enter and grow their share of the domestic supply market, further increasing competition. The Group's services businesses have been some of the most impacted by the economic downturn, with customers choosing to decrease their cover or exit the cover market altogether in favour of on-demand or do-it-yourself options or delaying purchases or upgrades. Failure to sustain competitive cost and service levels, or to sufficiently differentiate the Group's downstream products and services, could affect market share and challenge the Group's ability to deliver sustainable operating margins and attain its growth aspirations.

In the exploration and production business, the Group faces competition from both international and state run energy companies for obtaining exploration and development rights, particularly outside the UK, and in developing and applying new technology to maximise hydrocarbon recovery. If the Group fails to obtain new exploration and development acreage or to apply and develop new technology, its growth prospects and future results of operations and cash flows may be adversely affected. Current industry trends towards the consolidation of existing operators in North America and strategic divestment by larger operators around the

UK markets in which the Group operate may lead to stronger competition from operators with greater financial resources.

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

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

Effective and secure information systems are essential for the Group's operations including the efficient management and accurate billing of the Group's customers, effective upstream operations, and successful energy trading and hedging activities. The confidentiality, integrity, and availability of the Group's information systems could be affected by:

- (i) accidental or deliberate disclosure of share-price sensitive information, customer or employee and contractor personal data;
- (ii) viral effect of employees, consumers or 'hactivist' groups using social media channels that expose the Group to legal liabilities, damage the Group's reputation or disclose confidential information;
- (iii) accidental or deliberate changes to financial and other data on which the Group relies;
- (iv) lack of availability of systems due to inadequate infrastructure and data-recovery processes; and
- (v) an external online or other attack that renders the Group unable to conduct normal business activities and/or results in the loss or disclosure of personal data, intellectual property or other confidential information or the disruption of control systems.

There can be no certainty that recovery plans and contingency plans will be effective in all possible scenarios. In addition, the Group relies on third party hardware, software and service providers, which are not fully under its control. Outages, interruptions and other similar events could affect the Group's ability to conduct day-to-day operations.

The Group must comply with laws and regulations, in the jurisdictions in which it operates, on the secure storage, use and disposal of customer data, and provide for secure transmission of confidential information to ensure the security of financial and personal data passing over public networks. Due to continual advancement of technology, computing capabilities and other developments, the Group may be subject to attempts to penetrate the network security and misappropriate confidential information. There can be no guarantee that the Group's security measures will be sufficient to prevent all possible breaches. EU, U.S. and Canadian data privacy regulatory requirements and proposed amendments thereto may increase the requirements around public notification of any data breach, and the scale of associated fines or penalties for non-compliance.

Significant disruption to systems, including any caused by a cyber-attack, or any compromise of the confidentiality of information could have a material adverse effect on the Group's reputation, business, results of operations, overall financial condition, and may result in regulatory sanctions.

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

The Group has entered into a number of outsourcing contracts, some of which are for offshore operations, in respect of certain support functions for its businesses in the UK and North America, including business-critical information technology services, financial accounting matters and customer billing transactions. In addition, third party infrastructure will continue to be relied upon by a number of the Group's assets.

Upstream production, including new upstream projects, are increasingly being operated or developed by third parties. As with any contractual relationship, there are inherent risks to be considered and mitigated. There can be no guarantee that suppliers will be able to provide the functions and services for which they have been contracted. Any failure of the suppliers to deliver the contracted goods or services, and to adhere to the Group's Corporate Responsibility and other policies, could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

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

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

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

The Group's gas storage business is also seasonal. Colder weather conditions in the UK result in higher withdrawal rates from the Group's storage facilities; however, colder than normal weather during the summer months, or warmer than normal weather during winter months, may result in narrowing of price differentials between summer and winter months, in turn resulting in reduced revenue.

***The Group is affected by global economic conditions***

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

The Group's operating and financial performance is influenced by the economic conditions of the countries and markets in which it operates. Pressure from economic deterioration, volatile wholesale prices, increased levels of competition, political instability, reduced demand and recessionary impacts can all contribute to challenging market conditions. Recent global economic conditions have meant that disposable income has decreased or remained flat and consumer confidence has declined, which could result in discretionary spend being reduced and lead to increased turnover in services, or lead to customers delaying or forgoing the purchase of equipment and services. Strategic issues, including capital investment in mergers, acquisitions, disposals, market position, climate change, sustainable development, and new technologies, are also affected by global economic conditions and the Group's ability to grow its business successfully in these respects may be subject to circumstances beyond its control.

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

As UK gas reserves have declined, the UK energy market has become increasingly reliant on supplies from Norway and other parts of mainland Europe, together with LNG supplies from other parts of the world. As the UK secures an increasing proportion of gas from abroad, its price and availability will be increasingly shaped by international forces, combined with the additional challenge of transitioning to lower carbon generation. Key elements of security of supply are access to these reserves and the reliability of the storage, pipeline, and gas processing infrastructure operated by the Group and third parties both in the UK and abroad. Any break in

this supply chain, for example as a result of unplanned outages at the Group's facilities, could jeopardise supply to customers and impact the Group's earnings. The Group's entire business is exposed to the risk of facilities being damaged by natural disasters, including but not limited to severe weather conditions. The Group currently owns or has a stake in a variety of gas and power assets in the UK and overseas and its results of operations and financial condition could be materially adversely impacted if there were to be long-term outages associated with one or more of those assets.

The Group depends on third party supply and cannot guarantee the security of the supply chains. There is a risk of terrorist activity, including acts and threats to the energy sector, which may include sabotage or cyber-attack of power stations or pipelines. This in turn could affect security of supply or cause a break in supply of energy to customers. Any failure to supply energy to customers could have a material adverse impact on the Group's reputation, business, results of operations and overall financial condition.

***The Group is exposed to falling residential energy consumption in the UK***

Improved energy efficiency, new boiler installations, and changing customer behaviour as a result of greater environmental awareness, reaction to past retail energy bill movements, long-term weather patterns and the general economic downturn have led to a reduction in energy demand. The UK Government sees both residential and business energy efficiency as a key part of meeting its carbon reduction targets. As the UK Government and households in the UK continue to focus on and emphasise energy efficiency and low-carbon solutions, the Group may be subject to additional obligations, which may lead to higher operating costs, increased capital investment, and operational constraints for certain of the Group's activities and assets.

In the UK, gas demand is forecast to continue to decline over the next decade with the emergence of smart connected home solutions, and electricity demand is forecast to decline by a smaller amount or remain flat. The long-term demand for gas will be significantly affected by government decisions about market structures, climate change initiatives and industry decisions around generation mix. To offset the reduced sales of gas and electricity to residential customers, the Group needs to grow demand for its services, products and energy efficiency measures (including micro generation, insulation and smart enabled applications). The success of these (and other) initiatives could have a significant impact on the Group's revenues and profits over the next decade, but no assurance can be given as to their success or widespread adoption. While these trends are currently most pronounced in the UK, changes in consumption patterns in the Group's other principal markets due to regulation, technology or other reasons could have an impact on the Group's financial condition and results of operations.

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

With the increasing recognition of the economic and environmental impact of global climate change, the Group's future operations will potentially be shaped by changes in customer demands and expectations and regulatory requirements necessitating a move towards a low-carbon economy. This may present significant additional risks and may lead to higher operating costs, reduced energy demand, increased capital requirements, and operational constraints for certain of the Group's activities and assets. In addition, the ineffective or incomplete implementation of new legislation may have adverse consequences on the viability of investment in new technologies and the development of new assets.

As digital media, the internet and mobile devices play a greater role in the retail energy sector, the Group has faced, and will continue to face, heightened competitive pressures resulting from falling barriers to market entry and swiftly changing customer loyalties. The value of customer data has increased, and the widening range of virtual interaction with customers through the emergence of new technologies, such as smart metering and smart grids, could also affect gas and electricity demand and therefore the Group's earnings through energy related services such as energy efficiency, micro generation and energy



management/automation. New technology allows non-energy web-based firms to access customer energy consumption data, with or without the agreement of energy suppliers. This new data may not simply be used for billing, but also to provide the customer with improved reporting, advice, new products and new services. The Group cannot be certain that its future operations and strategy will successfully mitigate against the risks presented, or enable the Group to remain competitive, offer innovative products and services or otherwise to take advantage of opportunities that may present themselves.

The Group is also currently subject to certain UK Government-enforced obligations to promote greater energy efficiency by its customers, including smart meter installation. Failure by the Group to comply with these obligations or adapt to further regulation, changing customer demands and behaviour as a result of global climate change and increased awareness of the environmental impact of energy use, may have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition. In addition, the ineffective or incomplete implementation of new legislation may have adverse consequences for the viability of investment in new technologies and the development of new assets.

***The Group may not sufficiently fund investment in or develop operational assets***

Continual investment is required to maintain and improve the condition of, and to address operational issues that arise in relation to, the Group's upstream assets. Such investment therefore affects the operational life and the output achievable from these assets. The Group reviews the value of its assets periodically to inform valuation and investment decisions and, in some cases, may write down the value of certain assets.

Upstream capital projects are exposed to the risk of potential build quality issues, as well as cost and timetable overruns, unsuccessful development and management of partnerships and health, safety, environment and security ("HSES") failures.

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

The level of investment is dependent on sufficient cash resources and business cases being available for this purpose, and those resources being directed to the most appropriate use. A lack of investment, or failure to direct investment as required, may reduce the output from, and resale value of, assets. If the output/resale value were reduced, this would adversely affect the Group's business, results of operations and overall financial condition.

***Failure to identify and execute suitable acquisitions and divestments may result in the Group failing to deliver on its strategy***

The Group's success in acquiring suitable assets and rebalancing its asset portfolio may be limited by its ability to execute and finance acquisitions and to divest non-core assets. The Group must identify suitable acquisitions (and, where appropriate, disposals) and negotiate acceptable terms and conditions relating thereto. The Group may face significant competition in identifying and acquiring suitable targets from competitors who may have greater resources or greater familiarity with the market. There can be no assurance that the Group will be able to dispose of non-core assets at a price that the Group considers to be appropriate, or at all, or that any disposal will take place in the timeline envisaged by the Group.

In North America, in particular, the Group will continue to evaluate and pursue acquisitions and investments as part of its overall strategy and it may have difficulty executing acquisitions in a highly competitive market. There can be no assurance that the Group will be successful in identifying, executing and financing suitable

acquisitions in the future, that economic stakes taken in businesses will prove to be good investments or that any acquired business will be successfully integrated into the Group. Failure by the Group to identify, execute, finance or integrate acquisitions of available assets could also leave the Group increasingly exposed to short term movements in UK wholesale gas markets as it produces less gas and power than it requires to fulfil customer demand. Furthermore, the Group may be required to refinance indebtedness incurred to fund such acquisitions, in the capital markets or otherwise, and there is no guarantee that the Group will be able to do so on favourable terms or at all. Any of these factors could have a material adverse effect on the Group's business, results of operations and overall financial condition.

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

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

In the U.S., these regulations are being implemented by the Commodity Futures Trading Commission pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”). In Europe, implementation is through the European Market Infrastructure Regulation (“**EMIR**”). Certain subordinate legislation and/or regulatory processes remain outstanding, including in key areas such as the mandatory clearing obligation and the mandatory collateral requirements that apply to non-cleared Over-The-Counter (“**OTC**”) products and restrictions on the size of positions that can be held in certain financial instruments. An additional complexity in assessing the impact of EMIR on the Group is that the Markets in Financial Instruments Directive II (“**MiFID II**”), voted through the European Parliament in 2014, is due for implementation in 2017. This review could expand each of the trading instrument definitions, as well as restrict the exemption criteria for firms to remain designated as “non-financial”, which could increase the impact of clearing obligations on the Group and other entities with whom the Group interacts.

Both U.S. and European regulations require certain market participants in certain types of transactions to clear certain financial derivatives through central clearing parties. Derivatives, which are not so cleared, may become covered by rules obliging the exchange of margin between OTC counterparties and imposing a number of other operational and risk management requirements. The full and final effect of all of these regulations on the Group is uncertain as is the impact of voluntary changes that may be introduced by other market participants. The Group could be subject to increased cash margin and collateral requirements, restrictions as to which platforms or counterparties can be used for certain types of trades, increased transaction costs and the risk of reduced liquidity in some of its important markets. Any of these outcomes could adversely affect the Group's ability to manage risk and the cost of its risk management programme, and therefore may have a material adverse effect on its business, results of operations and overall financial condition.

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

The Group manages significant HSES hazards associated with the operation of onshore and offshore oil and gas production, exploration, transportation, gas storage and supply and power generation assets (gas, wind and nuclear generation) and the provision of downstream energy supply and services to retail and business customers. These assets and services are operated directly by the Group, as operated and non-operated joint ventures and through franchises.

The principal categories of HSES risks associated with the Group's operations are:

- (i) an incident resulting in one or more fatalities or multiple injuries at an owned, operated or other facility where the Group has an interest;
- (ii) an incident which results in significant environmental damage or compliance breach;
- (iii) an incident which results in a fatality or major injury to a member of the public; and
- (iv) an externally initiated security related attack and/or activism.

Each of these risks may result in widespread distress and harm, as well as significant disruption to operations and/or damage to the Group's reputation. Additionally such an event could have significant financial implications resulting from disruption to operations, criminal penalties and/or remedial and/or compensation costs. Certain events, including those arising due to third-party actions, such as acts of terrorism or war, are not within the Group's direct control; however, these may cause significant disruption or interruption to the Group's operations impacting customer energy supplies and result in significant costs managing and reinstating normal customer services.

HSES risks associated with the Group's operations are evaluated according to a common risk matrix across the Group, are calibrated by a cross group team of HSES professionals and reviewed by the Group's Executive Committee and the Board. The use of third parties in our upstream business may increase risks that may lead to HSES issues and decisions that adversely affect upstream production. Responsibility for the safe operation of non-operated joint ventures remains with the operator; however, the Group's business management teams routinely monitor non-operated joint ventures' HSES performance and risk structure.

The management of the Group's operational assets is subject to various environmental, health and safety, economic and competition laws and regulations governing, among other things: (a) the development and operation of high hazard facilities and associated process safety requirements; (b) the generation, storage, handling, release, use, disposal, and transportation of hazardous substances; (c) decommissioning and decontamination of its facilities; (d) the health and safety of the public and its employees; (e) the generation of electricity; and (f) trading activities. Complying with these regulations or changes to these regulations could significantly impact the cost of managing the Group's operational assets and may make it uneconomic to continue managing certain of its operational assets.

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

The Group's service engineers in the UK and North America complete more than 10 million home visits each year to carry out essential work on gas and electrical installations, appliance maintenance and plumbing and drain services. Customer visits present potential health and safety risks to employees and contractors carrying out work on customer premises, as well as reputation risks.

Significant HSES events, precautionary closures, suspension of activities, or breach of applicable Health, Safety and Environment ("HSE") regulations could affect the safety of individuals, affect oil, gas and/or power production (including the premature closure of operational assets), result in liabilities, be the subject of litigation or lead to a loss of production/service which, in turn, could have a material adverse effect on the

Group's reputation, business, results of operations and overall financial condition. Insurance proceeds may not be adequate to cover all liabilities incurred, lost revenue or increased expenses resulting from a major incident, particularly involving oil and gas exploration and production activities or the nuclear fleet.

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

The Group holds a 20 per cent. interest in Lake Acquisitions Limited, a nuclear power generation business that owns eight nuclear power facilities, which are operated by ENGGL. The remaining 80 per cent. of Lake Acquisitions Limited is owned by Electricité de France S.A. ("EDF"). The Group's 20 per cent. investment in the existing fleet of eight nuclear power stations exposes it to the risks associated with the nuclear industry (including the fleet's operational life, planned and unplanned outages and operational costs) and the impact of nuclear regulation (including HSE regulation relating to the operation of nuclear power stations). The Group is exposed to potential losses in production due to the fleet's age, which could be further exacerbated by unforeseen plant closures, such as those experienced at the Heysham 1 and Hartlepool plants in August 2014 due to the discovery of cracks in boiler spines at the plants.

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

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

***The Group is subject to numerous permit requirements and licencing regimes***

The operation of various businesses conducted by the Group requires authorisations from various national and local government agencies. Obtaining necessary consents, permits, licences, authorisations and certifications can be a complex, time-consuming process, and the Group cannot guarantee that it will be able to obtain all such authorisations required for the operation of its various businesses in a timely manner or at all. Failure to obtain, renew or maintain such required authorisations or any disputes in connection with previously obtained authorisations could result in the suspension or termination of the Group's operations or the imposition of material fines, penalties, liabilities and other costs and expenses that could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, the Group's counterparties may require that the Group maintains certain quality and safety certifications, or meets certain quality and safety targets, during the term of a contract. Failure on the Group's part to obtain and maintain these certifications or meet these targets may result in the early termination of the respective contract or in the Group's failure to be considered for future contracts, either of which could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

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

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

### ***The Group is exposed to uncertain decommissioning costs***

In addition to the risks associated with the Group's upstream operations during the life of oil, gas, and storage fields, the Group incurs liabilities and costs associated with the decommissioning of such fields at the end of their lives. The Group's estimates of the cost of decommissioning are reviewed periodically and for producing fields are based on proven and probable reserves, price levels and decommissioning technology at the relevant balance sheet date. For storage assets, the estimated cost of decommissioning is based on the general economic performance of each asset, including price levels and decommissioning technology at the relevant balance sheet date. As at 31 December 2014, the Group's decommissioning provision was £2,992 million. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, which are also uncertain.

The decommissioning of such fields is also regulated by law and may require the owners of installations and pipelines to provide security or enter into decommissioning security agreements. Changes in law imposed by the Energy Act 2008 may result in increased decommissioning liabilities since the Secretary of State is now entitled to make all relevant parties (which may include former owners of such assets) liable for the decommissioning of an installation or pipeline and may require financial information and decommissioning security at any time during the life of an oil or gas field. This could result in increased costs for owners of installations and pipelines. Decommissioning costs could exceed the Group's estimated costs and the Group may be required to provide greater security for decommissioning costs than expected, which could have a material adverse effect on its business, results of operations and overall financial condition.

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

### ***The Group may fail to execute change programmes and business restructuring***

The successful delivery of business change is fundamental to the Group's future success, and includes organisational, cultural and technical transformation. As the Group grows, assets, investments and organisational structures are regularly reviewed to ensure that activities are organised in an effective and efficient way, to keep the Group's cost base as low as possible in order to offer the customer base competitive prices and products.

In February 2015, the Group announced that it was launching a strategic review covering: (i) outlook and sources of growth; (ii) portfolio mix and capital intensity; (iii) operating capability and efficiency; and (iv) the Group's financial framework. This review is expected to be concluded by 30 July 2015 and, accordingly, the impact of this review on the Group's strategic priorities is not yet known as at the date of this Prospectus.

With changes to the Group's structure, there is also a risk that attracting and retaining employees in key roles across the business becomes more challenging, employee engagement decreases and industrial relations could worsen. This primarily affects areas of the operational work force in upstream activities, the engineers in British Gas and the staff in Direct Energy Services, and could also be triggered by changes to terms and conditions, changes to pension, and as a response to a wider climate of trade union unrest.

Furthermore, through acquisition activity there is a risk that the Group will not effectively integrate purchased assets to achieve expected synergies, continue to improve customer service and engage in new markets. The delivery of certain large change programmes, including those that may result from the 2015 strategic review, is technically complex. Trying to deliver too much change could result in a stretch on resources, undermine system integrity, threaten business continuity, cost more than originally planned, not be or become commercially viable or take longer than estimated to implement. Change programmes could also suffer from

quality and safety issues, and planned synergies, cost savings, value creation or other benefits may not be realised to the extent or in the timescales proposed (or, indeed, at all) and individual products may not be as widely accepted as anticipated.

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

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

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

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due.

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

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

The Group benefits from its strong credit rating (long-term debt: Baa1 stable outlook (Moody's), A- negative outlook (Standard & Poor's), A- stable outlook (Fitch); short-term debt: P-2 stable outlook (Moody's), A-2 negative outlook (Standard & Poor's), F2 stable outlook (Fitch). Moody's confirmed Centrica's ratings on 19 March 2015, Standard & Poor's confirmed Centrica's ratings on 26 August 2014 and Fitch confirmed Centrica's ratings on 15 December 2014. Any deterioration in the Group's credit ratings may increase its costs of funding or otherwise affect its ability to obtain credit from counterparties. The Group may also need to increase its levels of margin or other security in its wholesale commodity contracts or face limits on its ability to trade in commodity markets and to implement its hedging strategy. The Group would also need to increase its security for decommissioning of assets. Any of these factors could have a material adverse effect on the Group's business, results of operations and overall financial condition.

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

The Group maintains a variety of pension schemes, including defined benefit schemes. The aim of the Company and pension scheme trustees (as set out in each scheme's Statement of Funding Principles) is to meet the defined benefit liabilities with a portfolio of investments. The associated risks therefore relate to interest rates, inflation, returns on assets and the longevity of scheme members; the mismatch between asset and liability value movements is a consequence of targeting higher returns than those available from assets effectively matching the liabilities. The defined benefit schemes' investment portfolios contain a high

proportion of assets that are expected to provide a better return in the long term than alternative investments such as bonds; however, in the short term, the difference between the value of liabilities and assets may vary significantly, potentially resulting in a deficit having to be recognised on the Group's balance sheet, alongside an increase in the P&L expense and the funding requirements (cash and possibly contingent assets). The current business environment, with changing long-term interest and inflation rates, long-term gilt yields, corporate bond yields, equity values and credit spreads could also potentially result in a large deficit having to be recognised. A material weakening of the Group's credit rating could result in higher pension contributions. Furthermore, a quicker than expected increase in life expectancy and/or employee pensionable salaries increasing above the rates assumed in the previous scheme valuation could be expected to increase the defined benefit liabilities. Further changes in the accounting standards relating to defined benefit pension liabilities could also lead to increasing deficits arising in the Group's pension schemes. The pension schemes in the UK are subject to triennial actuarial valuations – the next being due this year based on assumptions as at 31 March 2015. If these valuations identify that the pension schemes are in deficit, this could, subject to agreement between the Company and the pension scheme trustees, result in additional deficit repair contributions being required, further changes to members' benefits (such as the cap on increases in pensionable pay) or possibly the Group offering more contingent assets or asset backed contributions as further security. Any requirement to make significant immediate cash contributions into one or more of the Group's defined benefit schemes to cover any such deficits could have a material adverse effect on the Group's business, results of operations, and overall financial condition.

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

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

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

***The Group is exposed to currency fluctuations***

The Group has operational exposure in U.S. and Canadian dollars, Norwegian Krone, euros and Trinidadian dollars. Operational and capital expenditure cash flows may also be in currencies other than Sterling, the Group's reporting currency. The Group's profitability may be adversely affected if the results and cash flows associated with these international operations fall or cash outflows rise because of currency fluctuations against Sterling.

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

***The Group is exposed to interest rate fluctuations***

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

**Risks related to the Notes generally**

***The Notes are long-term notes and holders have no right to call***

Unless previously redeemed or purchased or cancelled, the Notes will be redeemed on the relevant Maturity Date, and the Issuer is under no obligation to redeem the Notes at any time prior to such date. Holders have no right to call the Notes for their redemption. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an extended period.

***The Notes will be subject to optional redemption by the Issuer including upon the occurrence of certain events***

The Notes of each Series will be redeemable, at the option of the Issuer, in whole but not in part on the First Call Date or any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

In addition, upon the occurrence of a Rating Methodology Event, a Change of Control Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event (each as defined in the relevant Conditions and as more fully described in Condition 6 of the relevant Notes), the Issuer shall have the option to redeem, in whole but not in part, the relevant Notes at the prices set out therein, in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. In the case of a Change of Control Event, in the event that the Issuer does not elect to redeem the relevant Notes, the then prevailing Interest Rate (as defined in the relevant Conditions), and each subsequent Interest Rate otherwise determined in accordance with Condition 4 of the relevant Notes, on the relevant Notes shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

Furthermore, if a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event occurs, then, subject to the provisions of Conditions 7 and 8 of the relevant Notes, the Issuer may at any time, instead of giving notice to redeem the relevant Notes, substitute all, but not some only, of the relevant Notes for, or vary the terms of the relevant Notes so that they remain or become, as the case may be, Qualifying Notes.

During any period when the Issuer may elect to redeem the relevant Notes, the market value of the relevant Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the relevant Notes when its cost of borrowing is lower than the interest payable on them. 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 payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on each Series of Notes will reset on the First Call Date and on every Reset Date thereafter, which can be expected to affect the interest payment on the relevant Notes and the market value of the Notes.

Although each Series of Notes will earn interest at a fixed rate until (but excluding) the relevant First Call Date, the current market interest rate on the capital markets (the “**market interest rate**”) typically changes on a daily basis. Since the initial fixed rate of interest for each Series of Notes will be reset on the First Call Date (as set out in the relevant Conditions) and on each subsequent Reset Date, the interest payment on each Series of Notes will also change. Holders of each Series of Notes (respectively, the “**Holders**”) should be aware that movements in these market interest rates can adversely affect the price of the Notes and can lead to losses for the Holders if they sell the relevant Notes.

Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Notes.

***Integral multiples of less than the specified denomination***

The denominations of the Euro Notes are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. The denominations of the Sterling Notes are £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. Therefore, it is possible that the Notes may be traded in amounts in excess of €100,000 or, as the case may be, £100,000, that are not integral multiples of €100,000 or, as the case may be, £100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 or, as the case may be, £100,000, will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations. If definitive Notes are issued, Holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 or, as the case may be, £100,000, may be illiquid and difficult to trade.

***The Issuer’s obligations under the Notes are subordinated***

The Issuer’s obligations under the relevant Notes will be direct, unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the relevant Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the relevant Trust Deed) and (y) do not provide that the relevant Notes shall thereby become redeemable or repayable in accordance with the relevant Conditions) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders will rank (i) junior to the claims of holders of all Senior Obligations, (ii) *pari passu* with the claims of holders of all Parity Obligations and (iii) in priority to the claims of holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital. See “*Terms and Conditions of the Euro Notes—Status*”, “*Terms and Conditions of the Euro Notes—Subordination*”, “*Terms and Conditions of the Sterling Notes—Status*” and “*Terms and Conditions of the Sterling Notes—Subordination*”.

By virtue of such subordination, payments to a Holder will, in the events described in the relevant Conditions, only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A

Holder may, therefore, recover less than the holders of unsubordinated or other prior ranking subordinated liabilities of the Issuer. Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date. The incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up or administration of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Notes. Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Note or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt notes, such as the Notes, may pay a higher rate of interest than comparable debt notes which are not subordinated, there is a real risk that an investor in subordinated notes such as the Notes will lose all or some of his investment should the Issuer become insolvent.

***The Issuer has the right to defer interest payments on the Notes***

The Issuer may, at its discretion, elect to defer any interest payable on the Notes on any Interest Payment Date. See “*Terms and Conditions of the Euro Notes—Optional Interest Deferral*” and “*Terms and Conditions of the Sterling Notes—Optional Interest Deferral*”. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the relevant Notes or on certain instruments ranking *pari passu* with the relevant Notes and, in such event, the Holders are not entitled to claim immediate payment of the interest so deferred. Any such deferral of interest payment shall not constitute a default for any purpose unless such payment is mandatorily required in accordance with Condition 5(b) of the relevant Notes.

Any deferral of interest payments will likely have an adverse effect on the market price of the relevant Notes. In addition, as a result of the interest deferral provisions of the Notes, the market price of the relevant Notes may be more volatile than the market prices of other debt notes on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s financial condition.

***Limited Remedies***

There is no obligation on the Issuer to repay principal prior to the relevant Maturity Date. In addition, payments of interest on the Notes may be deferred in accordance with Condition 5(a) of the relevant Notes and interest will not therefore be due other than in the limited circumstances described in Condition 5(b) of the relevant Notes. The only enforcement events in the Conditions are: (a) if a default is made by the Issuer for a period of 14 days or more in the payment of any principal (or premium) due on the relevant Notes or 21 days or more in the payment of any interest due on the relevant Notes; or (b) if an order is made or an effective resolution passed for the winding-up of the Issuer. Therefore, it will only be possible for the Holders to enforce claims for payment of principal or interest of the relevant Notes when the same are due.

In addition, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of Holders will be subordinated to the claims of holders of all Senior Obligations as further described in Condition 3(a) of the relevant Notes. Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration proceedings before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration proceedings.

### ***Modification, waivers and substitution***

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

The quorum at any such meeting for passing an Extraordinary Resolution (as defined in the Trust Deed) is two or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders, whatever the principal amount of the Notes so held or represented. The Holder of a Permanent Global Note will be treated at a meeting of Holders as being two persons for the purpose of any quorum requirement and as having one vote in respect of each £1,000 in principal amount of the Sterling Notes or, as the case may be, €1,000 in principal amount of the Euro Notes, for which the relevant Permanent Global Note may be exchanged.

The relevant Conditions and the Trust Deeds in respect of the relevant Notes will also provide that the Trustee may, without the consent of the relevant Holders or Couponholders, agree to (i) any modification of the relevant provisions of the Notes, the Coupons, the relevant Conditions or of the relevant Trust Deed or the Paying Agency Agreement in respect of the relevant Notes which is in each case, in the opinion of the Trustee, not materially prejudicial to the interests of Holders or Couponholders (provided that the Trustee's power to agree such modification shall not extend to any provision entitling the relevant Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 11 of the relevant Notes, which, for the avoidance of doubt may only be sanctioned by holders of the relevant Notes by means of an Extraordinary Resolution) or is of a formal, minor or technical nature or is made to correct a manifest error, (ii) any waiver or authorisation of any breach or proposed breach by the Issuer of any of the relevant provisions of the Notes, the Coupons, the relevant Conditions or of the provisions of the relevant Trust Deed or the Paying Agency Agreement in respect of the relevant Notes which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant Holders, (iii) the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of the relevant Notes of certain other entities in place of the Issuer (or any previous Substituted Obligor (as defined in Condition 14 of the relevant Notes)) as a new principal debtor under the relevant Trust Deed and the relevant Notes, Coupons and Talons or (iv) either (a) substitute all, but not some only, of the relevant Notes for, or (b) vary the terms of the relevant Notes with the effect that they remain or become, as the case may be, Qualifying Notes, in each case in accordance with Condition 7 of the relevant Notes, upon the occurrence of a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event and subject to the receipt by the Trustee of the certificate of two authorised signatories of the Issuer referred to in Condition 8 of the relevant Notes.

### ***EU Directive on the Taxation of Savings Directive***

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (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) unless during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be

reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

#### ***FATCA Withholding***

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “ICSDs”), in all but the most remote circumstances, it is not expected that FATCA (as defined in “*Taxation—FATCA Withholding*”) will affect the amount of any payment received by the ICSDs (see “*Taxation—FATCA Withholding*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. However, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an “IGA”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make with respect to notes such as the Notes. Please see “*Taxation—FATCA Withholding*” for more information on this legislation.

### ***Change of law***

The Terms and Conditions of the Notes of each Series are based on English law, in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

### **Risks related to the market generally**

#### ***The secondary market generally***

Although application will be made to admit the Notes to trading on the Market, the Notes 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 Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of notes generally would have a more limited secondary market and more price volatility than conventional debt notes. Illiquidity may have a severely adverse effect on the market value of the Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Euro Notes in euro and the Sterling Notes in sterling. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than euro or, as the case may be, sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or, as the case may be, sterling 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 euro or, as the case may be, sterling would decrease (1) the Investor's Currency equivalent yield on the relevant Notes, (2) the Investor's Currency equivalent value of the principal payable on the relevant Notes and (3) the Investor's Currency equivalent market value of the relevant Notes.

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 the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Notes. Fluctuations in interest rates can affect the market values of, and corresponding levels of capital gains or losses on, fixed rate notes. During periods of rising interest rates, the prices of fixed rate notes, such as the Notes, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Notes involves the risk that changes in market interest rates may adversely affect the value of the Notes.

The Notes bear interest which will be reset periodically pursuant to and in accordance with the relevant Conditions. The relevant reset interest rate may be different from the previous interest rate on the relevant Notes and may adversely affect the yield of the relevant Notes.

#### ***Credit ratings may not reflect all risks***

The credit ratings assigned to the Notes 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 relevant Notes. A

credit rating is not a recommendation to buy, sell or hold notes and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The Notes of each Series are expected to be rated Baa3 by Moody’s and BBB by S&P (each a “**Rating Agency**”). As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such, each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

## TERMS AND CONDITIONS OF THE EURO NOTES

*The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the Euro Notes which will be endorsed on each Euro Note in definitive form (if issued).*

The issue of the €750,000,000 Subordinated Resetable Fixed Rate Notes due 2076 (the “**Notes**”, which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 18 and forming a single series with the Notes) of Centrica plc (the “**Issuer**”) was authorised by resolutions of the board of directors of the Issuer (the “**Board of Directors**”) passed on 16 March 2015. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated 10 April 2015 between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “**Holder**s”). These terms and conditions (as amended from time to time) (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes and of the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”)) and the Talons appertaining to Notes in definitive form. Copies of (a) the Trust Deed; and (b) the paying agency agreement (the “**Paying Agency Agreement**”) dated 10 April 2015 relating to the Notes between the Issuer, Citibank N.A., London Branch as the initial principal paying agent and agent bank (the “**Principal Paying Agent**” and the “**Agent Bank**”, respectively, which expressions shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the relevant Notes) (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 applicable to them of the Paying Agency Agreement.

### 1 Form, Denomination and Title

#### (a) *Form and Denomination*

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

#### (b) *Title*

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

### 2 Status

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and the Couponholders are subordinated as described in Condition 3.

### 3 Subordination

#### (a) *General*

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Note and Coupon, such amounts, if any, as would have been payable to the Holder of such Note and Coupon if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or such administration, as the case may be, was an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest.

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

*Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration. See “Risk Factors – Risks related to the Notes generally – Limited Remedies”.*

#### (b) *Set-off*

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



## 4 Interest Payments

### (a) *Interest Rate*

The Notes bear interest on their principal amount at the applicable Interest Rate from (and including) 10 April 2015 (the “**Issue Date**”) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Notes annually in arrear on each Interest Payment Date as provided in this Condition 4.

### (b) *Interest Accrual*

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

Save as provided in Condition 4(c), where it is necessary to calculate an amount of interest in respect of any Note for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Where it is necessary to calculate an amount of interest in respect of any Note for a period of more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Note shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day count fraction as described in this Condition 4(b) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Note without any further rounding.

### (c) *First Fixed Interest Rate*

For each Interest Period ending on or before the First Call Date, the Notes bear interest at the rate of 3.000 per cent. per annum (the “**First Fixed Interest Rate**”), payable annually in arrear on the Interest Payment Date in each year.

### (d) *Subsequent Fixed Interest Rates*

For each Interest Period which commences on or after the First Call Date, the Notes bear interest at the relevant Subsequent Fixed Interest Rate. Such interest shall be payable annually in arrear on the Interest Payment Date in each year until (and including) the Maturity Date and shall be calculated, subject to Condition 4(i) below, as follows:

“**Subsequent Fixed Interest Rate**” = 5 year Swap Rate + Margin

all as determined by the Agent Bank and where,

“**5 year Swap Rate**” means the annual mid-swap rate as displayed on Reuters screen “ISDAFIX2” as at 11:00 a.m. (Central European time) (the “**Reset Screen Page**”) on the day falling two Business Days prior to the first day of the relevant Reset Period (the “**Reset Interest Determination Date**”);

In the event that the 5 year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the “**Reset Reference Banks**”) to the Agent Bank at approximately 11:00 a.m. (Central European time) on such Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, 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);

The “**5 year Swap Rate Quotations**” means, in respect of each Interest Period falling within a Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis) and;

“**Margin**” means in respect of (i) the Reset Period ending on (but excluding) 10 April 2026, 2.687 per cent.; (ii) each Reset Period which falls in the period commencing on (and including) 10 April 2026 and ending on (but excluding) 10 April 2041, 2.937 per cent.; and (iii) each Reset Period which falls in the period from (and including) 10 April 2041 to (but excluding) the Maturity Date, 3.687 per cent.

If on any Reset Interest Determination Date only one or none of the Reset Reference Banks provides the Agent Bank with 5 year Swap Rate Quotations as provided in the foregoing provisions of this paragraph, the Subsequent Fixed Interest Rate shall be determined to be the Interest Rate as at the last preceding Reset Date or, in the case of the first Reset Interest Determination Date, the First Fixed Interest Rate.

The Subsequent Fixed Interest Rate shall be determined as provided above in respect of each Reset Period and, as so determined, such rate shall apply to each Interest Period falling within that Reset Period.

For the purposes of this Condition 4(d), the Agent Bank shall not verify and shall not be responsible to the Issuer or to any third party as a result of the Agent Bank having relied upon or acted on any quotation or information given to it for the purposes of calculating the Subsequent Fixed Interest Rate or the Reset Reference Bank Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

**(e) Determination of Subsequent Fixed Interest Rates**

The Agent Bank will, as soon as practicable after 11:00 a.m. (Central European time) on each Reset Interest Determination Date, determine the Subsequent Fixed Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

**(f) *Publication of Subsequent Fixed Interest Rates***

The Issuer shall cause notice of each Subsequent Fixed Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period to be given to the Trustee, the Paying Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

**(g) *Agent Bank and Reset Reference Banks***

With effect from the First Call Date, the Issuer will maintain an Agent Bank and five Reset Reference Banks where the Interest Rate is to be calculated by reference to them. The initial specified office of the Agent Bank is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine a Subsequent Fixed Interest Rate in respect of any Interest Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(h) *Determinations of Agent Bank Binding***

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

**(i) *Step-up after Change of Control Event***

Notwithstanding any other provision of this Condition 4, if the Issuer does not elect to redeem the Notes in accordance with Condition 6(f) following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4, on the Notes shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

## **5 Optional Interest Deferral**

**(a) *Deferral of Payments***

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default or any other breach of its obligations under the Notes or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such

effect given by the Issuer to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b).

**(b) *Mandatory Settlement***

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

## **6 Redemption**

**(a) *Final Redemption***

Unless previously redeemed or purchased and cancelled as provided in this Condition 6, the Notes will be redeemed on the Maturity Date at their principal amount together with any interest accrued up to (but excluding) the Maturity Date and any outstanding Arrears of Interest.

The Notes may not be redeemed at the option of the Issuer otherwise than in accordance with this Condition 6.

**(b) *Issuer’s Call Option***

The Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(c) *Redemption for Certain Taxation Reasons***

If, immediately prior to the giving of the notice referred to below, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions at any time all, but not some only, of the Notes at (i) 101 per cent. of their principal amount (in the case of a Tax Deductibility Event where such redemption occurs prior to the First Call Date) or (ii) their principal amount (in the case of a Tax Deductibility Event where such redemption occurs on or after the First Call Date or in the case of a

Withholding Tax Event where such redemption occurs at any time), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(d) *Redemption for Rating Reasons***

If, immediately prior to the giving of the notice referred to below, a Rating Methodology Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 per cent. of their principal amount (where such redemption occurs prior to the First Call Date) or (ii) their principal amount (where such redemption occurs on or after the First Call Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(e) *Redemption for Substantial Repurchase Event***

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(f) *Redemption for Change of Control Event***

If, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

## **7 Substitution or Variation**

If a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event (each a “**Substitution or Variation Event**”) has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (a) substitute all, but not some only, of the Notes for, or (b) vary the terms of the Notes with the effect that they remain or become (as the case may be), Qualifying Notes, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

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

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

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

Any such substitution or variation in accordance with the foregoing provisions shall only be permitted if it does not give rise to any other Substitution or Variation Event with respect to the Qualifying Notes.

In these Conditions, “**Qualifying Notes**” means securities that:

- (a) are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of such obligations by the Issuer;
- (b) rank and (save in the case of a direct issue by the Issuer) benefit from a guarantee that ranks in relation to the obligations of the Issuer under such securities and/or such guarantee (as the case may be), equally with the Notes and *pari passu* in a winding-up or liquidation of the Issuer with any Parity Obligations of the Issuer;
- (c) contain terms not materially less favourable to Holders than the terms of the Notes (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and which:
  - (i) provide for the same or a more favourable Interest Rate from time to time as applied to the Notes immediately prior to such substitution or variation and preserve the same Interest Payment Dates;
  - (ii) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to principal and as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption;
  - (iii) preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest Payments, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid;
  - (iv) do not contain terms providing for the mandatory deferral of payments of interest and/or principal; and
  - (v) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (d) are (i) listed on the Official List and admitted to trading on the London Stock Exchange plc's Regulated Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer.

For the purposes of the definition of Qualifying Notes:

“**Official List**” means the Official List of the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000; and

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

## **8 Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee signed by two authorised signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate shall also include further certifications that the criteria specified in paragraphs (a) to (d) of the definition of Qualifying Notes will be satisfied by the Qualifying Notes upon issue and that such determinations were reached by the Issuer in consultation with an independent investment bank or counsel of international standing. The Trustee may rely absolutely upon and shall be entitled to accept such directors’ certificate without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Notes in accordance with Condition 6(b), 6(c), 6(d), 6(e) or 6(f) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

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

## **9 Purchases and Cancellation**

### **(a) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders or otherwise exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for voting on any Extraordinary Resolution or for the purposes of Condition 14.

### **(b) Cancellation**

All Notes redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Notes purchased by the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons) to the Principal Paying Agent. Notes so surrendered shall be cancelled forthwith

(together with all unmatured Coupons and unexchanged Talons attached). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **10 Payments**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Notes or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Notes. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.
- (ii) Each Note should be presented for redemption together with all unmatured Coupons relating to it in respect of the Interest Periods which fall prior to the First Call Date, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than five years after the due date for the relevant payment of principal.
- (iii) Upon the due date for redemption of any Note, unmatured Coupons relating to such Note in respect of any Interest Period commencing on or after the First Call Date (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Notes, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

### **(b) Payments Subject to Fiscal Laws**

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

### **(c) Payments on Business Days**

A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, on a day which is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, “business day” means a day on which commercial banks and foreign exchange markets are open in the relevant city.



## 11 Event of Default

### (a) *Proceedings*

If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or 21 days or more in the payment of any interest, in each case in respect of the Notes and which is due (an “**Event of Default**”), then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee at its sole discretion may, notwithstanding the provisions of Condition 11(b) but subject to Condition 11(c), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, for such payment and give notice to the Issuer that the Notes are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest.

### (b) *Enforcement*

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

### (c) *Entitlement of Trustee*

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

### (d) *Right of Holders*

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

### (e) *Extent of Holders’ remedy*

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

## 12 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as shall

be necessary in order that the net amounts received by the Holders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in the United Kingdom; or
- (b) the Holder or Couponholder of which is liable for such Taxes in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than a mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder thereof would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a Holder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union or making any other claim or filing for exemption to which it is entitled to the relevant tax authority or Paying Agent.

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

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and the Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

### **13 Prescription**

Claims in respect of Notes and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and (subject to Condition 10(a)(ii)) five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

## 14 Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of the Notes, the Coupons, these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented.

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

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

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee and the Issuer may agree, without the consent of the Holders or Couponholders, to any modification of the provisions of the Notes, the Coupons, these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is in each case, in the opinion of the Trustee, not materially prejudicial to the interests of Holders or Couponholders (provided that the Trustee's power to agree such modification shall not extend to any provision entitling the Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 11, which for the avoidance of doubt may only be sanctioned by Holders of the Notes by means of an Extraordinary Resolution) or is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 17 as soon as practicable thereafter. The Trustee may also agree to any waiver or authorisation of any breach or proposed breach by the Issuer of any of the provisions of the Notes, the Coupons, these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. Any such authorisation or waiver shall be binding on the Holders and the Couponholders and such modification shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Holders, may agree, without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of certain other entities (and such entity, a "**Substituted Obligor**") in place of the Issuer (or any previous Substituted Obligor under this Condition) as principal debtor under the Trust Deed, the Notes and the Coupons. Any such substitution shall be binding on the Holders and the Couponholders and, unless the Trustee agrees otherwise,

any such substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 17.

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

## **15 Replacement of the Notes, Coupons and Talons**

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, 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 Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

## **16 Indemnification of the Trustee and its Contracting with the Issuer**

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

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

## **17 Notices**

All notices will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of the London Stock Exchange or on such other stock exchange on which the Notes are for the time

being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

## **18 Further Issues**

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any such Notes shall be constituted by a deed supplemental to the Trust Deed.

## **19 Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that it will:

- (a) at all times maintain a Principal Paying Agent;
- (b) at all times maintain Paying Agents having specified offices in at least one major European city approved by the Trustee;
- (c) whenever a function expressed in these Conditions to be performed by the Agent Bank or by the Reset Reference Banks falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank and/or, as appropriate, Reset Reference Banks; and
- (d) at all times maintain a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17. If any of the Agent Bank or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Holders and the Couponholders.

## **20 Governing Law**

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

## **21 Contracts (Rights of Third Parties) Act 1999**

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

## 22 Definitions

In these Conditions:

“**Additional Amounts**” has the meaning given to it in Condition 12;

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

“**Agents**” means the Principal Paying Agent, the Agent Bank and the Paying Agents or any of them;

“**Arrears of Interest**” has the meaning given to it in Condition 5(a);

“**authorised signatory**” means a director, company secretary, or any other person authorised by the board of directors of the Issuer to provide certificates in relation to the Notes;

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

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

a “**Change of Control Event**” shall be deemed to occur if:

- (a) a Change of Control occurs; and
- (b) on the date (the “**Relevant Announcement Date**”) that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), any of the Issuer’s senior unsecured obligations (the “**Senior Unsecured Obligations**”) carry from any Rating Agency:
  - (i) an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
  - (ii) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
  - (iii) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Senior Unsecured Obligations, provided that, if on the Relevant Announcement Date the Senior Unsecured Obligations carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (i) will apply; and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

For the purposes of the definition of a Change of Control Event:

a “**Change of Control**” means the occurrence of an event whereby any person (being an individual, partnership, company, corporation, unincorporated organisation, trust or joint venture, or any governmental

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

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

a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (a) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of (i) ordinary shares of the Issuer, (ii) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (A) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any employees’ stock option plans or share schemes of the Issuer or (B) the Issuer is obliged under the terms of such securities to make such dividend, distribution or other payment; or
- (b) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations of the Issuer, except where such dividend, distribution or payment was required to be declared, paid or made under the terms of such Parity Obligations of the Issuer; or
- (c) the Issuer has redeemed, repurchased or otherwise acquired (i) any ordinary shares of the Issuer, (ii) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (A) such repurchase or acquisition was undertaken in respect of any employees’ stock option plans or share schemes of the Issuer or (B) the Issuer is obliged under the terms of such securities to make such repurchase or acquisition; or
- (d) the Issuer, or any Subsidiary of the Issuer, has redeemed, repurchased or otherwise acquired any Parity Obligations of the Issuer, except where (i) such redemption, repurchase or acquisition is effected as a public cash tender offer or public exchange offer at a purchase price per security which is below its par value or (ii) the Issuer, or any Subsidiary of the Issuer, is obliged under the terms of such securities to make such redemption, repurchase or acquisition;

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

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

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

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

“**euro**” or “**€**” means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

“**First Call Date**” means 10 April 2021;

“**First Fixed Interest Rate**” has the meaning given to it in Condition 4(c);

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

“**IFRS**” means International Financial Reporting Standards as adopted by the EU;

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

“**Interest Payment Date**” means 10 April in each year, commencing on (and including) 10 April 2016;

“**Interest Period**” means the period beginning on (and including) the Issue 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 Rate**” means the First Fixed Interest Rate and/or each Subsequent Fixed Interest Rate, as the case may be;

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

“**Issuer**” means Centrica plc;

“**Mandatory Settlement Date**” means the earlier of:

- (a) the date on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (b) the date on which the Notes are redeemed or repaid in accordance with Condition 3, Condition 6 or Condition 11;

“**Maturity Date**” means 10 April 2076;

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

“**Parity Obligations**” means (if any) (a) the most junior class of preference share capital in the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Notes or such preference shares and (b) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the Notes or such preference shares;

*For the avoidance of doubt, Parity Obligations include the Issuer’s £450,000,000 Subordinated Resettable Fixed Rate Notes due 2075 (ISIN: XS1216019585)*

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

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

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

“**Qualifying Notes**” has the meaning given to it in Condition 7;



**“Rating Agency”** means Standard & Poor’s Rating 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 any of them (or any permitted substitute of them) by the Issuer from time to time;

a **“Rating Methodology Event”** shall be deemed to occur if the Issuer has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency of a change in its assessment criteria which becomes effective on or after 8 April 2015 (or, if later, effective after the date on which the Notes are assigned “equity credit” by a Rating Agency for the first time) (due to a change in the rating previously assigned to the Issuer or otherwise) and as a result of which, but not otherwise, the Notes will no longer be eligible for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Notes at the Issue Date (or if “equity credit” is not assigned to the Notes by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

**“Relevant Date”** means (a) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, the Relevant Date means the date on which the full amount of such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17, and (b) in respect of a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

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

**“Reset Date”** means the First Call Date and each date falling on the fifth anniversary of the First Call Date;

**“Reset Interest Determination Date”** has the meaning given to it in Condition 4(d);

**“Reset Period”** means the period from one Reset Date to (but excluding) the next following Reset Date;

**“Reset Reference Banks”** has the meaning given to it in Condition 4(d);

**“Senior Obligations”** means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Obligations and the ordinary share capital of the Issuer;

**“Special Event”** means any of a Rating Methodology Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

**“Subsequent Fixed Interest Rate”** has the meaning given to it in Condition 4(d);

**“Subsidiary”** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

a **“Substantial Repurchase Event”** shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer repurchases (and effects corresponding cancellations) or redeems Notes in respect of 80 per cent. or more in the principal amount of the Notes initially issued (which shall for this purpose include any further Notes issued pursuant to Condition 18);

“**Substitution or Variation Event**” has the meaning given to it in Condition 7;

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

a “**Tax Deductibility Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or
- (b) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 8 April 2015 or any similar system or systems having like effect as may from time to time exist),

and, in each case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it;

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

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published or accepted interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 8 April 2015;

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

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

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Notes, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

*Unless (a) the rating assigned by Standard & Poor’s to the Issuer is at least “A-” (or such similar nomenclature then used by Standard & Poor’s) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or (b) the Notes are not assigned an “equity credit” (or such similar nomenclature then used by Standard & Poor’s), at the time of such redemption or repurchase; or (c) in the case of a repurchase, such repurchase is in an amount necessary to allow the Issuer’s aggregate principal amount of hybrid capital remaining outstanding after such repurchase to remain below the maximum aggregate principal amount of hybrid capital to which Standard & Poor’s would assign equity content under its prevailing methodology, the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the Notes to but excluding the Reset Date falling on 10 April 2041, in the event of:*

- (i) *an early redemption of the Notes pursuant to Conditions 6(b) or 6(f); or*

- (ii) a repurchase of the Notes of more than (a) 10 per cent. of the aggregate principal amount of the relevant Notes originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the relevant Notes originally issued in any period of 10 consecutive years,

*to redeem or repurchase such Notes only to the extent that such part of the aggregate principal amount of the relevant Notes to be redeemed or repurchased as was characterised as equity by Standard & Poor's at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Notes) does not exceed such part of the net proceeds which is received by the Issuer or any subsidiary of the Issuer during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or any subsidiary of the Issuer to third party purchasers (other than subsidiaries of the Issuer) of securities as is characterised by Standard & Poor's, at the time of sale or issuance, as equity.*

## TERMS AND CONDITIONS OF THE STERLING NOTES

*The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the Sterling Notes which will be endorsed on each Sterling Note in definitive form (if issued).*

The issue of the £450,000,000 Subordinated Resettable Fixed Rate Notes due 2075 (the “**Notes**”, which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 18 and forming a single series with the Notes) of Centrica plc (the “**Issuer**”) was authorised by resolutions of the board of directors of the Issuer (the “**Board of Directors**”) passed on 16 March 2015. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated 10 April 2015 between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “**Holder**s”). These terms and conditions (as amended from time to time) (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes and of the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”)) and the Talons appertaining to Notes in definitive form. Copies of (a) the Trust Deed; and (b) the paying agency agreement (the “**Paying Agency Agreement**”) dated 10 April 2015 relating to the Notes between the Issuer, Citibank N.A., London Branch as the initial principal paying agent and agent bank (the “**Principal Paying Agent**” and the “**Agent Bank**”, respectively, which expressions shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the relevant Notes) (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 applicable to them of the Paying Agency Agreement.

### 1 Form, Denomination and Title

#### (a) *Form and Denomination*

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

#### (b) *Title*

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

### 2 Status

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and the Couponholders are subordinated as described in Condition 3.

### 3 Subordination

#### (a) General

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Note and Coupon, such amounts, if any, as would have been payable to the Holder of such Note and Coupon if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or such administration, as the case may be, was an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest.

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

*Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration. See “Risk Factors – Risks related to the Notes generally – Limited Remedies”.*

#### (b) Set-off

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

## 4 Interest Payments

### (a) *Interest Rate*

The Notes bear interest on their principal amount at the applicable Interest Rate from (and including) 10 April 2015 (the “**Issue Date**”) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Notes semi-annually in arrear in equal instalments on 10 April and 10 October in each year (each an “**Interest Payment Date**”) as provided in this Condition 4.

### (b) *Interest Accrual*

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

Save as provided in Condition 4(c), where it is necessary to calculate an amount of interest in respect of any Note for a period which is shorter than a complete Interest Period, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the product of (1) the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date and (2) the number of Interest Periods normally ending in any year.

Where it is necessary to calculate an amount of interest in respect of any Note for a period of more than one Interest Period, such interest shall be the aggregate of the interest payable in respect of a full Interest Period plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Note shall be calculated per £1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day count fraction as described in this Condition 4(b) for the relevant period, rounding the resulting figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Note without any further rounding.

### (c) *First Fixed Interest Rate*

For each Interest Period ending on or before the First Call Date, the Notes bear interest at the rate of 5.250 per cent. per annum (the “**First Fixed Interest Rate**”), payable semi-annually in arrear in equal instalments on each Interest Payment Date.

### (d) *Subsequent Fixed Interest Rates*

For each Interest Period which commences on or after the First Call Date, the Notes bear interest at the relevant Subsequent Fixed Interest Rate. Such interest shall be payable semi-annually in arrear on the Interest Payment Dates in each year until (and including) the Maturity Date and shall be calculated, subject to Condition 4(i) below, as follows:

**“Subsequent Fixed Interest Rate”** = 5 year Swap Rate + Margin

all as determined by the Agent Bank and where,

**“5 year Swap Rate”** means the semi-annual mid-swap rate as displayed on Reuters screen **“ISDAFIX4”** as at 11:00 a.m. (London time) (the **“Reset Screen Page”**) on the first Business Day of the relevant Reset Period (the **“Reset Interest Determination Date”**);

In the event that the 5 year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

**“Reset Reference Bank Rate”** means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **“Reset Reference Banks”**) to the Agent Bank at approximately 11:00 a.m. (London time) on such Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, 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);

The **“5 year Swap Rate Quotations”** means, in respect of each Interest Period falling within a Reset Period, the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed-for-floating sterling interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis) and;

**“Margin”** means in respect of (i) each Reset Period which falls in the period commencing on (and including) the First Call Date and ending on (but excluding) 10 April 2045, 3.861 per cent.; and (ii) each Reset Period which falls in the period from (and including) 10 April 2045 to (but excluding) the Maturity Date, 4.611 per cent.

If on any Reset Interest Determination Date only one or none of the Reset Reference Banks provides the Agent Bank with 5 year Swap Rate Quotations as provided in the foregoing provisions of this paragraph, the Subsequent Fixed Interest Rate shall be determined to be the Interest Rate as at the last preceding Reset Date or, in the case of the first Reset Interest Determination Date, the First Fixed Interest Rate.

The Subsequent Fixed Interest Rate shall be determined as provided above in respect of each Reset Period and, as so determined, such rate shall apply to each Interest Period falling within that Reset Period.

For the purposes of this Condition 4(d), the Agent Bank shall not verify and shall not be responsible to the Issuer or to any third party as a result of the Agent Bank having relied upon or acted on any quotation or information given to it for the purposes of calculating the Subsequent Fixed Interest Rate or the Reset Reference Bank Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

**(e) Determination of Subsequent Fixed Interest Rates**

The Agent Bank will, as soon as practicable after 11:00 a.m. (London time) on each Reset Interest Determination Date, determine the Subsequent Fixed Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

**(f) *Publication of Subsequent Fixed Interest Rates***

The Issuer shall cause notice of each Subsequent Fixed Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period to be given to the Trustee, the Paying Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

**(g) *Agent Bank and Reset Reference Banks***

With effect from the First Call Date, the Issuer will maintain an Agent Bank and five Reset Reference Banks where the Interest Rate is to be calculated by reference to them. The initial specified office of the Agent Bank is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine a Subsequent Fixed Interest Rate in respect of any Interest Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(h) *Determinations of Agent Bank Binding***

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

**(i) *Step-up after Change of Control Event***

Notwithstanding any other provision of this Condition 4, if the Issuer does not elect to redeem the Notes in accordance with Condition 6(f) following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4, on the Notes shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

## **5 Optional Interest Deferral**

**(a) *Deferral of Payments***

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default or any other breach of its obligations under the Notes or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such



effect given by the Issuer to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b).

**(b) Mandatory Settlement**

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

## **6 Redemption**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided in this Condition 6, the Notes will be redeemed on the Maturity Date at their principal amount together with any interest accrued up to (but excluding) the Maturity Date and any outstanding Arrears of Interest.

The Notes may not be redeemed at the option of the Issuer otherwise than in accordance with this Condition 6.

**(b) Issuer’s Call Option**

The Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(c) Redemption for Certain Taxation Reasons**

If, immediately prior to the giving of the notice referred to below, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions at any time all, but not some only, of the Notes at (i) 101 per cent. of their principal amount (in the case of a Tax Deductibility Event where such redemption occurs prior to the First Call Date) or (ii) their principal amount (in the case of a Tax Deductibility Event where such redemption occurs on or after the First Call Date or in the case of a

Withholding Tax Event where such redemption occurs at any time), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(d) *Redemption for Rating Reasons***

If, immediately prior to the giving of the notice referred to below, a Rating Methodology Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 per cent. of their principal amount (where such redemption occurs prior to the First Call Date) or (ii) their principal amount (where such redemption occurs on or after the First Call Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(e) *Redemption for Substantial Repurchase Event***

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(f) *Redemption for Change of Control Event***

If, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

## **7 Substitution or Variation**

If a Rating Methodology Event, a Tax Deductibility Event or a Withholding Tax Event (each a "**Substitution or Variation Event**") has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (a) substitute all, but not some only, of the Notes for, or (b) vary the terms of the Notes with the effect that they remain or become (as the case may be), Qualifying Notes, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

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

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

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

Any such substitution or variation in accordance with the foregoing provisions shall only be permitted if it does not give rise to any other Substitution or Variation Event with respect to the Qualifying Notes.

In these Conditions, “**Qualifying Notes**” means securities that:

- (a) are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of such obligations by the Issuer;
- (b) rank and (save in the case of a direct issue by the Issuer) benefit from a guarantee that ranks in relation to the obligations of the Issuer under such securities and/or such guarantee (as the case may be), equally with the Notes and *pari passu* in a winding-up or liquidation of the Issuer with any Parity Obligations of the Issuer;
- (c) contain terms not materially less favourable to Holders than the terms of the Notes (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and which:
  - (i) provide for the same or a more favourable Interest Rate from time to time as applied to the Notes immediately prior to such substitution or variation and preserve the same Interest Payment Dates;
  - (ii) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to principal and as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption;
  - (iii) preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest Payments, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid;
  - (iv) do not contain terms providing for the mandatory deferral of payments of interest and/or principal; and
  - (v) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (d) are (i) listed on the Official List and admitted to trading on the London Stock Exchange plc's Regulated Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer.

For the purposes of the definition of Qualifying Notes:

“**Official List**” means the Official List of the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000; and

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

## **8 Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee signed by two authorised signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate shall also include further certifications that the criteria specified in paragraphs (a) to (d) of the definition of Qualifying Notes will be satisfied by the Qualifying Notes upon issue and that such determinations were reached by the Issuer in consultation with an independent investment bank or counsel of international standing. The Trustee may rely absolutely upon and shall be entitled to accept such directors’ certificate without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Notes in accordance with Condition 6(b), 6(c), 6(d), 6(e) or 6(f) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

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

## **9 Purchases and Cancellation**

### **(a) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders or otherwise exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for voting on any Extraordinary Resolution or for the purposes of Condition 14.

### **(b) Cancellation**

All Notes redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Notes purchased by the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons) to the Principal Paying Agent. Notes so surrendered shall be cancelled forthwith

(together with all unmatured Coupons and unexchanged Talons attached). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **10 Payments**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Notes or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Notes. Such payments will be made by transfer to a sterling account maintained by the payee with a bank in London.
- (ii) Each Note should be presented for redemption together with all unmatured Coupons relating to it in respect of the Interest Periods which fall prior to the First Call Date, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than five years after the due date for the relevant payment of principal.
- (iii) Upon the due date for redemption of any Note, unmatured Coupons relating to such Note in respect of any Interest Period commencing on or after the First Call Date (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Notes, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

### **(b) Payments Subject to Fiscal Laws**

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

### **(c) Payments on Business Days**

A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a sterling account, in London). No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, "business day" means a day on which commercial banks and foreign exchange markets are open in the relevant city.

## 11 Event of Default

### (a) *Proceedings*

If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or 21 days or more in the payment of any interest, in each case in respect of the Notes and which is due (an “**Event of Default**”), then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee at its sole discretion may, notwithstanding the provisions of Condition 11(b) but subject to Condition 11(c), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, for such payment and give notice to the Issuer that the Notes are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest.

### (b) *Enforcement*

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

### (c) *Entitlement of Trustee*

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

### (d) *Right of Holders*

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

### (e) *Extent of Holders’ remedy*

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

## 12 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as shall

be necessary in order that the net amounts received by the Holders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in the United Kingdom; or
- (b) the Holder or Couponholder of which is liable for such Taxes in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than a mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder thereof would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a Holder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union or making any other claim or filing for exemption to which it is entitled to the relevant tax authority or Paying Agent.

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

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and the Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

### **13 Prescription**

Claims in respect of Notes and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and (subject to Condition 10(a)(ii)) five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

## 14 Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of the Notes, the Coupons, these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented.

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

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

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee and the Issuer may agree, without the consent of the Holders or Couponholders, to any modification of the provisions of the Notes, the Coupons, these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is in each case, in the opinion of the Trustee, not materially prejudicial to the interests of Holders or Couponholders (provided that the Trustee's power to agree such modification shall not extend to any provision entitling the Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 11, which for the avoidance of doubt may only be sanctioned by Holders of the Notes by means of an Extraordinary Resolution) or is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 17 as soon as practicable thereafter. The Trustee may also agree to any waiver or authorisation of any breach or proposed breach by the Issuer of any of the provisions of the Notes, the Coupons, these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. Any such authorisation or waiver shall be binding on the Holders and the Couponholders and such modification shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Holders, may agree, without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of certain other entities (and such entity, a "**Substituted Obligor**") in place of the Issuer (or any previous Substituted Obligor under this Condition) as principal debtor under the Trust Deed, the Notes and the Coupons. Any such substitution shall be binding on the Holders and the Couponholders and, unless the Trustee agrees otherwise,



any such substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 17.

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

## **15 Replacement of the Notes, Coupons and Talons**

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, 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 Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

## **16 Indemnification of the Trustee and its Contracting with the Issuer**

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

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

## **17 Notices**

All notices will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of the London Stock Exchange or on such other stock exchange on which the Notes are for the time

being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

## **18 Further Issues**

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any such Notes shall be constituted by a deed supplemental to the Trust Deed.

## **19 Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that it will:

- (a) at all times maintain a Principal Paying Agent;
- (b) at all times maintain Paying Agents having specified offices in at least one major European city approved by the Trustee;
- (c) whenever a function expressed in these Conditions to be performed by the Agent Bank or by the Reset Reference Banks falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank and/or, as appropriate, Reset Reference Banks; and
- (d) at all times maintain a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17. If any of the Agent Bank or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Holders and the Couponholders.

## **20 Governing Law**

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

## **21 Contracts (Rights of Third Parties) Act 1999**

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

## 22 Definitions

In these Conditions:

“**Additional Amounts**” has the meaning given to it in Condition 12;

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

“**Agents**” means the Principal Paying Agent, the Agent Bank and the Paying Agents or any of them;

“**Arrears of Interest**” has the meaning given to it in Condition 5(a);

“**authorised signatory**” means a director, company secretary, or any other person authorised by the board of directors of the Issuer to provide certificates in relation to the Notes;

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

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

a “**Change of Control Event**” shall be deemed to occur if:

- (a) a Change of Control occurs; and
- (b) on the date (the “**Relevant Announcement Date**”) that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), any of the Issuer’s senior unsecured obligations (the “**Senior Unsecured Obligations**”) carry from any Rating Agency:
  - (i) an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
  - (ii) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
  - (iii) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Senior Unsecured Obligations, provided that, if on the Relevant Announcement Date the Senior Unsecured Obligations carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (i) will apply; and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

For the purposes of the definition of a Change of Control Event:

a “**Change of Control**” means the occurrence of an event whereby any person (being an individual, partnership, company, corporation, unincorporated organisation, trust or joint venture, or any governmental

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

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

a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (a) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of (i) ordinary shares of the Issuer, (ii) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (A) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any employees’ stock option plans or share schemes of the Issuer or (B) the Issuer is obliged under the terms of such securities to make such dividend, distribution or other payment; or
- (b) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations of the Issuer, except where such dividend, distribution or payment was required to be declared, paid or made under the terms of such Parity Obligations of the Issuer; or
- (c) the Issuer has redeemed, repurchased or otherwise acquired (i) any ordinary shares of the Issuer, (ii) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (A) such repurchase or acquisition was undertaken in respect of any employees’ stock option plans or share schemes of the Issuer or (B) the Issuer is obliged under the terms of such securities to make such repurchase or acquisition; or
- (d) the Issuer, or any Subsidiary of the Issuer, has redeemed, repurchased or otherwise acquired any Parity Obligations of the Issuer, except where (i) such redemption, repurchase or acquisition is effected as a public cash tender offer or public exchange offer at a purchase price per security which is below its par value or (ii) the Issuer, or any Subsidiary of the Issuer, is obliged under the terms of such securities to make such redemption, repurchase or acquisition;

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

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

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

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

“**First Call Date**” means 10 April 2025;

“**First Fixed Interest Rate**” has the meaning given to it in Condition 4(c);

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

“**IFRS**” means International Financial Reporting Standards as adopted by the EU;

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

“**Interest Payment Date**” means 10 April and 10 October in each year, commencing on (and including) 10 October 2015;

“**Interest Period**” means the period beginning on (and including) the Issue 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 Rate**” means the First Fixed Interest Rate and/or each Subsequent Fixed Interest Rate, as the case may be;

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

“**Issuer**” means Centrica plc;

“**Mandatory Settlement Date**” means the earlier of:

- (a) the date on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (b) the date on which the Notes are redeemed or repaid in accordance with Condition 3, Condition 6 or Condition 11;

“**Maturity Date**” means 10 April 2075;

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

“**Parity Obligations**” means (if any) (a) the most junior class of preference share capital in the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Notes or such preference shares and (b) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the Notes or such preference shares;

*For the avoidance of doubt, Parity Obligations include the Issuer’s €750,000,000 Subordinated Resettable Fixed Rate Notes due 2076 (ISIN: XS1216020161)*

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

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

“**pounds sterling**”, “**penny**”, “**£**” or “**sterling**” means the lawful currency of the United Kingdom;

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

“**Qualifying Notes**” has the meaning given to it in Condition 7;

“**Rating Agency**” means Standard & Poor’s Rating 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 any of them (or any permitted substitute of them) by the Issuer from time to time;

a “**Rating Methodology Event**” shall be deemed to occur if the Issuer has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency of a change in its assessment criteria which becomes effective on or after 8 April 2015 (or, if later, effective after the date on which the Notes are assigned “equity credit” by a Rating Agency for the first time) (due to a change in the rating previously assigned to the Issuer or otherwise) and as a result of which, but not otherwise, the Notes will no longer be eligible for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Notes at the Issue Date (or if “equity credit” is not assigned to the Notes by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

“**Relevant Date**” means (a) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, the Relevant Date means the date on which the full amount of such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17, and (b) in respect of a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

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

“**Reset Date**” means the First Call Date and each date falling on the fifth anniversary of the First Call Date;

“**Reset Interest Determination Date**” has the meaning given to it in Condition 4(d);

“**Reset Period**” means the period from one Reset Date to (but excluding) the next following Reset Date;

“**Reset Reference Banks**” has the meaning given to it in Condition 4(d);

“**Senior Obligations**” means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Obligations and the ordinary share capital of the Issuer;

“**Special Event**” means any of a Rating Methodology Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

“**Subsequent Fixed Interest Rate**” has the meaning given to it in Condition 4(d);

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

a “**Substantial Repurchase Event**” shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer repurchases (and effects corresponding cancellations) or redeems Notes in respect of 80 per cent. or more in the principal amount of the Notes initially issued (which shall for this purpose include any further Notes issued pursuant to Condition 18);

“**Substitution or Variation Event**” has the meaning given to it in Condition 7;

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

a “**Tax Deductibility Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or
- (b) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 8 April 2015 or any similar system or systems having like effect as may from time to time exist),

and, in each case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published or accepted interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 8 April 2015;

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

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

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Notes, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

*Unless (a) the rating assigned by Standard & Poor’s to the Issuer is at least “A-” (or such similar nomenclature then used by Standard & Poor’s) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or (b) the Notes are not assigned an “equity credit” (or such similar nomenclature then used by Standard & Poor’s), at the time of such redemption or repurchase; or (c) in the case of a repurchase, such repurchase is in an amount necessary to allow the Issuer’s aggregate principal amount of hybrid capital remaining outstanding after such repurchase to remain below the maximum aggregate principal amount of hybrid capital to which Standard & Poor’s would assign equity content under its prevailing methodology, the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the Notes to but excluding the Reset Date falling on 10 April 2045, in the event of:*

- (i) an early redemption of the Notes pursuant to Conditions 6(b) or 6(f); or*
- (ii) a repurchase of the Notes of more than (a) 10 per cent. of the aggregate principal amount of the relevant Notes originally issued in any period of 12 consecutive months or (b) 25 per cent. of the*

*aggregate principal amount of the relevant Notes originally issued in any period of 10 consecutive years,*

*to redeem or repurchase such Notes only to the extent that such part of the aggregate principal amount of the relevant Notes to be redeemed or repurchased as was characterised as equity by Standard & Poor's at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Notes) does not exceed such part of the net proceeds which is received by the Issuer or any subsidiary of the Issuer during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or any subsidiary of the Issuer to third party purchasers (other than subsidiaries of the Issuer) of securities as is characterised by Standard & Poor's, at the time of sale or issuance, as equity.*



## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

Each Temporary Global Note and each Permanent Global Note will contain provisions which apply to the relevant Notes while they are in global form, some of which modify the effect of the terms and conditions of the relevant Notes as set out in this document. The following is a summary of certain of those provisions as they relate to the relevant Notes:

### **1 Exchange**

A Temporary Global Note is exchangeable in whole or in part for interests in a Permanent Global Note on or after a date which is expected to be 21 May 2015, upon certification as to non-U.S. beneficial ownership in the form set out in the relevant Temporary Global Note. A Permanent Global Note is exchangeable in whole but not in part (free of charge to the Holder) for the definitive Notes described below if the relevant Permanent Global Note is held on behalf of a clearing system and 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 does in fact do so. Thereupon the Holder may give notice to the Trustee and the Principal Paying Agent of its intention to exchange the relevant Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the Holder of a Permanent Global Note may surrender the relevant Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for a Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the relevant Permanent Global Note and a Talon for further Coupons), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of a Permanent Global Note, the Issuer will, if the Holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days after that day 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 Principal Paying Agent is located and in the city in which the relevant clearing system is located.

### **2 Payments**

No payment will be made on a Temporary Global Note unless exchange for an interest in the relevant Permanent Global Note is improperly withheld or refused. Payments of principal, premium and interest in respect of Notes represented by a Global Note will be made (subject as provided in the Conditions) against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 12(d) and Condition 19(d) will apply to definitive Notes only. For the purpose of any payments made in respect of a Global Note, Condition 10(c) shall not apply, and all such payments shall be made (in the case of the Euro Notes) on a day on which the TARGET system is operating and (in the case of both Series) on which commercial banks and foreign exchange markets are open in London.

### 3 Notices

Notwithstanding Condition 17 (Notices), so long as the Notes are represented by the Permanent Global Note and such Permanent Global Note is held on behalf of a clearing system, notices to Holders 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. Any such notice shall be deemed to have been given to the Holders on the same day on which such notice is delivered to the clearing systems as aforesaid.

### 4 Prescription

Claims against the Issuer in respect of principal, premium and interest on the Notes of the relevant Series while such Notes are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date (as defined in the Conditions).

### 5 Purchase and Cancellation

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

### 6 Trustee's Powers

In considering the interests of Holders while a Permanent Global Note 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 the relevant Permanent Global Note and may consider such interests as if such accountholders were the holders of the relevant Permanent Global Note.

### 7 Meetings

The Holder of a Permanent Global Note will be treated at a meeting of Holders as being two persons for the purpose of any quorum requirement and as having one vote in respect of each £1,000 in principal amount of the Sterling Notes or, as the case may be, €1,000 in principal amount of the Euro Notes, for which the relevant Permanent Global Note may be exchanged.

### 8 Electronic Consent

While any Global Note is held on behalf of a relevant Clearing System, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in Outstanding Principal Amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as

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

## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be used for general corporate purposes.

## **DESCRIPTION OF THE ISSUER**

The legal and commercial name of the Issuer is Centrica plc. The Issuer was registered and incorporated in England and Wales under registration number 3033654 and operates under the Companies Act 2006 as a public limited company. The Issuer was incorporated on 16 March, 1995 and its shares were first traded on the London Stock Exchange on 17 February, 1997. The Issuer's registered office is located at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD and the telephone number is 01753 494 000.

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

## DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

The directors and senior management of the Issuer, their position and principal activities outside the Group, where those are significant, are as follows with effect from 1 April 2015:

### Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
Rick Haythornthwaite	Chairman	Chairman, Mastercard Inc. Chairman, PSI Director, RH Management Limited Director, Southbank Centre Limited Chairman, World Wide Web Foundation
Iain Conn	Chief Executive	Member, Imperial College London Chairman, Imperial College Business School Member, CBI: President Committee Non-Executive Director, BT Group Plc
Margherita Della Valle	Non-Executive Director	Group Financial Controller, Vodafone Group plc Director, Vodafone Group Services Limited
Mark Hanafin	Managing Director, International Upstream	Non-Executive director, EDF Energy Nuclear Generation Group Limited Non-Executive Director, Lake Acquisitions Limited
Lesley Knox	Non-Executive Director	Director, Design Dundee Limited Trustee, Grosvenor Estates Chairman, Grosvenor Group Limited Director, NGS Trading Company Limited Non-Executive director, SABMiller Plc Director, Turcan Connell Asset Management Limited Director, The National Life Story Collection
Michael Linn	Non-Executive Director	Non-Executive Director, Blackstone Minerals, LLC Director, LINN Co Director, LINN Energy LLC Non-Executive Director, Nabor Industries

## Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
		Member, National Petroleum Council
		Senior Advisor, Quantum Energy Partners
		Director, Western Refining Logistics, LP
Ian Meakins	Senior Independent Director	Group Chief Executive, Wolseley plc
Carlos Pascual	Non-Executive Director	N/A
Steve Pusey	Non-Executive Director	Director, Vodafone Group plc Director, Verizon Wireless

## Centrica plc Executive Committee

Name	Position	Outside Directorships/Activities
Jeff Bell	Interim Chief Financial Officer	N/A
Grant Dawson	General Counsel & Company Secretary	N/A
Mark Hanafin	As above	As above
Iain Conn	As above	As above
Badar Khan	President and CEO Direct Energy	N/A
Jill Shedden	Group Director Human Resources	N/A
Ian Peters	Interim Managing Director, British Gas	Director, Friends of Peterhouse Director, Carers UK Director, Association of Electricity Producers Limited Chairman, Family Mosaic Housing

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

## DESCRIPTION OF THE CENTRICA GROUP

### Background and Formation

The Issuer was listed in 1997 following the demerger of the gas supply, service and retail businesses of British Gas plc together with its Morecambe gas field production activities. The Group at the time comprised British Gas Trading Limited, British Gas Services Limited, British Gas Energy Centres Limited and Accord Energy Limited, together with the gas production business of the North and South Morecambe gas fields owned through Hydrocarbon Resources Limited and various other subsidiaries.

Since 1997, the Group has made numerous acquisitions and disposals and has developed organically. The principal operations of the Group are described briefly below.

### The Group's Strategic Priorities

The Group's vision is to be the leading integrated energy company, with customers at its core. In February 2013, the Group announced refreshed strategic priorities to position it for future growth.

The Group's strategic priorities are:

- Innovate to drive service excellence and growth
  - Lead with great service and efficient operations
  - Enable its customers to control their energy use in a simpler, smarter, more efficient way
  - Grow in selected markets, building on its leading capabilities
- Integrate its natural gas business, linked to its core markets
  - Grow and diversify its exploration and production portfolio for value
  - Develop its midstream business to integrate along the gas value chain
  - Maintain a low carbon power hedge and invest where it sees value
- Increase its returns through efficiency and continued capital discipline
  - Further develop organisational capability
  - Continuously focus on safety
  - Deliver value to shareholders

These strategic priorities apply across its businesses in the UK and internationally, where it has operations in North America, Ireland, Norway, the Netherlands and Trinidad and Tobago. In addition, the Group is focussed on maintaining a strong balance sheet and retaining sufficient financial flexibility to be able to deploy capital where the Group sees attractive opportunities, while also realising value from non-core assets.

In February 2015, the Group announced that it was launching a strategic review covering: (i) outlook and sources of growth; (ii) portfolio mix and capital intensity; (iii) operating capability and efficiency; and (iv) Group financial framework. This review is expected to be concluded by 30 July 2015 and, accordingly, the impact of this review on the Group's strategic priorities is not yet known as at the date of this Prospectus.



## Principal Operations

### *Downstream UK - British Gas*

The Downstream UK business consists of three divisions (residential energy supply, residential services and business energy supply and services). These businesses operate under the name British Gas in England and Wales and Scottish Gas in Scotland under a combined management team with integrated support functions.

#### *Residential energy supply*

The Group is the largest supplier of gas and electricity to customers in Britain's price deregulated domestic market.

The gas supply market in Great Britain was fully liberalised in May 1998. As at 31 December 2014, British Gas Residential Energy had 8.3 million gas accounts on supply, representing approximately a 37 per cent. share of the UK residential gas supply market.

The residential electricity market opened to competition in 1998, and as at 31 December 2014, the Group had 6.5 million electricity customers (equivalent to approximately a 24 per cent. share of the UK residential electricity supply market), making it the largest supplier of electricity to residential customers in Britain.

British Gas also continues to lead the industry in the roll-out of smart meters and to date has installed around 1.3 million smart meters in customers' homes.

#### *Business energy supply and services*

Through British Gas Business, the Group is Britain's biggest supplier by numbers of meter points for gas and electricity to the UK commercial sector.

As at 31 December, 2014, British Gas Business supplied gas and electricity to approximately 850,000 supply points. British Gas Business also provides heating and electrical installation and maintenance services to businesses and the public sector (including, via a dedicated division ("**PH Jones**"), domestic social housing properties owned and managed by local authorities and housing associations). It continues to develop further its business services capabilities, including in solar, ground source heat pumps and Energy Performance Contracts.

#### *Residential services*

British Gas Services is one of the UK's biggest national providers of energy related maintenance and repair services for the home, currently with around eight million product holdings supplied to around four million households and directly employing over 9,000 engineers nationwide. Many of these services are provided in connection with insurance products sold by the Group: British Gas Insurance Limited has been established as an insurer and British Gas Services Limited has been given authority to sell its insurance based service and repair products. Both companies are regulated by the Financial Conduct Authority to carry out these functions. In addition to central heating maintenance and repair contracts, and on-demand services, British Gas Services provides maintenance and repair contracts and on-demand services for plumbing and drains, home electrics and kitchen appliances. It owns the franchise business Dyno-Rod, a UK drain specialist, as well as its related businesses in plumbing, locks and security services. It is also a national installer of domestic, monitored home security systems while in April 2013, it announced the launch of a British Gas branded home insurance product in partnership with Axa Insurance. The business continues to look to develop new and innovative products, and has now sold over 170,000 smart thermostat products in the UK mostly under the Hive brand that was launched in September 2013. In March 2015, the business acquired AlertMe, the provider of the technical platform that underpins the existing connected homes activity, including Hive. The acquisition is expected to enable further development of connected homes products and services across the Group.

British Gas Services is the UK's largest national installer of domestic central heating boilers and systems and in 2014 installed 104,000 boilers.

British Gas also has its own insulation/cladding business and interests in a range of new energy technologies, with investments in residential biomass heating and solar.

#### ***Downstream Ireland – Bord Gáis Energy***

In June 2014, the Group acquired Bord Gáis' gas and electricity supply business in the Republic of Ireland, including the Whitegate gas-fired power station, for €214 million (£172 million). The transaction provided a vertically integrated energy supply business in an adjacent downstream market to the UK and a platform for growth with approximately 608,000 residential gas and electricity accounts and approximately 31,000 business accounts in Ireland as at 31 December 2014.

#### ***Downstream North America - Direct Energy***

In August 2000, the Group entered the North American market with the acquisition of Direct Energy Marketing Limited ("**Direct Energy**"). Direct Energy remains the Group's principal customer brand in the region and has expanded significantly since 2000 through further acquisitions and organic growth.

Direct Energy, either directly or through franchisees or contractors, supplies energy and related services to residential and business customers in all 50 states in the United States and 10 provinces in Canada and as at 31 December 2014 had over 4 million customer relationships. Direct Energy is organised into three businesses: Direct Energy Residential, Direct Energy Business and Direct Energy Services. Direct Energy also has 0.7GW of wind farm off-take agreements in Texas and is involved in energy management and procurement activities, wholesale energy trading and midstream gas activities (storage and transportation) in North America.

#### ***Residential energy supply***

As at 31 December 2014, Direct Energy Residential had approximately 3.3 million residential gas and electricity customer accounts, predominantly in deregulated markets. Its principal markets include the province of Alberta, the northeastern United States and the state of Texas. The business has been built from three major acquisitions – Direct Energy in 2000, CPL Retail Energy LP and WTU Retail Energy L.P. in Texas in 2002 and the acquisition of around one million residential gas and electricity customers in Alberta from the ATCO Group in 2004. These larger-scale acquisitions have been supplemented with smaller acquisitions, including Gateway Energy Services, First Choice Power and Vectren Retail in 2011, Energetix and NYSEG Solutions in 2012 and Bounce Energy in 2013, and organic growth.

#### ***Business energy supply***

Direct Energy Business supplies natural gas and electricity to small commercial, medium and large sized businesses, institutions and government entities across North America. Its principal markets include Texas, the northeastern United States and most provinces in Canada.

In November 2013, the Group completed the acquisition of the energy marketing business of Hess Corporation for U.S.\$1,194 million (£736 million) in cash, including net working capital of approximately U.S.\$416 million (£257 million). Direct Energy is now the largest commercial and industrial gas supplier and the second largest commercial and industrial electricity supplier in the competitive U.S. retail markets.

Direct Energy Business continues to develop innovative propositions for its commercial and industrial customers. In 2014, the business signed a partnership agreement with Panoramic Power to offer wireless energy sensors to help customers better understand their power consumption and agreed a joint venture with Xpress Natural Gas on a compressed natural gas ("**CNG**") station in New York State that will enable the business to transport CNG to customers with no access to distributed natural gas.

In January 2014, the Group completed the disposal of its three Texas gas-fired power stations to Blackstone for U.S.\$685 million (£411 million), with the business now supporting its downstream power supply businesses through contractual arrangements.

#### *Residential and business services*

Direct Energy Services provides heating, ventilation and air-conditioning services, plumbing, electrical services, home protection plans and energy advisory activities, across the United States and in Canada in the form of contracts and on-demand services. Direct Energy Services was created from three key acquisitions – Enbridge Services Inc., an Ontario home and business services company, in 2002, Residential Services Group, a home services business in the United States, in 2004, and Clockwork Home Services Inc. (“**Clockwork**”), in 2010. Clockwork provides on-demand services across the United States and parts of Canada supplying heating, cooling, plumbing and electrical services through its wholly owned retail and franchised operations. In 2012, Direct Energy acquired Home Warranty of America, through which it offers protection plan products across the United States, while in 2013 Direct Energy acquired America’s Water Heater Rentals, providing the business with the opportunity to offer rentals alongside its existing products and services. In July 2014, the Group acquired the U.S. residential solar business Astrum Solar for U.S.\$53 million (£33 million), providing Direct Energy with a position in the rapidly growing U.S. residential solar market and allowing it to sell solar alongside its existing range of energy and services products.

In October 2014, the Group completed the sale of its branded Ontario home and small commercial services business to Eneicare Inc. for C\$426 million (£235 million) as well as shares in the purchaser valued at C\$106 million (£59 million). Direct Energy is now focussing its attention on delivering growth in Alberta and the United States.

#### *Centrica Energy*

Centrica Energy owns a number of gas and oil production assets in the UK, the Netherlands, Norway, Trinidad and Tobago and Canada, gas-fired and wind power generation assets across the UK, as well as a minority equity stake in a nuclear operator, EDF Energy (formerly British Energy). Through the Group’s trading business, Centrica Energy is also responsible for providing a route to market to supply residential and business customers in Great Britain, and for wholesale and certain industrial gas sales activities, energy procurement optimisation and scheduling operations in all markets outside of North America.

The Group has entered into a number of long term commodity purchase contracts including gas and electricity contracts with a number of international energy companies, such as Statoil and Qatargas, and Centrica Energy manages gas transportation and shipping services through the UK-Continent Interconnector pipeline between Bacton on the Norfolk coast and Zeebrugge in Belgium, in which it has capacity rights.

The Group’s energy trading and wholesaling business in the UK, Centrica Energy Limited, trades with the major participants in the wholesale British energy market and is an active player in the European markets, as well as trading on behalf of other members of the Group, particularly British Gas Residential and British Gas Business.

#### *Centrica Energy – Exploration and Production*

The Group now has equity interests in approximately 60 producing gas and oil fields in UK, Dutch, Trinidadian and Norwegian waters. Further, it has equity interests in approximately 8,750 wells in Canada, including the interests acquired from Suncor Energy in 2013. It also has a number of development projects and gas exploration licences. Estimated total net proven and probable gas and oil reserves for the Group were 615 million barrels of oil equivalent (“**mmboe**”) as at 31 December 2014, including 169mmboe in Canada and 30mmboe in the Rough gas storage facility (as described on page 174 of the 2014 Annual Report).

The Group's principal producing fields are South Morecambe, Kvitebjorn, Staffjord, Chiswick and Grove in Europe, NCMA-1 in Trinidad and Tobago and Foothills, Hanlan, Medicine Hat, Gilby and Carrot Creek in Alberta, Canada. The Group's principal development projects are Valemon in Norway and Cygnus in the UK. The large scale Valemon project in the Norwegian North Sea was brought on-stream in January 2015, with further wells being drilled over 2015 and into 2016 to maximise the recoverable reserves from the field. The Cygnus project in the Southern North Sea remains on schedule to produce first gas around the end of 2015.

The Group also holds a 25 per cent. interest in the Bowland shale exploration license in Lancashire which it acquired from Cuadrilla Resources and AJ Lucas in 2013.

In September 2013, the Group, together with Qatar Petroleum International ("QPI"), the international arm and wholly owned subsidiary of Qatar Petroleum, jointly completed the acquisition of a package of producing conventional natural gas and crude oil assets and associated infrastructure located in the Western Canadian Sedimentary Basin from Suncor Energy for C\$987 million (£601 million) in cash. The assets were acquired by a partnership – the CQ Energy Canada Partnership - between Centrica (60 per cent. share) and QPI (40 per cent. share), which is operated by Centrica. The assets increased Centrica's proven and probable (2P) reserves by 101mboe (approximately 90 per cent. natural gas).

In May 2014, the Group announced that QPI had agreed to acquire 40 per cent. of the Group's wholly owned gas and liquid assets in Canada for C\$200 million (£107 million), with Centrica putting its wholly owned assets in the region into the CQ Energy Canada Partnership as a result. The transaction was completed on 1 October 2014 and has fully aligned Centrica's and QPI's interests in the region and further strengthened the relationship between the two parties. In June 2014, the Partnership acquired natural gas assets in the Foothills region of Alberta from Shell Canada Energy for C\$43 million (£24 million). As part of the transaction, the Group disposed of its interests in the Burnt Timber gas processing plant and the Waterton undeveloped lands in south-west Alberta.

### ***Centrica Energy – Power***

The Group owns and operates six gas-fired power stations in England and Wales, with a combined capacity of 3.7GW. The Group also owns the King's Lynn power station, which is currently mothballed. In May 2014, following the completion of a strategic review of the Group's UK power station fleet, the Group announced that it intended to focus its UK gas-fired power generation on small flexible 'peaking' plants and sought to release capital through the sale of the larger operating plants, Langage, Humber and Killingholme. However, in February 2015, after receiving bids lower than the Group's internal valuation, the Group concluded that it was not in the best interests of shareholders to proceed with the disposal of these plants and decided to retain Humber and Langage. Following a review, the Group is consulting on the closure of Killingholme and Brigg power stations.

The Group also has a tolling arrangement with the owners of an 860MW power station at Spalding, a tolling agreement in respect of the 428MW Rijnmond power station in the Netherlands and a coal-priced electricity supply contract with Drax Power Limited, owner of the Drax power station in North Yorkshire, which provides the Group with access to 300MW of power until the end of 2015.

The Group produces renewable power through its operated joint venture wind farms at Glens of Foudland, Lynn and Inner Dowsing and Lincs, which each have outstanding project finance debt at the project company level and which is therefore off balance sheet for the Group. The Group no longer owns any wind development projects following the sale of its Race Bank offshore wind farm project to Dong Energy Power in December 2013 and a review of the economic viability of its Round 3 Irish Sea Zone project, Celtic Array, which following discussions with The Crown Estate and the Group's partners in the project, Dong Energy, resulted in a decision to stop development activity and the partners handing back the Zone to the Crown Estate. In November 2014, the sale of the Lincs transmission assets under the offshore transmission owner

(OFTO) regime was completed in line with book value, while in December 2014 the Group sold its 50% non-operated interest in the Barrow offshore wind farm to Dong Energy for £50 million.

The Group also owns a 20 per cent. equity stake in Lake Acquisitions Limited, the owner of 8 operational nuclear power stations in the UK, with a total capacity of 8.9GW.

### ***Centrica Energy – Midstream***

The Group continues to contract for sources of gas for its customers and develop its LNG business.

In March 2013, the Group announced that it had entered into a 20 year agreement with Cheniere Energy Partners, L.P. to purchase approximately 89 billion cubic feet (bcf) per annum of LNG for export from the Sabine Pass liquefaction plant in Louisiana. The transaction gives the Group destination rights over cargoes for the first time and will allow the Group to benefit from any differential between North America gas prices and other worldwide markets. The Group is continuing to work towards obtaining approvals at the fifth train at the Sabine Pass LNG export facility in the United States, with Federal Energy Regulatory Commission approval expected during the second quarter of 2015.

At the end of 2014, the Group took delivery of its first ‘Free on Board’ cargoes as the business looks to increase its presence and capability in LNG.

In November 2013, the Group announced that it had entered into a further supply agreement with Qatargas to purchase up to 3 million tonnes per annum of LNG for the UK from June 2014. The transaction follows on from the Group’s existing agreement with Qatargas, signed in February 2011 and strengthens the Group’s position along the gas value chain while helping to ensure the UK’s future energy security through access to the global LNG market.

### ***Storage UK - Centrica Storage Limited***

Centrica Storage Limited (“**Centrica Storage**”), a wholly owned subsidiary of the Group, operates the Rough gas storage facility, a seasonal storage facility acquired by the Group in November 2002. The facility consists of a partially depleted gas field (the Rough field) in the Southern North Sea (“**SNS**”), approximately 18 miles off the east coast of Yorkshire, together with an onshore gas processing terminal at Easington. It is the largest gas storage facility in the United Kingdom, able to meet approximately 10 per cent of current national gas demand on a cold winter’s day. In addition to providing storage products, Centrica Storage also provides gas processing services for Centrica Energy – Exploration and Production’s York field in the SNS. At the start of 2014, Centrica Storage commenced a three year programme to deliver £15 million of costs reductions through operational improvements, while maintaining a sharp focus on safety and capital discipline

Following the acquisition by the Group of the Rough facility and the subsequent Competition Commission inquiry, “Undertakings” were given by the Issuer and Centrica Storage to the Secretary of State for Trade and Industry in 2003 which place certain obligations on Centrica Storage and the Group in respect of the storage business.

The undertakings require Centrica Storage to be legally, financially and physically separate from all other Centrica businesses. In particular, there are restrictions prohibiting the disclosure by Centrica Storage of “Commercially Sensitive Information” (“**CSI**”) to other parts of the Group and prohibiting the solicitation or making use of CSI by other parts of the Group. In line with its obligations, Centrica Storage makes available the majority of capacity within the Rough facility to users other than Group companies. In April 2011, the Competition Commission published its final decision on the Group’s request for a review of the Undertakings based on changes in the gas market since 2002 and the introduction of the EU Third Energy Package. The Competition Commission did not agree with the Group’s assessment that the Undertakings were no longer required; however certain variations have been made including an increase in the proportion of capacity that

can be purchased by other parts of the Group, the introduction of a mechanism for Ofgem to agree to allow some capacity to be sold as non-Standard Bundled Unit products and a change in the minimum reserve price for auctions of unsold capacity.

## TAXATION

### General

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

### United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs). They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who hold their Notes and Coupons as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. (In particular, Holders holding their Notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof.) Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Holders.

### Withholding

#### *Payments of interest on the Notes*

While the Notes continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

If the Notes cease to be listed interest will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20 per cent.) unless: (i) another relief applies under domestic law; or (ii) the Issuer has received a 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.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their listing), Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

#### *Treatment of any premium payable on redemption*

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest that would be subject to the rules on United Kingdom withholding tax outlined above and reporting requirements as outlined below.

## **Information Reporting**

Information relating to securities may be required to be provided to HM Revenue & Customs in certain circumstances. This may include the value of the Notes, details of the Holders or beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

## **Stamp duty and stamp duty reserve tax**

No stamp duty or stamp duty reserve tax should be payable on the issue of the Notes or on a transfer of the Notes.

## **EU Directive on the Taxation of Savings Income**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (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) unless during such period it elects otherwise.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

## **FATCA Withholding**

Certain provisions commonly known as FATCA impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS (“**IRS Agreements**”) (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an intergovernmental agreement entered into pursuant to



FATCA (an “IGA”), may be required to identify and report to the government of the United States or another relevant jurisdiction certain information regarding “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) July 1, 2014, in respect of certain U.S. source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) from the disposition of property that can produce U.S. source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of “foreign passthru payments”. FATCA withholding in respect of foreign passthru payments is not required for “obligations” that are not treated as equity for U.S. federal income tax purposes unless such obligations are issued or materially modified after the date that is six months after the date on which the final regulations defining “foreign passthru payments” are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including the UK) have entered into, or have announced their intention to enter into, IGAs (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such IGAs (and the IGA legislation in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within the ICSDs, it is expected that foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“FATCA”) will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any Paying Agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain from (but excluding) the Issuer to (but including) the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an inter-governmental agreement will be unlikely to affect the Notes. The Paying Agency Agreement expressly contemplates the possibility that the Notes may be exchanged for Definitive Notes and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, Definitive Notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

**FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

## SUBSCRIPTION AND SALE

BNP Paribas (“**BNPP**”), HSBC Bank plc (“**HSBC**” and, together with BNPP, the “**Joint Global Co-ordinators and Joint Bookrunners**”), J.P. Morgan Securities plc, Merrill Lynch International, RBC Europe Limited (together with the Joint Global Co-ordinators and Joint Bookrunners, the “**Joint Bookrunners**”), Credit Suisse Securities (Europe) Limited, Lloyds Bank plc, Mitsubishi UFJ Securities International plc and UBS Limited (together with the Joint Bookrunners, the “**Bookrunners**”) have, pursuant to a Subscription Agreement dated 8 April 2015 (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Euro Notes at 100 per cent. of their principal amount and the Sterling Notes at 100 per cent. of their principal amount, plus accrued interest (if any) less certain fees and commissions.

The Issuer has also agreed to reimburse the Bookrunners for certain of their expenses, and has agreed to indemnify the Bookrunners against certain liabilities, incurred in connection with the issue of the Notes.

The Bookrunners are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

### United States

The Notes have not been and will not be registered under 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 (“**Regulation S**”).

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

Each Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver any Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) 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 Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the relevant Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

Each Bookrunner has represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **Republic of Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Bookrunner has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007 (the “**Intermediary Regulation**”), pursuant to Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and the Intermediary Regulation, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of notes in Italy; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent Italian authority.

## **General**

Neither the Issuer nor any Bookrunner has made any representation that any action will be taken in any jurisdiction by the Bookrunners or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Prospectus comes are required by the Issuer and the Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each Bookrunner has agreed that it will, to the best of its knowledge, comply with all applicable securities laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its

possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes of each Series was duly authorised by a resolution of the Board of Directors of the Issuer passed on 16 March 2015.

### Listing

2. It is expected that admission of the Notes of each Series to the Official List and to trading on the Market will be granted on or about 13 April 2015, subject only to the issue of a Temporary Global Note. If the relevant Temporary Global Note is not issued, the issue of the relevant Notes may be cancelled. Prior to listing, dealings in the Notes of each Series will be permitted by the London Stock Exchange in accordance with its rules. The total expenses related to the admission to trading of the Notes are estimated to be £5,940.

### Clearing Systems

3. The Notes of each Series have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, Luxembourg L-1855.

In respect of the Euro Notes, the ISIN is XS1216020161 and the Common Code is 121602016, and in respect of the Sterling Notes, the ISIN is XS1216019585 and the Common Code is 121601958.

### No Significant or Material Adverse Change

4. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2014. There has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2014.

### Litigation

5. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and/or the Group.

### Auditors

6. PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Issuer and its subsidiaries in accordance with International Financial Reporting Standards and the annual non-consolidated published accounts of the Issuer in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 31 December, 2013 and 31 December, 2014. The auditors of the Issuer have no material interest in the Issuer.

## **U.S. Tax**

7. The Notes of each Series and (if issued) Coupons and Talons will contain 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.”

## **Documents Available**

8. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection at the specified office of each of the Paying Agents during normal business hours, so long as any of the Notes of either Series remains outstanding:
  - (a) the Articles of Association of the Issuer;
  - (b) the consolidated audited financial statements of the Issuer in respect of the two financial years ended 31 December 2013 and 2014 together with the audit reports prepared in connection therewith;
  - (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
  - (d) the Trust Deed dated the Issue Date between the Issuer and the Trustee and the Paying Agency Agreement dated the Issue Date between the Issuer, the Trustee and the agents named therein.

The Prospectus, and each document incorporated by reference, will also be available at the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

## **Trustee’s Reliance**

9. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors or such other expert.

## **Yield**

10. During the period from (and including) the Closing Date to (but excluding) the First Call Date, the yield on the Euro Notes will be 3.000 per cent. per annum and the yield on the Sterling Notes will be 5.250 per cent. per annum. The yield is calculated at the Closing Date on the basis of the relevant Issue Price. It is not an indication of future yield.

## **Transactions with the Bookrunners**

11. The Bookrunners and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with the Issuer and its affiliates and have performed, and may in the future perform, corporate finance and other services for the Issuer and its affiliates, in each case in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Each Bookrunner or its affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Bookrunner and/or its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Bookrunners and their respective 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. For the purposes of this paragraph, the word “affiliate” also includes parent companies.



**REGISTERED OFFICE OF THE ISSUER**

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**JOINT GLOBAL CO-ORDINATORS AND JOINT BOOKRUNNERS**

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United Kingdom

**TRUSTEE**

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**PRINCIPAL PAYING AGENT**

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**LEGAL ADVISERS**

*To the Issuer*

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*To the Bookrunners and the Trustee*

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**REGISTERED AUDITORS OF THE ISSUER**

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