

## Prospectus



### NATIONAL GRID GAS plc

(incorporated with limited liability in England and Wales on 1 April 1986 under registered number 2006000)

**Euro 10,000,000,000**

### Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "**Programme**") described in this Prospectus (the "**Prospectus**"), National Grid Gas plc ("**National Grid Gas**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "**Instruments**") denominated in any currency agreed between the Issuer, the Trustee and the relevant Dealer (as defined below). The aggregate nominal amount of Instruments outstanding will not at any time exceed €10,000,000,000 (or the equivalent in other currencies). The Instruments will only be issued in bearer form.

Application has been made to the Financial Conduct Authority (the "**U.K. Listing Authority**") under Part VI of the Financial Services and Markets Act 2000 ("**FSMA**") for Instruments issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Instruments to be admitted to trading on either the London Stock Exchange's Regulated Market (the "**Market**") or on the London Stock Exchange's Professional Securities Market (the "**PSM**"). References in this Prospectus to Instruments being "**listed**" (and all related references) shall mean that such Instruments have been admitted, as appropriate, to trading on the Market or the PSM and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MIFID II**"). The PSM is not a regulated market for the purposes of MiFID II. The relevant Final Terms (as defined in the section headed "Overview of the Programme") in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Official List and admitted to trading on the Market or the PSM. In the case of Instruments issued under the Programme which are listed on the Official List and admitted to trading on the PSM ("**PSM Instruments**"), references to the Final Terms contained in this Prospectus shall be construed as references to the pricing supplement substantially in the form set forth in this Prospectus (the "**Pricing Supplement**").

**References in this Prospectus to PSM Instruments are to Instruments for which no prospectus is required to be published under the Prospectus Directive (as defined below). For the purposes of any PSM Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will instead constitute Listing Particulars (as defined below).**

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

National Grid Gas has been rated 'A3' by Moody's Investors Service Ltd. ("**Moody's**"), 'A-' by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), and 'A' by Fitch Ratings Limited ("**Fitch**"). Moody's, S&P and Fitch are each established in the European Union and each are registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). Tranches of Instruments (as defined in "Overview of the Programme") to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will not necessarily be the same as the rating assigned to the Instruments already issued. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

#### Arranger for the Programme

HSBC

#### The Dealers

BARCLAYS

J.P. MORGAN

MORGAN STANLEY

HSBC

MIZUHO SECURITIES

NATWEST MARKETS

RBC CAPITAL MARKETS

The date of this Prospectus is 2 August 2018

## IMPORTANT NOTICES

This Prospectus comprises (i) a base prospectus (the “**Base Prospectus**”) for the purposes of Article 5.4 of Directive 2003/71/EC, as amended to the extent that such amendments have been implemented in a Member State of the European Economic Area, (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom and for the purpose of giving information with regard to National Grid Gas and each of its subsidiary undertakings (together, the “**National Grid Gas Group**”) which, according to the particular nature of the Issuer and the Instruments to be issued by it, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to such Instruments and (ii) listing particulars for the purposes of LR 2.2.11 of the Listing Rules of the Financial Conduct Authority with regard to the National Grid Gas Group (the “**Listing Particulars**”).

For avoidance of doubt, the Pricing Supplement forms part of the Listing Particulars and does not form part of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms (as defined herein) for each Tranche (as defined herein) of Instruments issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) such 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 should be read and construed together with any amendments or supplements hereto and with any documents deemed to be incorporated herein (see “Documents Incorporated by Reference” below) and, in relation to any Tranche of Instruments, should be read and construed together with the applicable Final Terms.

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

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

The distribution of this Prospectus and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Prospectus or any Final Terms, see “Plan of Distribution”.

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

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

**MiFID II PRODUCT GOVERNANCE/TARGET MARKET:** The Final Terms in respect of any Instruments may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

If the Global Instruments are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or any other agreed clearing system. Global Instruments which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) will be deposited on the issue date of the relevant Tranche with a depository or a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. The provisions governing the exchange of interests in Global Instruments for other Global Instruments and definitive Bearer Instruments are described in “Overview of Provisions Relating to the Instruments while in Global Form”.

Save for the Issuer, no other party has separately verified the information contained in this Prospectus. None of the Dealers, the Arranger or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger, the Dealers or the Trustee that any recipient of this Prospectus or any other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Prospectus and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the

arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

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

**In connection with the issue of any Tranche (as defined in “Overview of the Programme”), the Dealer or Dealers (if any) appointed as stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may, to the extent permitted by**

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

**BENCHMARKS REGULATION:** Amounts payable under Floating Rate Instruments issued under the Programme may be calculated or otherwise determined by reference to an index or a combination of indices. Any such index may constitute a benchmark for the purposes of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the “**BMR**”). If any such index does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of the BMR. Not every index will fall within the scope of the BMR. Furthermore the transitional provisions in Article 51 of the BMR apply such that the administrator of a particular benchmark may not currently be required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence) at the date of the applicable Final Terms. The registration status of any administrator under the BMR is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

## CONTENTS

	<b>Page</b>
DOCUMENTS INCORPORATED BY REFERENCE .....	1
SUPPLEMENTAL PROSPECTUS.....	3
SUPPLEMENTARY LISTING PARTICULARS .....	4
OVERVIEW OF THE PROGRAMME.....	5
RISK FACTORS.....	11
TERMS AND CONDITIONS OF THE INSTRUMENTS .....	21
OVERVIEW OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM .....	52
USE OF PROCEEDS.....	57
DESCRIPTION OF NATIONAL GRID GAS PLC .....	58
TAXATION .....	68
PLAN OF DISTRIBUTION .....	70
FORM OF FINAL TERMS.....	74
FORM OF PRICING SUPPLEMENT .....	86
GENERAL INFORMATION.....	99

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated annual financial statements of National Grid Gas for the financial years ended 31 March 2017 and 31 March 2018 together in each case with the audit report thereon, (ii) the Terms and Conditions set out on pages 22 to 50 of the prospectus dated 26 February 2008 relating to the Programme, (iii) the Terms and Conditions set out on pages 21 to 49 of the prospectus dated 24 February 2009 relating to the Programme, (iv) the Terms and Conditions set out on pages 21 to 49 of the prospectus dated 24 February 2010 relating to the Programme, (v) the Terms and Conditions set out on pages 22 to 50 of the prospectus dated 18 February 2011 relating to the Programme, (vi) the Terms and Conditions set out on pages 22 to 50 of the prospectus dated 22 February 2012 relating to the Programme, (vii) the Terms and Conditions set out on pages 21 to 49 of the prospectus dated 27 March 2013 relating to the Programme, (viii) the Terms and Conditions set out on pages 25 to 54 of the prospectus dated 18 July 2014 relating to the Programme and (ix) the Terms and Conditions set out on pages 24 to 54 of the prospectus dated 14 August 2015 relating to the Programme, each of which have been previously published and which have been approved by the Financial Conduct Authority or filed with it.

Such documents shall be incorporated in, and form part of the relevant Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of the relevant Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the relevant Base Prospectus.

The table below sets out the relevant page references for the audited consolidated annual financial statements and the audit reports of National Grid Gas for the financial years ended 31 March 2017 and 31 March 2018, each of which are incorporated by reference herein:

<b><i>Audited Consolidated Annual Financial Statements of National Grid Gas</i></b>	<b>2017</b>	<b>2018</b>
Consolidated income statement.....	47	47
Consolidated statement of comprehensive income.....	48	48
Consolidated statement of changes in equity.....	49	49
Consolidated statement of financial position.....	50	50
Consolidated cash flow statement.....	51	51
Notes to the consolidated financial statements.....	52 – 86	52 – 90
Basis of preparation.....	43 – 44	43 – 44
Independent Auditor's report.....	41 – 42	34 – 42
Financial review.....	24 – 28	21 – 24

Those parts of the (i) Issuer's annual reports for the financial years ended 31 March 2017 and 31 March 2018 and (ii) prospectuses dated 26 February 2008, 24 February 2009, 24 February 2010, 18 February 2011, 22 February 2012, 27 March 2013, 18 July 2014 and 14 August 2015 which are not specifically incorporated by reference in this Prospectus are either not relevant for the investor or are covered elsewhere in this Prospectus.

The Issuer will, at its registered office and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of

this Prospectus and any document incorporated by reference in this Prospectus. Any request for inspection of such documents should be directed to the specified office of any Paying Agent. Copies of documents incorporated by reference in this Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

## **SUPPLEMENTAL PROSPECTUS**

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

## **SUPPLEMENTARY LISTING PARTICULARS**

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

## OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

<b>Issuer</b>	National Grid Gas plc (registered number 2006000).
<b>Issuer Legal Entity Identifier (LEI)</b>	FPCHGTHKVVH9ZWXS7S453
<b>Description</b>	Euro Medium Term Note Programme.
<b>Size</b>	Up to €10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time.
<b>Arranger</b>	HSBC Bank plc
<b>Permanent Dealers</b>	Barclays Bank PLC HSBC Bank plc J.P. Morgan Securities plc Mizuho International plc Morgan Stanley & Co. International plc NatWest Markets Plc RBC Europe Limited
	<p>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “<b>Permanent Dealers</b>” are to the persons listed above as Permanent Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “<b>Dealers</b>” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.</p>
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent</b>	The Bank of New York Mellon, London Branch
<b>Other Paying Agent</b>	KBL European Private Bankers S.A.
<b>Method of Issue</b>	<p>The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a “<b>Series</b>”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a “<b>Tranche</b>”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document (the</p>

**“Final Terms”**).

**Issue Price**

Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount.

**Form of Instruments**

The Instruments may be issued in bearer form only. Each Tranche of Instruments will be represented on issue by a temporary Global Instrument if (a) Definitive Instruments are to be made available to Instrumentholders following the expiry of 40 days after their issue date or (b) such Instruments have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Selling Restrictions” below), otherwise such Tranche will be represented by a permanent Global Instrument. Any permanent Global Instrument shall only be exchanged for Instruments in definitive form in the limited circumstances set out in the permanent Global Instrument.

**Clearing Systems**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).

**Initial Delivery of Instruments**

On or before the issue date for each Tranche, if the relevant Global Instrument is a NGN, the Global Instrument will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Instrument is a CGN, the Global Instrument representing the relevant Instruments may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Instruments may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in U.S. dollars, Australian dollars, Canadian dollars, Danish krone, Euro, Hong Kong dollars, New Zealand dollars, Sterling, Swedish krona, Swiss francs or Japanese yen or in other currencies if the Issuer and the relevant Dealer(s) so agree.

**Maturities**

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

Any Instruments having a maturity of less than one year from their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire,

hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.

**Denominations**

Instruments will be denominated in the Specified Denominations set out in Part A of the relevant Final Terms, save that unless otherwise permitted by then current laws and regulations, Instruments which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Instruments**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms and at maturity.

**Floating Rate Instruments**

Floating Rate Instruments will bear interest set separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or
- (b) by reference to LIBOR, EURIBOR, AUD-BBR-BBSW or CAD-BA-CDOR as adjusted for any applicable margin. Interest periods will be selected by the Issuer prior to issue and specified in the relevant Final Terms. Floating Rate Instruments may also have a maximum interest rate, a minimum interest rate, or both.

**Zero Coupon Instruments**

Zero Coupon Instruments may be issued at their nominal amount or at a discount to it and will not bear interest.

**Index Linked Instruments**

Payments of interest and principal in respect of Index Linked Instruments will be calculated by reference to an Index Ratio, derived from either:

- (a) the U.K. Retail Prices Index (the “RPI”) (all items) published by the Office for National Statistics or the relevant successor index (“RPI Linked Instruments”); or
- (b) the non-revised Harmonised Index of Consumer Prices (all items excluding tobacco), or the relevant successor index published by Eurostat (“HICP”) (“HICP Linked Instruments”).

**Interest Periods and Rates of Interest**

The length of the interest periods for the Instruments and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the

	relevant Final Terms.
<b>Redemption</b>	<p>The relevant Final Terms will specify the basis for calculating the redemption amounts payable.</p> <p>Unless permitted by then current laws and regulations, Instruments which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).</p>
<b>Optional Redemption</b>	<p>The Final Terms issued in respect of each issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p> <p>If specified in the applicable Final Terms, the Issuer will have the option to redeem or purchase the Instruments early at a Make-whole amount, or otherwise at any other amount specified, and at any time(s) specified, in such Final Terms.</p> <p>The Issuer may elect to redeem all, but not some only, of the Instruments of any Series at their Residual Holding Redemption Amount (as set out in the relevant Final Terms) at any time if the Residual Holding Percentage (as set out in the relevant Final Terms) or more of the aggregate nominal amount of such Instruments originally issued shall have been redeemed or purchased and cancelled.</p>
<b>Status of Instruments</b>	The Instruments will constitute unsubordinated and unsecured obligations of the Issuer, as described in "Terms and Conditions of the Instruments - Status".
<b>Negative Pledge</b>	The Issuer will not give any negative pledge in respect of Instruments to be issued under the Programme.
<b>Cross Default</b>	The events of default in respect of Instruments in any Series will not contain any cross default provision in respect of any other indebtedness of the Issuer, where applicable, whether with respect to Instruments in any other Series or otherwise.
<b>Events of Default</b>	The events of default under the Instruments are as specified below under "Terms and Conditions of the Instruments - Events of Default".
<b>Early Redemption</b>	Except as provided in "Optional Redemption" above and subject always to any laws, regulations and directives applicable to the relevant currency in which such Instruments are denominated, Instruments will be redeemable at the option of the Issuer prior to maturity only for tax reasons and, in the case of Index Linked Instruments only, for reasons related to the relevant index. See "Terms and Conditions of the Instruments - Redemption, Purchase and Options".
<b>Withholding Tax</b>	All payments of principal and interest in respect of the Instruments and the Coupons will be made free and clear of withholding taxes of the United Kingdom save as compelled

by law. In the event that any deduction or withholding on account of tax is required to be made, the Issuer will, in the circumstances provided in “Terms and Conditions of the Instruments – Taxation” and subject to the exceptions therein, pay additional amounts so as to compensate the Instrumentholder or, as the case may be, Couponholder for the amounts withheld or deducted.

**Governing Law**

English.

**Listing**

Each Series may be admitted to the Official List and admitted to trading on the Market or the PSM as may be agreed between the Issuer and the relevant Dealer(s).

**Ratings**

National Grid Gas has been rated ‘A3’ by Moody’s, ‘A-’ by S&P, and ‘A’ by Fitch. Moody’s, S&P and Fitch are each established in the European Union and each are registered under the CRA Regulation.

Tranches of Instruments (as defined in “Overview of the Programme”) to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will not necessarily be the same as the rating assigned to the Instruments already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Selling Restrictions**

United States, United Kingdom, Public Offer Selling Restriction under the Prospectus Directive, Prohibition of Sales to EEA Retail Investors, Japan, Australia, Canada and Belgium. See “Plan of Distribution”.

Category 2 selling restrictions will apply to the Instruments for the purposes of Regulation S under the Securities Act.

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

**Terms and Conditions**

The Terms and Conditions applicable to each Series will be as agreed between the Issuer, the Trustee and the relevant Dealer(s) or other purchaser at or prior to the time of

issuance of such Series and will be specified in the relevant Final Terms.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Instruments issued under the Programme. All of these factors are contingencies which may or may not occur and the 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 Instruments issued under the Programme are also described below.*

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

### **Risks relating to National Grid Gas and its businesses**

#### ***Potentially harmful activities***

*Aspects of National Grid Gas's activities could potentially harm employees, contractors, members of the public or the environment.*

Potentially hazardous activities that arise in connection with National Grid Gas's business include the storage, transmission and distribution of gas. Gas utilities also typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of National Grid Gas's operations that are not currently regarded or proved to have adverse effects but could become so. A significant safety or environmental incident, or the failure of National Grid Gas's safety processes or of its occupational health plans, as well as a breach of National Grid Gas's regulatory or contractual obligations or its climate change targets, could materially adversely affect National Grid Gas's results of operations and its reputation. Safety is a fundamental priority for National Grid Gas and it commits significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting National Grid Gas's obligations under negotiated settlements. National Grid Gas is also subject to laws and regulations governing health and safety matters to protect the public and its employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose National Grid Gas to costs and liabilities relating to National Grid Gas's operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by National Grid Gas and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and National Grid Gas's share of the liability. National Grid Gas is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well as to enable reduction in energy use by its customers. If more onerous legal requirements are imposed or National Grid Gas's ability to recover these costs under regulatory frameworks changes, this could have a material adverse impact on National Grid Gas's business, reputation, results of operations and financial position.

#### ***Infrastructure and IT systems***

*National Grid Gas may suffer a major network failure or interruption or may not be able to carry out*

*critical operations due to the failure of infrastructure, data or technology or a lack of supply.*

Operational performance could be materially adversely affected by a failure to maintain the health of the assets or networks, inadequate forecasting of demand, inadequate record keeping or control of data or failure of information systems and supporting technology. This in turn could cause National Grid Gas to fail to meet agreed standards of service, incentive and reliability targets, or be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming National Grid Gas's reputation. Where demand for gas exceeds supply and National Grid Gas's balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage its reputation. In addition to these risks, National Grid Gas may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, insufficient or unreliable supply or force majeure. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure, together with National Grid Gas's actual or perceived response could materially adversely affect operational and potentially business performance and National Grid Gas's reputation. Malicious attack, sabotage or other intentional acts, including breaches of National Grid Gas's cyber security, may also damage its assets (which include critical national infrastructure) or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on its reputation, business, results of operations and financial condition. Unauthorised access to, or deliberate breaches of, National Grid Gas's IT systems may also lead to manipulation of National Grid Gas's proprietary business data or customer information. Unauthorised access to private customer information may make National Grid Gas liable for a violation of data privacy regulations. Even where National Grid Gas establishes business continuity controls and security against threats against its systems, these may not be sufficient.

### ***Law and regulation***

*Changes in law or regulation or decisions by governmental bodies or regulators and increased political and economic uncertainty could materially adversely affect National Grid Gas.*

National Grid Gas's business is subject to regulation by the U.K. Government, the Office of Gas and Electricity Markets ("**Ofgem**") and other authorities. Changes in law or regulation or regulatory policy and precedent (including any changes arising as a result of the U.K.'s exit from the European Union) and/or any decisions of governmental bodies or regulators including the outcome of the RIIO-T2 determination, could materially adversely affect National Grid Gas. If National Grid Gas fails to engage in the energy policy debate, it may not be able to influence future energy policy and deliver its strategy. Decisions or rulings concerning, for example: (i) whether licences, approvals or agreements to operate or supply are granted, amended or renewed, whether consents for construction projects are granted in a timely manner or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue, and other decisions relating to the impact of general economic conditions on National Grid Gas, its markets and customers, implications of climate change and of advancing energy technologies, whether aspects of its activities are contestable, the level of permitted revenues and dividend distributions for National Grid Gas's business and in relation to proposed business development activities, could have a material adverse impact on National Grid Gas's results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

### **Business performance**

*Current and future business performance may not meet National Grid Gas's expectations or those of Ofgem.*

Earnings maintenance and growth from National Grid Gas's business will be affected by its ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, Ofgem. If National Grid Gas does not meet these targets and standards, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed and it may be in breach of regulatory or contractual obligations.

### **Growth and business development activity**

*Failure by National Grid Gas to respond to external market developments and execute its growth strategy may negatively affect its performance. Conversely, new businesses or activities that National Grid Gas undertakes alone or with partners may not deliver target outcomes and may expose National Grid Gas to additional operational and financial risk.*

Failure by National Grid Gas to grow its core businesses sufficiently and have viable options for new future business over the longer term or failure to respond to the threats and opportunities presented by emerging technology (including for the purposes of adapting its networks to meet the challenges of increasing distributed energy resources) could negatively affect its credibility and reputation and jeopardise the achievement of its intended financial returns. National Grid Gas's business development activities and the delivery of its growth ambition include acquisitions, disposals, joint ventures, partnering and organic investment opportunities, such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies. These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing) and internal uncertainties (including actual performance of National Grid Gas and its business planning model assumptions and ability to integrate acquired businesses effectively). As a result, National Grid Gas may suffer unanticipated costs and liabilities and other unanticipated effects. National Grid Gas may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, National Grid Gas may have limited control over operations and its joint venture partners may have interests that diverge from National Grid Gas's interests. The occurrence of any of these events could have a material adverse impact on National Grid Gas's results of operations or financial condition and could also impact its ability to enter into other transactions.

### **Exchange rates, interest rates and commodity price indices**

*Changes in exchange rates, interest rates or commodity prices could materially impact National Grid Gas's earnings or National Grid Gas's financial condition.*

National Grid Gas's results of operations and net debt position may be affected because a significant proportion of its borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar to sterling exchange rate. Furthermore, National Grid Gas's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate, interest rate and commodity price exposure or by cash collateral movements relating to derivative market values, which also depend on the sterling exchange rate into Euro and other currencies.

### **Post retirement benefit contributions**

*National Grid Gas may be required to make significant contributions to fund its defined benefit pension scheme.*

A significant number of National Grid Gas's employees are members of a defined benefit scheme where the scheme assets are held independently of National Grid Gas's own financial resources. Estimates of the amount and timing of future funding for the scheme are based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields; average life expectancies and relevant legal requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets. Changes in these assumptions and other factors may require National Grid Gas to make additional contributions to this pension scheme which, to the extent they are not recoverable under its price controls, could materially adversely affect National Grid Gas's results of operations and financial condition.

### ***Financing and liquidity***

*An inability to access capital markets at commercially acceptable interest rates could affect how National Grid Gas maintains and grows its businesses.*

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

Some of National Grid Gas's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that it must hold or the amount of equity within its capital structure. One of the principal limits requires National Grid Gas to hold an investment grade long term senior unsecured debt credit rating. In addition, some of National Grid Gas's regulatory arrangements impose restrictions on the way in which it can operate. These include regulatory requirements for National Grid Gas to maintain adequate financial resources and may restrict its ability to engage in certain transactions, including paying dividends, lending cash and levying charges. The inability to meet such requirements or the occurrence of any such restrictions may have a material adverse impact on National Grid Gas's business and financial condition.

National Grid Gas's debt agreements and banking facilities contain covenants including those relating to the periodic and timely provision of certain financial information by it to lenders and financial covenants such as restrictions on the level of indebtedness that can be incurred by it. Failure to either comply with these covenants or to obtain waivers of those requirements, could in some cases trigger a right, at the lenders' discretion, to require repayment of some of National Grid Gas's debt and may restrict National Grid Gas's ability to draw upon its facilities or access the capital markets.

### ***Customers and counterparties***

*Customers and counterparties may not perform their obligations.*

National Grid Gas's operations are exposed to the risk that customers, suppliers, banks and other financial institutions and others with whom National Grid Gas does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is significant where National Grid Gas has concentrations of receivables from gas utilities and their affiliates, as well as industrial customers and other purchasers and may also arise where customers are unable to pay

National Grid Gas as a result of increasing commodity prices or adverse economic conditions. To the extent that counterparties are contracted with for physical commodities (gas and electricity) and they experience events that impact their own ability to deliver, National Grid Gas may suffer supply interruption as described in “Infrastructure and IT systems”, above. There is also a risk to National Grid Gas, where it invests excess cash, enters into, derivatives and other financial contracts with banks or other financial institutions. Banks who provide National Grid Gas with credit facilities may also fail to perform under those contracts.

### ***Employees and others***

*National Grid Gas may fail to attract, develop and retain employees with the competencies, including leadership and business capabilities, values and behaviours required to deliver its strategy and values and ensure they are engaged to act in National Grid Gas’s best interests.*

National Grid Gas's ability to implement its strategy depends on the capabilities and performance of its employees and leadership at all levels of the business. Its ability to implement its strategy and vision may be negatively affected by the loss of key personnel or an inability to attract, integrate, engage and retain appropriately qualified personnel, or if significant disputes arise with its employees. As a result, there may be a material adverse effect on National Grid Gas’s business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on National Grid Gas’s behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on National Grid Gas’s results of operations, its reputation and its relationship with its regulators and other stakeholders.

## **Factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme**

### ***Risks related to the structure of a particular issue of Instruments***

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

#### *Instruments subject to optional redemption by the Issuer*

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

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

#### *Index Linked Instruments*

The Issuer may issue Instruments with principal or interest determined by reference to an index. Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time than expected;

- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Instruments or even zero;
- (v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

*Future changes or uncertainty with respect to LIBOR and/or EURIBOR and/or other relevant benchmarks may adversely affect the value of Floating Rate Instruments which reference LIBOR and/or EURIBOR and/or other relevant benchmarks.*

Reference rates and indices, including interest rate benchmarks used to determine the amounts payable under financial instruments or the value of such financial instruments such as LIBOR and EURIBOR, have in recent years been the subject of political and regulatory scrutiny as to how they are created and operated. Following the implementation of any potential reforms, the manner of administration of such benchmarks, including (but not limited to) LIBOR, EURIBOR, BBSW and CDOR, may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

The sustainability of LIBOR has been questioned by the United Kingdom Financial Conduct Authority (the "**FCA**") as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. As a result, on 27 July 2017, the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Additionally, in March 2017, the European Money Markets Institute (formerly Euribor-EBF) (the "**EMMI**") published a position paper setting out the legal grounds for the proposed reforms to EURIBOR, which aims to clarify the EURIBOR specification, to continue to work towards a transaction-based methodology for EURIBOR and to align the methodology with the BMR, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a "change in market activity as a result of the current regulatory requirements and a negative interest rate environment" and "under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path". The EMMI's current intention is to develop a hybrid methodology. Accordingly, EURIBOR calculation and publication could be altered, suspended or discontinued.

These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or contribute to certain benchmarks or have other consequences which cannot be predicted.

In addition, pursuant to Article 20 of the BMR and to Regulation (EU) 2016/1368, LIBOR and EURIBOR have each been considered a critical benchmark, and are therefore subject to mandatory administration in accordance with Article 21 of the BMR. The BMR applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-European Union based, to be subject to an equivalent regime or otherwise recognised or endorsed), (ii)

prevent certain uses by European Union supervised entities of benchmarks of administrators that are not authorised (or, if non-European Union based, not deemed equivalent or recognised or endorsed) and (iii) to comply with extensive requirements in relation to the administration of benchmarks. Any changes to LIBOR and/or EURIBOR and/or other relevant benchmarks as a result of the BMR or other initiatives could have a material adverse effect on the costs of refinancing LIBOR and/or EURIBOR and/or other relevant benchmark based Instruments or the costs and risks of administering or otherwise participating in the setting of LIBOR and/or EURIBOR and/or other relevant benchmarks and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in LIBOR and/or EURIBOR and/or other relevant benchmarks, triggering changes in the rules or methodologies used in LIBOR and/or EURIBOR and/or other relevant benchmarks or lead to the disappearance of LIBOR and/or EURIBOR and/or other relevant benchmarks, which may have a material adverse effect on the value of and the amount payable under the Instruments as compared to the situation where such factors would be absent.

It is not possible to predict the effect of any changes in the methods pursuant to which LIBOR and/or EURIBOR and/or other relevant benchmark rates are determined, or any other reforms to or other proposals affecting LIBOR and/or EURIBOR and/or other relevant benchmarks that will be enacted in the United Kingdom, the European Union or elsewhere, each of which may adversely affect the trading market for LIBOR and/or EURIBOR and/or relevant benchmark based Instruments, which could:

- result in a sudden or prolonged increase or decrease or volatility in the reported benchmark rates or a delay in the publication of any such benchmark rates;
- trigger changes in the rules or methodologies in certain benchmarks, thereby discouraging market participants from continuing to administer or participate in such benchmarks; and
- in certain situations, result in a benchmark rate no longer being determined and published.

Accordingly, in respect of an Instrument referencing LIBOR and/or EURIBOR and/or other relevant benchmarks, such proposals for reform and changes in applicable regulation could have a material adverse effect on the market value of and return on such an Instrument (including potential rates of interest thereon).

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

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR reforms in making any investment decision with respect to any Instruments linked to or referencing a benchmark.

#### *Fixed/Floating Rate Instruments*

Fixed/Floating Rate Instruments may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the

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

#### *Instruments issued at a substantial discount or premium*

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

#### **Risks related to Instruments generally**

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

#### *Modification, waivers and substitution*

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

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

#### *Change of law*

The Terms and Conditions of the Instruments are based on English law in effect as at the date of issue of the relevant Instruments. 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 Instruments and any such change could materially adversely impact the value of any Instruments affected by it.

#### *Specified Denominations*

The Instruments are issued in the Specified Denomination shown in the relevant Final Terms. Such Final Terms may also state that the Instruments will be tradable in the Specified Denomination and integral multiples in excess thereof but which are smaller than the Specified Denomination. Where such Instruments are traded in the clearing systems, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the Specified Denomination.

If Definitive Instruments are required to be issued in relation to such Instruments, a holder who does not hold a principal amount of Instruments at least equal to the Specified Denomination in his account at the relevant time, may not receive all of his entitlement in the form of Definitive Instruments and, consequently, may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes at least equal to the Specified Denomination.

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

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

#### *The secondary market generally*

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

#### *The Clearing Systems*

Because the Global Instruments may be held by or on behalf of Euroclear and Clearstream, Luxembourg investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer.

Instruments issued under the Programme may be represented by one or more temporary Global Instruments or permanent Global Instruments. Such Global Instruments may be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive Definitive Instruments. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Instruments are represented by one or more Global Instruments, the Issuer will discharge its payment obligations under such Instruments by making payments to the Common Depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Instrument must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Instruments.

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

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in

respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

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

*Credit ratings may not reflect all risks*

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following is the text of the terms and conditions which, save for the text in italics and subject to completion by Part A of the relevant Final Terms, will be endorsed on the Instruments in definitive form (if any) issued in exchange for the Global Instrument(s) representing each Series. Either (a) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (b) these terms and conditions as so completed (and subject to simplification by the dis-application of non-applicable provisions), shall be endorsed on such Instruments. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the Definitive Instruments. References in these terms and conditions to “**Instruments**” are to the Instruments of one Series only of the Issuer (as defined below), not to all Instruments that may be issued under the Programme. In the case of PSM Instruments issued under the Programme, references to the Final Terms in these Conditions shall be construed as references to the Pricing Supplement.*

National Grid Gas plc (“**National Grid Gas**” or the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to €10,000,000,000 in aggregate principal amount of debt instruments (the “**Instruments**”).

The Instruments are constituted by an Amended and Restated Trust Deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 14 August 2015 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Definitive Instruments, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 18 July 2014 has been entered into in relation to the Instruments between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agent(s) named in it. The issuing and paying agent, the paying agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the registered office of the Trustee (as at 14 August 2015 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

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

### 1 Form, Denomination and Title

The Instruments are issued in bearer form in the Specified Denomination(s) specified in the relevant Final Terms and are serially numbered. Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination.

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

Instruments are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Instruments in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Talons may be required if more than twenty seven coupon payments are to be made with regards to the relevant Instruments.

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

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

## **2 Status**

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

## **3 Interest**

### **3.1 Interest on Fixed Rate Instruments**

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

### **3.2 Interest on Floating Rate Instruments and Index Linked Interest Instruments**

#### **3.2.1 Interest Payment Dates**

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

#### **3.2.2 Business Day Convention**

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately

preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day; (C) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

### 3.2.3 Rate of Interest for Floating Rate Instruments

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

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

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

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

(B) Screen Rate Determination (LIBOR, EURIBOR, AUD-BBR-BBSW or CAD-BA-CDOR): Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
  - (a) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
  - (b) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,  
  
in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

- (y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x) (a) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x) (b) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall (i) for Reference Rates other than CAD-BA-CDOR, be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, or (ii) where the Reference Rate is CAD-BA-CDOR, on the basis of the bid rates of the Reference Banks for Canadian dollar bankers' acceptances for the Specified Duration for settlement on the relevant Interest Determination Date in a Representative Amount accepted by the Reference Banks at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro in those Member States of the European Union which are participating in European economic and monetary union as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre or (III) where the Reference Rate is CAD-BA-CDOR, for Canadian dollar bankers' acceptances for settlement on the Effective Date; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (C) Linear Interpolation: Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of

time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

### **3.2.4 Rate of Interest for Index Linked Interest Instruments**

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

#### **(a) Zero Coupon Instruments**

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

#### **(b) Accrual of Interest**

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

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

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3.2 above, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Maximum or Minimum Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up),

save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency which is available as legal tender in the country of such currency.

**(d) Calculations**

The amount of interest payable per Calculation Amount in respect of any Instrument for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount as specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

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

The Calculation Agent shall, as soon as practicable after the Relevant Time on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.2.2, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination

of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(f) Definitions**

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

**“Benchmark”** means LIBOR, EURIBOR, AUD-BBR-BBSW or CAD-BA-CDOR, as may be specified in the relevant Final Terms.

**“Business Day”** means:

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

**“Calculation Amount”** means the amount specified as such in the relevant Final Terms.

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

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30 ;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30;

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

where:

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

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

- (viii) if “**RBA Bond Basis**” or “**Australian Bond Basis**” is specified in the relevant Final Terms, one divided by the number of Interest Payment Dates in each 12 month period or, where the relevant period does not constitute an Interest Period, the product of:

- (a) one divided by the number of Interest Payment Dates in each 12 month period; and
  - (b) the number of days in the relevant period divided by the actual number of days in the Interest Period ending on the next Interest Payment Date; and
- (ix) If “**Actual/Actual Canadian Compound Method**” is specified in the applicable Final Terms, whenever it is necessary to compute any amount of accrued interest in respect of the Instruments for a period of less than one full year, other than in respect of any specified Interest Amount, such interest will be calculated on the basis of the actual number of days in the Calculation Period and a year of 365 days.

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

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

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

“**Interest Amount**” means:

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

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

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

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention.

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the applicable Final Terms.

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

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

**“Page”** means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Market 3000 (“Reuters”)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may succeed or replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Instrument and that is either specified on, or calculated in accordance with the provisions of, the relevant Final Terms.

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of the relevant Final Terms.

**“Reference Banks”** means the institutions specified as such in the relevant Final Terms or, if none, five leading banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe, in the case of AUD-BBR-BBSW, the financial institutions authorised to quote on the Reuters Screen BBSW Page, in the case of CAD-BA-CDOR, four major Canadian Schedule I chartered banks).

**“Relevant Financial Centre”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

**“Relevant Rate”** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**“Relevant Time”** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified

Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition “**local time**” means, with respect to Europe as a Relevant Financial Centre, Brussels time.

“**Representative Amount**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

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

“**Specified Duration**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to Condition 3.2.2.

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

**(g) Calculation Agent and Reference Banks**

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

## **4 Indexation**

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

#### 4.1 U.K. Retail Prices Index

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

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

**“Her Majesty’s Treasury”** means Her Majesty’s Treasury or any officially recognised party performing the function of a calculation agent (whatever such party’s title), on its or its successor’s behalf, in respect of the Reference Gilt;

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

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

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

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

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

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

specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

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

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

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

## 4.2 Application of the Index Ratio

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

## 4.3 Changes in Circumstances Affecting the Index

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of “Index” and “Index Figure” in Condition 4.1 shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the **“relevant month”**) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the **“date for payment”**), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.
- (iii) Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable: If the Index Figure relating to any month (the **“calculation month”**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on

which such payment is due (the “**date for payment**”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.

#### 4.4 Application of Changes

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

- (i) in relation to a payment of principal or interest in respect of such Instrument other than upon final redemption of such Instrument, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 4.3(ii)(2) or Condition 4.3(iii)(2) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

#### 4.5 Material Changes to or Cessation of the Index

- (i) Material changes to the Index: If notice is published by Her Majesty’s Treasury, or on its behalf, following a change to the coverage or the basic calculation of the Index, then the Calculation Agent shall make any such adjustments to the Index consistent with any adjustments made to the index as applied to the Reference Gilt.
- (ii) Cessation of the Index: If the Trustee and the Issuer have been notified by the Calculation Agent that the Index has ceased to be published, or if Her Majesty’s Treasury, or a person acting on its behalf, announces that it will no longer continue to publish the Index, then the Calculation Agent shall determine a successor index in lieu of any previously applicable index (the “**Successor Index**”) by using the following methodology:
  - (a) if at any time a successor index has been designated by Her Majesty’s Treasury in respect of the Reference Gilt, such successor index shall be designated the “**Successor Index**” for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (b) or (c) below; or
  - (b) if a Successor Index has not been determined under paragraph (a) above, the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the

same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published; or

- (c) if the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (ii), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the “**Expert**”), to determine for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) Adjustment or replacement: The Index shall be adjusted or replaced by a substitute index pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Instrumentholders, and the Issuer shall give notice to the Instrumentholders in accordance with Condition 14 of such amendments as promptly as practicable following such notification or adjustment.

#### **4.6 Redemption for Index Reasons**

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

#### **4.7 HICP**

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

“**Base Index Level**” means the base index level as specified in the relevant Final Terms;

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

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

where:

$I_d$  is the Index Level for the day d

**HICP** m-2 is the level of HICP for month m-2

**HICP** m-3 is the level of HICP for month m-3

**nb<sub>d</sub>** is the actual number of days from and excluding the first day of month m to but including day d; and

**q<sub>m</sub>** is the actual number of days in month m,

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

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

**"Index Determination Date"** means in respect of any date for which the Index Level is required to be determined, the fifth Index Business Day prior to such date;

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

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

#### 4.8 Application of the Index Ratio

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

#### 4.9 Changes in Circumstances Affecting the Index

(i) Delay in publication of Index:

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

- (1) if applicable, the Calculation Agent will take the same action to determine the Substitute Index Level for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument;
- (2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level} / \text{Reference Level})$$

where:

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

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

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

(b) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 4.9(i) will be the definitive level for that calculation month.

(ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index, then the Calculation Agent shall determine a successor index in lieu of

any previously applicable Index (the “**Successor Index**”) by using the following methodology:

- (a) if at any time (other than after an Early Termination Event (as defined below) has been designated by the Calculation Agent pursuant to paragraph (e) below) a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument, such successor index shall be designated the “**Successor Index**” for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (b), (c) or (d) below; or
  - (b) if a Successor Index has not been determined under paragraph (a) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or
  - (c) if a Successor Index has not been determined under paragraphs (a) or (b) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “**Successor Index**”. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the “**Successor Index**”. If fewer than three responses are received, the Calculation Agent will proceed to paragraph (d) below;
  - (d) if no Successor Index has been determined under paragraphs (a), (b) or (c) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed the “**Successor Index**”;
  - (e) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer and the Instrumentholders shall, in conjunction with the Calculation Agent, determine an appropriate alternative index. If the Issuer and the Instrumentholders, in conjunction with the Calculation Agent, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an Early Termination Event will be deemed to have occurred and the Issuer will redeem the Instruments pursuant to Condition 4.10.
- (iii) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the “**Rebased Index**”) will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of

inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

- (iv) **Material Modification Prior to Interest Payment Date:** If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Instrument .
- (v) **Manifest Error in Publication:** If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the parties of (A) that correction, (B) the amount that is payable as a result of that correction and (C) take such other action as it may deem necessary to give effect to such correction.

#### **4.10 Redemption for Index Reasons**

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

### **5 Redemption, Purchase and Options**

#### **5.1 Final Redemption**

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

#### **5.2 Redemption for Taxation Reasons**

If, on the occasion of the next payment in respect of the Instruments, the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that it would be unable to make such payment without having to pay additional amounts as described in Condition 7, and such requirement to pay such additional amounts arises by reason of a change in the laws of the United Kingdom or any political sub-division of the United Kingdom or taxing authority in the United Kingdom or any political sub-division of the United Kingdom or in the interpretation or application of the laws of the United Kingdom or any political sub-division of the United Kingdom or in any applicable double taxation treaty or convention, which change becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer), the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption, provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a

payment in respect of the Instruments then due. Prior to the publication of any notice of redemption pursuant to this Condition 5.2, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders and Couponholders.

### **5.3 Purchases**

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

### **5.4 Early Redemption**

#### **5.4.1 Zero Coupon Instruments:**

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

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

#### **5.4.2 Other Instruments**

The Early Redemption Amount payable in respect of any Instrument (other than Instruments described in Condition 5.4.1 above), upon redemption of such Instrument

pursuant to this Condition 5.4 or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

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

### **5.5.1 Residual Holding Call Option**

If (i) Residual Holding Call Option is specified in the relevant Final Terms as applicable, and (ii) if at any time the Residual Holding Percentage or more of the aggregate nominal amount of Instruments originally issued shall have been redeemed or purchased and cancelled, the Issuer shall have the option to redeem such outstanding Instruments in whole, but not in part, at their Residual Holding Redemption Amount. Unless otherwise specified in the relevant Final Terms, the Residual Holding Redemption Amount will be calculated by the Calculation Agent by discounting the outstanding nominal amount of the Instruments and the remaining interest payments (if applicable) to the Maturity Date by a rate per annum (expressed as a percentage to the nearest one hundred thousandth of a percentage point (with halves being rounded up)) equal to the Benchmark Yield, being the yield on the Benchmark Security at the close of business on the third Business Day prior to the date fixed for such redemption, plus the Benchmark Spread. Where the specified calculation is to be made for a period of less than one year, it shall be calculated using the Benchmark Day Count Fraction. The Issuer will give not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders and the Trustee of any such redemption pursuant to this Condition 5.5.1.

### **5.5.2 Call Option**

If Call Option is specified in the relevant Final Terms as applicable, the Issuer may, unless an Exercise Notice has been given pursuant to Condition 5.6, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date(s) or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to but excluding the date fixed for redemption.

Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

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

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

### **5.5.3 Make-whole Redemption Option**

If Make-whole Redemption Option is specified in the relevant Final Terms as applicable, the Issuer may, unless an Exercise Notice has been given pursuant to Condition 5.6, on giving

not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Make-whole Redemption Date(s). Any such redemption of Instruments shall be at an amount equal to the higher of the following, in each case together with interest accrued to but excluding the date fixed for redemption:

- (i) the nominal amount of the Instrument; and
- (ii) the nominal amount of the Instrument multiplied by the price (as reported in writing to the Issuer and the Trustee by a financial adviser (the "**Financial Adviser**") appointed by the Issuer and approved by the Trustee) expressed as a percentage (rounded to the nearest fifth decimal places, 0.000005 being rounded upwards) at which the Gross Redemption Yield on the Instruments on the Determination Date specified in the Final Terms is equal to the Gross Redemption Yield at the Quotation Time specified in the relevant Final Terms on the Determination Date of the Reference Bond specified in the relevant Final Terms (or, where the Financial Adviser advises the Trustee that, for reasons of illiquidity or otherwise, such Reference Bond is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin specified in the Final Terms.

Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

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

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

In this Condition:

**"Gross Redemption Yield"** means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by the Financial Adviser.

## **5.6 Redemption at the Option of Instrumentholders and Exercise of Instrumentholders' Options**

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

To exercise such option (which must be exercised on an Option Exercise Date) the holder must deposit such Instrument with any Paying Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying

Agent within the Instrumentholders' Option Period (as specified in the relevant Final Terms). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

## **5.7 Cancellation**

All Instruments redeemed pursuant to any of the foregoing provisions will be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto). All Instruments purchased by or on behalf of the Issuer or any of its subsidiary undertakings may, at the option of the Issuer, be held, resold or surrendered together with all unmatured Coupons and all unexchanged Talons attached to them to a Paying Agent for cancellation. Any Instruments so purchased or otherwise acquired, for so long as they are held by the Issuer or any of its subsidiary undertakings, shall not entitle the holder to vote at any meeting of Instrumentholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Instrumentholders or for the purposes of Condition 11.

## **6 Payments and Talons**

### **6.1 Payments**

Payments of principal and interest in respect of Instruments will, subject as mentioned below, be made against presentation and surrender of the relevant, Instruments (in the case of all payments of principal and, in the case of interest, as specified in Condition 6.5.6) or Coupons (in the case of interest, save as specified in Condition 6.5.6), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; provided that in the case of euro, the transfer shall be in a city in which banks have access to the TARGET System.

### **6.2 Payments in the United States**

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

### **6.3 Payments subject to Fiscal Laws etc.**

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Instrumentholders or Couponholders in respect of such payments.

### **6.4 Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the

right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent having a specified office in a continental European city, (iii) a Calculation Agent where the Conditions so require one, (iv) so long as the Instruments are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority and (v) to the extent that the Issuer is able to do so and not provided for by the foregoing provisions of this Condition 6.4, a Paying Agent with a specified office in a European Union Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. As used in these Conditions, the terms “**Issuing and Paying Agent**”, “**Calculation Agent**”, and “**Paying Agent**” include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Instruments denominated in U.S. dollars in the circumstances described in Condition 6.2.

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

## **6.5 Unmatured Coupons and unexchanged Talons:**

**6.5.1** Upon the due date for redemption of any Instrument, unexpired Coupons relating to such Instrument (whether or not attached) shall become void and no payment shall be made in respect of them.

**6.5.2** Upon the due date for redemption of any Instrument, any unexchanged Talon relating to such Instrument (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

**6.5.3** Where any Instrument which provides that the relevant Coupons are to become void upon the due date for redemption of those Instruments is presented for redemption without all unexpired Coupons, and where any Instrument is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

**6.5.4** If the due date for redemption of any Instrument is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Instrument. Interest accrued on an Instrument that only bears interest after its Maturity Date shall be payable on redemption of that Instrument against presentation of that Instrument.

## **6.6 Non-business days**

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

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

## 6.7 Talons

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

## 7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Instruments and the Coupons will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision of the United Kingdom or any authority in or of the United Kingdom having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer will pay such additional amounts of principal and interest as will result in the receipt by the Instrumentholders or, as the case may be, the Couponholders of the amounts which would otherwise have been received by them in respect of the Instruments or Coupons had no withholding or deduction been made, except that no such additional amounts shall be payable in respect of any Instrument or Coupon presented for payment:

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

Notwithstanding any other provision of the Terms and Conditions or the Trust Deed, any amounts to be paid on the Instruments 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.

As used in these Conditions, "**Relevant Date**" in respect of any Instrument or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 14 that, upon further presentation of the Instrument or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Instruments, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 or any amendment or supplement to it or pursuant to Condition 6 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 8 Prescription

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

## 9 Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment:

- (a) **Non-Payment:** there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or
- (b) **Breach of Other Obligations:** there is default in the performance or observance by the Issuer of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Winding-up:** a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer be wound up or dissolved; or
- (d) **Enforcement Proceedings:** attachment is made of the whole or substantially the whole of the assets or undertaking of the Issuer and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or an administration or similar order is made in relation to the Issuer and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or

- (e) **Insolvency:** the Issuer ceases to carry on all or substantially all of its business or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (f) **Bankruptcy:** the Issuer is adjudged bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation,

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

Any such notice by the Trustee to the Issuer shall specify the serial number(s) of the Instrument(s) concerned.

## 10 Enforcement

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

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

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

## 11 Meetings of Instrumentholders, Modifications and Substitution

### 11.1 Meetings of Instrumentholders

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

with the Instruments to which meeting the provisions referred to above apply as if all such instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the holders of the instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

## **11.2 Modification of the Trust Deed**

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

## **11.3 Substitution**

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

## **11.4 Entitlement of the Trustee**

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

## **12 Replacement of Instruments, Coupons and Talons**

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

### 13 Further Issues

The Issuer may from time to time without the consent of the Instrumentholders or Couponholders create and issue further instruments having the same terms and conditions as the Instruments and so that such further issue shall be consolidated and form a single series with such Instruments. References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition and forming a single series with the Instruments. Any such further instruments forming a single series with Instruments constituted by the Trust Deed or any deed supplemental to it shall, and any other instruments may (with the consent of the Trustee), be constituted by the Trust Deed.

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

### 14 Notices

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

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

### 15 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

### 16 Contracts (Rights of Third Parties) Act 1999

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

### 17 Governing Law and Jurisdiction

- (a) The Instruments and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Instruments.
- (c) The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) Nothing in this Condition 17 prevents the Trustee or any Instrumentholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by

law, the Trustee or Instrumentholders may take concurrent Proceedings in any number of jurisdictions.

## **OVERVIEW OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM**

### **Initial Issue of Instruments**

If the Global Instruments are intended to be issued in NGN form, the Global Instruments will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. Depositing the Global Instruments with the Common Safekeeper does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Global Instruments are to be issued in NGN form, the Issuer shall confirm to the Issuing and Paying Agent and to the clearing systems whether or not such Global Instruments are intended to be held in a manner which would allow recognition as eligible collateral for Eurosystem monetary policy and intra-day credit operations and if such relevant Global Instrument is to be deposited with one of the ICSDs as Common Safekeeper.

Global Instruments which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to the Common Depositary.

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

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

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of an Instrument represented by a Global Instrument must look solely to Euroclear, Clearstream, Luxembourg or an Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Instrument and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument in respect of each amount so paid.

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

## **Exchange**

### **1 Temporary Global Instruments**

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

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

### **2 Permanent Global Instruments**

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

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

Accordingly, the 'exchangeable upon 40 days' notice' option at item 25 of the applicable Final Terms of any relevant Instruments should not be expressed to be applicable if the stated Specified Denomination of the Instruments includes language substantially to the following effect "(€100,000) and integral multiples of (€1,000) in excess thereof up to and including (€199,000)".

### **3 Partial Exchange of Permanent Global Instruments**

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

## 4 Delivery of Instruments

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

## 5 Exchange Date

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

### **Amendment to Conditions**

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

## 6 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Instruments represented by a Global Instrument in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Instrumentholders for such purpose. Each payment so made will to the relevant extent discharge the Issuer's obligations to make the relevant payment in respect of the Instruments represented by that Global Instrument. If the Global Instrument is a CGN, a record of each payment so made will be endorsed on each Global Instrument, which endorsement will be prima facie evidence that such payment has been made in respect of the Instruments. Condition 6.4(v) and Condition 7(e) will apply to the

Definitive Instruments only. If the Global Instrument is an NGN, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Instruments recorded in the records of the relevant clearing system and represented by the Global Instrument will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 6.6 (Non-business days).

## **7 Prescription**

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

## **8 Meetings**

The holder of a permanent Global Instrument shall (unless such permanent Global Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments for which it may be exchanged in accordance with its terms.

## **9 Cancellation**

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

## **10 Purchase**

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

## **11 Issuer's Option**

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

## **12 Instrumentholders' Options**

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time, where the permanent Global Instrument is a CGN, presenting the permanent Global Instrument for notation. Where the Global Instrument is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Instruments recorded in those records will be reduced accordingly.

## **13 NGN nominal amount**

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

## **14 Trustee's Powers**

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

## **15 Events of Default**

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

## **16 Notices**

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

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Instruments will be used for general corporate purposes. If in respect of an issue of Instruments, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

## DESCRIPTION OF NATIONAL GRID GAS PLC

### Incorporation

National Grid Gas, a direct wholly-owned subsidiary of National Grid Gas Holdings Limited and an indirect wholly-owned subsidiary of National Grid plc, was incorporated in England and Wales on 1 April 1986 as a public company limited by shares under the Companies Act 1985. The address of National Grid Gas's registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the registered office is +44 20 7004 3000.

### Business of National Grid Gas plc

As at the date of this Prospectus, the business of National Grid Gas comprises two principal activities:

- (i) owning and operating the high-pressure gas national transmission system ("**NTS**") in Great Britain, connecting to eight distribution networks and to third party independent systems for onward transportation of gas to end consumers as well as interconnectors; and
- (ii) through its subsidiary National Grid Metering Limited ("**NGM**") providing regulated gas metering and meter reading services in Great Britain.

Prior to 1 October 2016, National Grid Gas's business also included four regional gas distribution networks conveying gas to around 10.9 million customers, domestic and industrial/commercial in central, eastern and north west England as well as a large part of London and the northern Home Counties (the "**Gas Distribution Business**"). This business was transferred in its entirety to a newly created subsidiary of National Grid Holdings One plc ("**NGH1**"), an intermediate holding company between National Grid and National Grid Gas in the National Grid Group on 30 September 2016 (the "**Hive Out**"). On 31 March 2017, NGH1 completed the sale of a 61 per cent. stake in the newly established holding company of the Gas Distribution Business to a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation, Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/International Public Partnerships. NGH1 has also entered into options for the sale of the balance of its interests in the business with this consortium. The Gas Distribution Business therefore no longer forms part of National Grid Gas's business.

National Grid Gas holds a gas transporter licence under the Gas Act 1986 (the "**Gas Act**") in respect of its NTS gas transportation activities (i.e. the activities described in (i) above) (the "**Licence**").

National Grid Gas's customers are gas shippers, for whom it transports gas through the NTS to other gas transporters' gas distribution networks for onward conveyance to consumers, and gas suppliers to whom it provides gas meters and related services.

National Grid Gas is also the national gas transmission system operator ("**SO**") meaning it is responsible for the NTS in Great Britain, specifically residual energy balancing on the NTS in Great Britain (the "**GB system**") and for keeping the physical system within safe operating limits. This role is given to National Grid Gas under the commercial arrangements governing the GB system (the Uniform Network Code). To facilitate this, the Licence permits National Grid Gas to (and it does) buy gas or rights to use gas systems (including capacity rights) in order to meet anticipated physical requirements for energy balancing on the GB system. In some circumstances, National Grid Gas may also sell gas or capacity rights it has bought if it becomes clear that the anticipated physical position will not be required (and may make a profit, or avoid a loss in doing so). The purpose of this activity is not to make a profit from such trades, but to balance inputs of gas onto, and offtakes of gas from the GB system (although National Grid Gas's price control does incentivise it to keep its costs of system operation to a minimum).

Aside from the permitted balancing activities described above, the Licence prohibits National Grid Gas from purchasing or otherwise acquiring gas, gas derivatives or capacity rights in respect of the flow of gas for the purposes of resale or other disposition to third parties. As a result, National Grid Gas is prohibited from (i) engaging in any gas “trading” activity (other than in the very limited circumstances broadly related to the need to balance the GB system as described above) and (ii) acting as a gas shipper or gas supplier.

As SO, National Grid Gas is responsible for NTS in Great Britain. National Grid Gas has the responsibility for the residual balancing activities on the NTS and for keeping the physical system within safe operating limits.

National Grid Gas is the parent company of NGM. NGM primarily provides gas metering services to National Grid Gas for both (i) industrial and commercial, and (ii) domestic customers throughout Great Britain. The provision of gas metering services to National Grid Gas enables NGM to discharge National Grid Gas's obligations in the Licence in respect of metering. The independent networks can choose to wholly back off their new and replacement metering obligations to National Grid Gas. Wales and West Utilities, Northern Gas Networks and Cadent Gas have elected to choose this option. The obligations are not material to the overall risks faced by NGM (and hence National Grid Gas).

At the date of this Prospectus, National Grid Gas has been rated 'A3' by Moody's Investors Service Ltd. (“**Moody's**”), 'A-' by Standard & Poor's Credit Market Services Europe Limited (“**S&P**”), and 'A' by Fitch Ratings Limited (“**Fitch**”) all with stable outlook. Standard & Poor's, Fitch and Moody's are established in the European Union and registered under the CRA Regulation.

All of National Grid Gas's current issued Instruments currently have an investment grade rating.

## **Operating environment**

In 2017/18 the gas throughput across the NTS system was around 90 billion cubic metres (“**bcm**”). Gas came from the U.K. Continental Shelf (“**UKCS**”), Norway and continental Europe through two interconnectors, and delivered as LNG, principally from Qatar but including a number of other sources. Imported gas made up over 50 per cent. of National Grid Gas's total supply. There was also some gas provided as biomethane, created by the digestion of organic matter and connected directly to the gas distribution networks.

National Grid plc's view of the future is not constrained to a single forecast but is covered by a range of scenarios, driven by political, economic, social and technological uncertainty. National Grid plc (“**National Grid**”) publishes its scenarios annually in the 'Future Energy Scenarios' document, available on its website at [fes.nationalgrid.com](http://fes.nationalgrid.com).

Demand for gas in the U.K. is lower than the peak in the early 2000s, although there has been a slight increase in the last three years. In two of National Grid's four scenarios in the 'Future Energy Scenarios' document, National Grid expects gas demand to show little change until the early 2030s, but in scenarios where there is a greater ambition to meet environmental targets there is a continuing decline in demand. Supplies from the UKCS are enjoying a respite from years of decline but National Grid is now not expecting any further significant increase and from the early 2020s, at the latest, is expecting UKCS supplies to decline again. Supplies from Norway remain strong in some scenarios but are lower in others where there is greater supply from U.K. indigenous resources. A major uncertainty over the next few years will be the development of shale gas. Surveys indicate that there is a large volume of shale gas under various parts of the U.K., and there is significant support for its development from the Government, but it has not yet been proved how much gas can be recovered, and at what cost. There has been some development activity at three different sites in northern England but no wells have yet been hydraulically fractured (fracked). The published scenarios include shale gas projections ranging from no successful

development up to a peak of over 30 bcm by the mid 2030s. This represents over 45 per cent. of the total gas supply by the 2040s.

The different inputs in the scenarios considered lead to a requirement for imported gas that ranges from 46 per cent. to 89 per cent. by 2050. The requirement for imported gas, apart from Norwegian gas, could be met entirely by either LNG or continental gas, though some mixture of the two is probably more likely.

## Subsidiaries

The following table shows certain information on National Grid Gas's subsidiaries as at the date of this Prospectus:

<b>Name</b>	<b>Country of Incorporation</b>	<b>National Grid Gas's Shareholding (either direct or indirect)</b>
British Transco Capital Inc.	U.S.A. (Delaware)	100%
British Transco Finance Inc.	U.S.A. (Delaware)	100%
British Transco International Finance B.V.	The Netherlands	100%
National Grid Metering Limited	England & Wales	100%
Joint Radio Company Limited	England & Wales	50%

## Directors

As at the date of this Prospectus, the Directors of National Grid Gas and their principal activities outside the National Grid Gas are as follows:

<b>Name</b>	<b>Title</b>	<b>Principal Activities outside National Grid Gas</b>
Nicola Shaw	Director and Chair	Director of National Grid plc, National Grid Electricity Transmission plc, National Grid Gas Holdings Limited, Cadent Gas Limited, Quadgas MidCo Limited, Quadgas PledgeCo Limited, Quadgas HoldCo Limited, NGET/SPT Upgrades Limited. Also, Non-Executive Director of International Consolidated Airlines Group S.A., Director of Major Projects Association and member of Audit Committee of English Heritage.
Catherine Bell	Non-executive Director	Non-executive Director of National Grid Electricity Transmission plc and Cadent Gas Limited, Director of Horder Healthcare, Governor of the London School of Economics, Member of the Competition Appeal Tribunal and the Interview panel for Financial Reporting Council appointments.
Chris Bennett	Director	Director of National Grid Electricity Transmission plc, Cadent Gas Limited, Quadgas HoldCo Limited, Quadgas MidCo Limited, Quadgas PledgeCo Limited and Affordable Warmth Solutions CIC.
Clive Elphick	Director	Non-executive Director of National Grid Electricity Transmission plc, Director of Elphick Consulting Ltd, Perceptive Engineering Limited, Non-Executive Director of The Lancashire Wildlife Trust Ltd, Board Adviser to M&I Midlands Limited, Judge at the Competition Appeals Tribunal and Honorary Research Fellow in Mathematics at the University of Birmingham.
Alan Foster	Director	Director of National Grid Electricity Transmission plc, NGET/SPT Upgrades Limited and National Grid Gas Holdings Limited.

<b>Name</b>	<b>Title</b>	<b>Principal Activities outside National Grid Gas</b>
Alexandra Lewis	Director	<p>Director of National Grid Electricity Transmission plc, National Grid Gas Holdings Limited, NGG Finance plc, National Grid Holdings Limited, National Grid Holdings One plc and National Grid Insurance Company (Isle of Man) Limited.</p> <p>Assistant Treasurer of The Brooklyn Union Gas Company, National Grid North America Inc., National Grid Generation LLC, National Grid Glenwood Energy Center LLC, National Grid LNG LLC, National Grid Port Jefferson Energy Center LLC, New England Electric Transmission Corporation, New England Hydro-Transmission Corporation, New England Hydro-Transmission Electric Company, Inc., New England Power Company, Transgas Inc, KeySpan Gas East Corporation, Niagara Mohawk Power Corporation, Boston Gas Company, Colonial Gas Company, Massachusetts Electric Company, Nantucket Electric Company, Nantucket Electric Company and National Grid USA.</p>
Phil Sheppard	Director	NGET/SPT Upgrades Limited and Correso S.A.
Fintan Slye	Director	Director of National Grid Electricity Transmission plc.

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

There are no potential conflicts of interest between the duties to National Grid Gas of each of the Directors listed above and his/her private interests or other duties. Cordelia O'Hara resigned and Philip Sheppard was appointed as director with effect from 17 July 2017. Fintan Slye was appointed to the Board on 7 February 2018 as Director of U.K. System Operation. Andy Agg resigned and Alexandra Lewis was appointed to the Board as Director with effect from 13 April 2018.

### **Regulatory Framework**

The supply, transportation and shipping of gas in Great Britain are regulated under the Gas Act 1986 (the "**Gas Act**"). The regimes for gas and electricity are administered in Great Britain by a sectoral regulator, the Gas and Electricity Markets Authority ("**GEMA**") through its secretariat, the Office of Gas and Electricity Markets ("**Ofgem**") which was established by the Utilities Act 2000. In addition, the Health and Safety Executive is responsible for safety-related regulation of the gas transportation business.

As indicated above, the gas transportation business of National Grid Gas is operated pursuant to the Licence which was granted under the Gas Act.

The Gas Act and the Licence oblige National Grid Gas in respect of National Grid Gas's NTS business to develop, maintain and operate an economic and efficient pipeline system for the conveyance of gas in Great Britain. These obligations also require National Grid Gas to comply, so far as it is economical for it to do so, with all reasonable requests to connect to the respective systems and convey gas by means of those systems to any premises or other pipeline system. National Grid Gas must also facilitate competition in the supply of gas in Great Britain. The Gas Act also provides the licensed business statutory powers such as the right to bury National Grid's pipes under public highways and the ability to purchase land compulsorily in order to facilitate the conduct of its businesses.

The Licence sets out the responsibilities of the business in respect of charging, system access/use of system, metering and other specific obligations required for the proper functioning of the relevant activity

and also restrict the revenues which National Grid Gas may derive from its licensed activities (known as the “price controls”). The Licence also requires National Grid Gas to conduct its transportation business in the manner best calculated to secure that neither the NTS business (or any affiliate or related undertaking), any gas shipper or supplier nor any gas transporter operating a distribution network obtains an unfair commercial advantage including, in particular, any advantage from a preferential or discriminatory arrangement.

The Licence can only be amended either in accordance with (i) the procedures contained in the Licence itself or (ii) the Gas Act. The Licence continues in force until determined by not less than 10 years’ notice in writing given by GEMA or otherwise revoked in accordance with the terms of the Licence (such as in the event of financial default).

The Licence contains conditions which have the effect of “ring fencing” the NTS business. These include:

- (i) prohibiting National Grid Gas from carrying on activities other than those permitted by the Licence;
- (ii) requiring that the business have sufficient managerial and financial resources available to it to conduct the licensed activities;
- (iii) requiring National Grid Gas to maintain an investment grade issuer credit rating;
- (iv) prohibiting National Grid Gas from creating indebtedness or entering into any other obligations (except in limited circumstances) other than on an arm’s length basis on normal commercial terms for one of its permitted purposes;
- (v) prohibiting the creation of “cross-default” obligations (i.e. those under which the licensee’s liabilities can arise, be accelerated or increased by the default of a third party); and
- (vi) prohibiting the NTS business from giving or receiving any cross-subsidy from any other group business.

If National Grid Gas is in default of any of these “ring fence” obligations, it is prohibited from declaring and paying a dividend. In October 2002, GEMA consented to National Grid Gas making loans to its immediate parent company, National Grid Gas Holdings Limited. This consent was renewed by GEMA in May 2005. As a result, National Grid Gas Holdings Limited is subject to a number of the “ring fencing” conditions of the Licence as if it were itself the holder of the Licence.

The Licence also contains “business separation” conditions requiring National Grid Gas to maintain appropriate managerial and operational independence of the transportation businesses of the NTS and the distribution networks from each other in order to ensure that each business complies with the obligations not to confer any unfair commercial advantage or cross-subsidy on the other. This is backed up by specific requirements on the manner in which the NTS and distribution networks businesses must interact with one another.

The Gas Act provides that GEMA may impose legally enforceable orders or financial penalties on National Grid Gas for contravening conditions of the Licence or contravening a relevant requirement of that Act or the Utilities Act 2000.

The level of revenue which the NTS transportation business may receive from the supply of gas transportation services is set out in the price control conditions contained in the Licence. The current price control is set for a period of eight years by GEMA (2013 to 2021), with the agreement of National Grid Gas (see ‘the RIIO price controls’ below). The price control includes a number of mechanisms to achieve its objectives, including financial incentives designed to encourage National Grid Gas to continuously improve the cost and effectiveness of its services; manage and operate its network efficiently; deliver high quality services to its customers and wider stakeholder community; and to invest in the development of the network in a manner that ensures long-term security of supply.

National Grid Gas's NTS business operates under two separate price controls in the U.K. These comprise one as transmission owner ("**TO**") and one as SO. While each of the two price controls may have differing terms, they are based on a consistent regulatory framework and contained in the one Licence.

In addition to the two price controls, there is also a tariff cap price control applied to certain elements of domestic metering and daily meter reading activities undertaken by NGM. Details of the current price controls applicable to National Grid Gas are given below.

### **RIIO price controls**

The building blocks of the RIIO (revenue = incentives + innovation + outputs) ("**RIIO**") price control are broadly similar to the historical price controls used in the U.K. However, there are some significant differences in the mechanics of the calculations.

Under RIIO, the outputs National Grid delivers are explicitly articulated and its allowed revenues are linked to their delivery. These outputs have been determined through an extensive consultation process, which has given stakeholders a greater opportunity to influence the decisions.

The five output categories for transmission are:

- **Safety**: ensuring the provision of a safe energy network;
- **Reliability (and availability)**: promoting networks capable of delivering long-term reliability, as well as minimising the number and duration of interruptions experienced over the price control period, and ensuring adaptation to climate change;
- **Environmental impact**: encouraging companies to play their role in achieving broader environmental objectives – specifically facilitating the reduction of carbon emissions – as well as minimising their own carbon footprint;
- **Customer and stakeholder satisfaction**: maintaining high levels of customer satisfaction and stakeholder engagement, and improving service levels; and
- **Customer connections**: encouraging networks to connect customers quickly and efficiently.

Within each of these output categories are a number of primary and secondary deliverables, reflecting what National Grid's stakeholders want it to deliver over the price control period. The nature and number of these deliverables varies according to the output category, with some being linked directly to its allowed revenue, some linked to legislation, and others having only a reputational impact. Ofgem, using information submitted by National Grid along with independent assessments, determines the efficient level of expected costs necessary to deliver them. Under RIIO this is known as totex, which is a component of total allowable expenditure ("**totex**"), and is broadly the sum of what was defined in previous price controls as operating expenditure ("**opex**") and capital expenditure ("**capex**").

A number of assumptions are necessary in setting these outputs, including the volumes of work that will be needed and the price of the various external inputs to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual prices or volumes differ from the assumptions. These mechanisms protect National Grid and its customers from windfall gains and losses.

Where National Grid under or over-spends the allowed totex for reasons that are not covered by uncertainty mechanisms, there is a sharing factor. This means that the under- or over-spend is shared between National Grid and its customers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for National Grid to provide the outputs efficiently, as National Grid is able to keep a portion of the savings it makes, with the remainder benefiting its customers.

The extended length of the price control to eight years is one of the ways that the first round of RIIO price controls has given innovation more prominence. Innovation refers to all the ways of working that deliver outputs more efficiently. The broader challenge has an impact on everyone in National Grid's business.

Allowed revenue to fund totex costs is split between RIIO fast and slow money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex that National Grid is able to recover in the next available year. Slow money is added to its regulatory asset value ("**RAV**") – effectively the regulatory IOU.

In addition to fast money, in each year National Grid is allowed to recover a portion of the RAV (regulatory depreciation) and a return on the outstanding RAV balance. Regulatory depreciation permits recovery of RAV consistent with each addition bringing equal real benefit to consumers for a period of up to 45 years. National Grid is also allowed to collect additional revenues related to noncontrollable costs and incentives. In addition to totex sharing, RIIO incentive mechanisms can increase or decrease National Grid Gas's allowed revenue to reflect its performance against various other measures related to its outputs. For example, performance against National Grid's customer and stakeholder satisfaction targets can have a positive or negative effect of up to 1 per cent. of allowed annual revenues. Many of National Grid's incentives affect its revenues two years after the year of performance.

During the eight-year period of the price control Ofgem included a provision for a potential mid-period review, with scope driven by changes to outputs that can be justified by clear changes in government policy and the introduction of new outputs that are needed to meet the needs of consumers and other network users.

The mid-period review of the gas transmission control focussed on a removal of the need for the Avonmouth pipeline and associated reduction in allowances of £168.8 million (in 2009/2010 prices).

Ofgem also separately reviewed the obligation to provide additional gas entry capacity at Fleetwood. It concluded that this additional capacity was not required, so no incremental revenues would be payable. National Grid had incurred no incremental costs in anticipation of this obligation.

Mindful of the fact that it operates within an evolving regulatory environment, National Grid has begun preparing for a new regulatory framework, which will come into effect when its current price controls expire in March 2021 ("**RIIO-T2**"). National Grid has mobilised teams to prepare for RIIO-T2 drawing on the knowledge across its business, and in-depth stakeholder engagement has commenced and will continue throughout the process. National Grid responded to Ofgem's Framework Consultation published by Ofgem in March 2018, which sought views on the wider methodology for the next round of energy network price controls.

Ofgem published its RIIO-T2 Framework Decision on 30 July 2018. This contained decisions on a number of elements of the framework that will apply across the energy network sectors but also identified other areas where further work is needed. The decisions included: to set the default length of the price control at five years; to extend the role of competition where appropriate from transmission to other sectors; and to move away from RPI to the Consumer Price Index including housing costs ("**CPIH**") for inflation measurement in calculating RAV and allowed returns (although Ofgem have stated that overall consumers and investors as a whole will be neither better nor worse off in net present value terms as a result of this change, and will be considering whether to phase in the transition from RPI to CPIH). Later in 2018 Ofgem are expected to publish a consultation on the methodologies used to set future price controls in specific sectors (including gas transmission, electricity transmission, and the electricity system operator). National Grid will continue to engage with stakeholders and work with Ofgem to clarify the parameters of RIIO-T2, with Ofgem expected to publish its final view on the final price control allowances by the end of 2020.

**Some of the key financial metrics are included below:**

	2017/18 (£m)	2016/17 (£m)	Percentage Change
RAV	6,014	5,755	5 per cent.
Return on Equity	10.0 per cent.	10.8 per cent.	(0.8) per cent.

Regulated return on equity (“**RoE**”) is a measure of how NGG is performing against the assumptions used by our regulator. These returns are calculated using the assumption that NGG is financed in line with the regulatory adjudicated capital structure, at the cost of debt assumed by the regulator and that RPI inflation is equal to a long-run assumption of 3.0 per cent. They are calculated by dividing elements of out- or under-performance versus the regulatory contract by the average equity regulatory asset value in line with the regulatory assumed capital structure and adding to the base allowed RoE.

This is an important measure of regulated business performance. RoE is underpinned by the RAV. The way in which NGG’s transactions impact RAV is driven by principles set out by Ofgem. In a number of key areas these principles differ from the requirements of IFRS, including areas such as additions and the basis for depreciation. Further, the RAV is adjusted annually for inflation. RAV has evolved over the period since privatisation in 1990 and as a result, historical differences between the initial determination of RAV and balances reported under UK GAAP at that time still persist. Due to the above, substantial differences exist in the measurement bases between RAV and an IFRS balance metric, and therefore it is not possible to provide a meaningful reconciliation between the two. RoE is not reconciled to IFRS as NGG does not believe it to be practical.

*Allowed returns*

The cost of capital allowed under NGG’s current RIIO price control is as follows:

	Transmission
Cost of equity (post-tax real)	6.8 per cent.
Cost of debt (pre-tax real)	iBoxx 10 year simple trailing average index (2.22 per cent. for 2017/18)
Notional gearing	62.5 per cent.
Vanilla WACC*	3.94 per cent.

\*Vanilla WACC = cost of debt x gearing + cost of equity x (1 – gearing)

Sharing factors under NGG’s current RIIO price control are as follows:

		Transmission Operator	System Owner
1	Fast <sup>1</sup>	Baseline <sup>2</sup> 35.6 per cent. Uncertainty 10 per cent.	62.6 per cent.
2	Slow <sup>3</sup>	Baseline <sup>2</sup> 64.4 per cent.	37.4 per cent.

<sup>1</sup> Fast money allows network companies to recover a percentage of total expenditure within a one year period.

<sup>2</sup> The Baseline is the expenditure that is funded through ex ante allowances whereas the certainty adjusts the allowed expenditure automatically where the level outputs delivered differ from the baseline level, or if triggered by an event.

<sup>3</sup> Slow money is where costs are added to RAV and, therefore, revenues are recovered slowly (e.g. over 20 years) from both current and future customers.

		Uncertainty 90 per cent.	
3	Sharing <sup>4</sup>		44.36 per cent.

The sharing factor means that any over- and under-spend is shared between businesses and consumers. The shared figures displayed are the sharing factors that apply to the NTS business.

## Recent Developments in 2017/2018

### *Europe*

At a European level, National Grid Gas has continued to work closely with organisations such as ENTSOG (the European Network of Transmission System Operators (“**TSO**”) for gas) to develop the European Union network codes. As they come into effect National Grid Gas works with Great Britain industry parties and Ofgem to develop the arrangements for Great Britain such that they deliver the European Union requirements. National Grid Gas is advocating retaining membership of ENTSOG because the U.K. will still be affected by European Union legislation in all post-Brexit scenarios and these bodies are crucial in shaping future network codes that govern the trade and flow of energy. In a future where the U.K. is increasingly connected to European Union countries, membership of these bodies also provides a forum to mitigate regulatory divergence with European Union partner TSOs, and discuss operational or technical issues across the continent. Membership will ultimately be subject to the wider politics around Brexit, however National Grid Gas continues to make the case for continued participation with all relevant stakeholders in 2018.

National Grid Gas’s approach includes working with customers and stakeholders on initiatives such as the translation of new European Union code requirements for gas, the development of new demand side services supporting the harmonisation of gas trading arrangements across Europe, the Future Energy Scenarios reports, the Future of Gas programme and System Operability Framework workshops and webinars.

### *Other Recent U.K. Developments*

#### **Transmission**

In 2017/18, National Grid Gas made good progress on its project for a Gas Robotic Agile Inspection Device, which is developing an innovative robotic inspection device for underground pipework. During the year, it developed the robot for offline trials ahead of live site trials later in 2018. To continue to provide low-cost services which National Grid’s customers want, National Grid Gas must innovate. National Grid Gas has also updated many of its back-office systems to improve data and management control. It has made substantial progress in its asset health data collection efforts and has prioritised spend over the remainder of the regulatory control period.

National Grid Gas is also working to halve the cost, and reduce the time for connecting new customers to the NTS to under one year through its Customer Low Cost Connections project. Currently this takes around 3 years and costs around £2million. There are three main ways in which this will be delivered: (i) the development of an online gas connections portal to replace the current paper-based process enabling customers to generate indicative quotes within seconds, and to benefit from greater transparency on the status of their applications which they will be able to track from start to finish; (ii) developing a suite of pre-approved and pre-appraised standardised connection designs, ready for customers to order off the shelf, saving them significant time and money; and (iii) optimising commercial arrangements through changes to relevant gas regime governance. The project recently appointed a pilot customer to support the testing and verification of the project’s outputs, after a call to industry for

<sup>4</sup> The sharing factor is the proportion of over and under spend retained by National Grid Gas.

expressions of interest in the opportunity. The pilot customer will be the first time a biomethane producer has connected to the NTS.

In late February 2018, adverse weather affected the U.K., leading to high demand for energy on the system. National Grid Gas's networks performed strongly, maintaining secure supplies of gas. As part of its response National Grid Gas issued a Gas Deficit Warning. This signalled to the market that it required more gas to keep the system running safely and reliably. This is part of National Grid's standard approach to balancing supply and demand, and worked effectively.

### **System Operator**

Sources of energy are changing and the changing location of gas being input into the transmission system will drive greater need for flexibility as the traditional north-south flow diminishes and as new forms of low carbon gases are considered to support the transition to a low carbon future. This makes the SO role in matching supply and demand more challenging, so National Grid Gas works with the market to make sure it has appropriate tools in place to balance the transmission system. It works with customers and stakeholders to shape the future of the energy market, providing analysis and insight into the changing nature of energy and the role that gas and decarbonising gas can play to support national climate ambitions. The SO also facilitates changes to the market frameworks to accommodate new technologies and ways of working, while considering how the role of the SO should evolve over time, in a future that could see different forms of low carbon gas, such as hydrogen, biogas and bioSNG, alongside natural gas. The SO is at the forefront of this debate helping to find solutions with industry and decision makers.

The SO is also holding workshops for customers so it can gain a more in-depth understanding of their requirements today and in the coming decades as a result of the low carbon transition, which could see hydrogen and biofuels used alongside natural gas. National Grid Gas has also started to examine each point of contact customers have with the company, so it can identify where it can improve processes and customers' experience. The SO will test proposed improvements with customers before implementing them. The SO will also continue to work with Ofgem and The Department for Business Energy and Industrial Strategy as they develop proposals to help meet the energy and decarbonisation challenges of the future, so gas and decarbonised gas can support clean growth in the U.K.

### **Metering**

NGM continues to provide installation and maintenance services to energy suppliers in the regulated market in Great Britain. It maintains an asset base of over 12 million domestic, industrial and commercial meters. NGM continues to work with its customers on areas for improvement by exploring additional products and services so it can respond to the rapidly changing non-domestic sector.

## TAXATION

### United Kingdom Taxation

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

#### **(A) U.K. Withholding Tax on U.K. Source Interest**

The Instruments issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Instruments will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and are admitted to trading on the Regulated Market of the London Stock Exchange or the Professional Securities Market of the London Stock Exchange. Whilst the Instruments are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Instruments may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the Instruments will generally fall to be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs under domestic law or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, the obligation to withhold will not apply if the relevant interest is paid on Instruments with a maturity date of less than one year from the date of issue and which (i) are not issued under a scheme or arrangement the intention or effect of which is to render such Instruments part of a borrowing with a total term of a year or more and (ii) are not issued under a scheme or arrangement the intention of which is to render such Instruments part of a borrowing capable of remaining outstanding for a total term of a year or more.

## **(B) Other Rules Relating to U.K. Withholding Tax**

Instruments may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Instruments should not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (A) above.

Where Instruments are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. United Kingdom withholding tax requirements in relation to payments of interest are outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Instrumentholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty and an appropriate claim is submitted to HMRC by the recipient of the interest.

The references in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Instruments or any related documentation. Instrumentholders should seek their own professional advice, as regards the withholding tax treatment of any payment on the Instruments which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 11.3 of the Instruments or otherwise and does not consider the tax consequences of any such substitution.

## **FATCA Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, such withholding would not apply to foreign passthru payments prior to 1 January 2019 and Instruments that have a fixed term and that are not treated as equity for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. federal register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Instruments (as described under "Terms and Conditions of the Instruments —Further Issues") that are not distinguishable from grandfathered Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including grandfathered Instruments, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Instruments.

In the event any would be required pursuant to FATCA or an IGA, neither the Issuer nor any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding.

## PLAN OF DISTRIBUTION

### Summary of Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 2 August 2018 (as amended or supplemented from time to time) between the Issuer, the Permanent Dealers and the Arranger (the “**Dealer Agreement**”), the Instruments will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to issue Instruments directly on its own behalf to dealers which are not Permanent Dealers. The Instruments may also be issued by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

### Selling Restrictions

#### United States

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

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

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Instruments of any identifiable Tranche, (i) as part of its distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer or the Issuing and Paying Agent by such Dealer, or in the case of Instruments issued on a syndicated basis, by each of such Dealers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons.

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

#### Public Offer Selling Restriction under the Prospectus Directive

If the Final Terms in respect of any Instruments specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (“**EEA**”) which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Instruments which are the subject of an offering contemplated by

this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;
- (c) at any time if the denomination per Instrument being offered amounts to at least €100,000; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

#### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Instruments specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments.

#### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

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

issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

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

### **Japan**

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

### **Australia**

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

Each Dealer has represented and agreed that, it:

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

unless:

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

### **Canada**

The Instruments have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented, warranted and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Instruments, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable

securities laws. Each Dealer has also represented, warranted and agreed that it has not and will not distribute or deliver the Prospectus, or any other offering material in connection with any offering of Instruments, in Canada other than in compliance with applicable securities laws.

### **Belgium**

Other than in respect of Instruments for which “Prohibition of Sales to Belgian Consumers” is specified as “Not Applicable” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Instruments may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Instruments, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Instruments, directly or indirectly, to any Belgian Consumer.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Instruments or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and none of the Issuer or any other Dealer shall have responsibility for such material.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Instruments which is admitted to trading on the London Stock Exchange's regulated market will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

**Final Terms dated [●]**

### NATIONAL GRID GAS PLC

Legal Entity Identifier (LEI): FPCHGTHKVVH9ZWXS7S453  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]  
under the Euro 10,000,000,000 Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

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

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] [and the supplementary Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplementary Prospectus[es]] [is] [are] available for viewing at, and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and are available for viewing on the website of Regulatory News Services 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).

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

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [*original date*] and set forth in the Prospectus dated [*original date*] and incorporated by reference into the Prospectus dated [●] and which are attached hereto. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [●] [and the supplementary Prospectus], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated [●] [and the supplementary Prospectuses dated [●]]. The Prospectus [and the supplementary Prospectus/] [is/are] available for viewing at, and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and are available for viewing on the website of Regulatory News Services 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).

1	Issuer:	National Grid Gas plc
2	[(i)] Series Number:	[●]
	[(ii)] Tranche Number:	[●]
	[(iii)] Date on which the Instruments become fungible:	[Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [ <i>insert description of the Series</i> ] on [ <i>insert date</i> ]/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph [25] below [which is expected to occur on or about [ <i>insert date</i> ]]].]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	Specified Denominations:	[●]
7	Calculation Amount:	[●]
8	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[●]
9	Maturity Date:	[●][Interest Payment Date falling on or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate] [[LIBOR][EURIBOR][AUD-BBR-BBSW][CAD-BA-CDOR]] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest]

		(See paragraph [15/16/17/18] below)
11	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [●] per cent. of their nominal amount] [Index Linked Redemption]
12	Change of Interest or Redemption/Payment Basis:	[[●]/[Not Applicable]]
13	Put/Call Options:	[Investor Put] [Issuer Call][[Make-whole]] (See paragraph [19/20/21/22] below)
14	Date [Board] approval for issuance of Instruments obtained:	[●]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15	<b>Fixed Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year commencing on [●] and ending on [●]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction (Condition 3.2.4(f)):	[30/360 / Actual/Actual [[(ICMA)/ISDA]] / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / RBA Bond Basis / Actual/ Actual Canadian Compound Method]
	(vi) Determination Dates (Condition 3.2.4(f)):	[●] in each year
16	<b>Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii) Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(iii) Interest Period Date:	[Not Applicable]/[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day

- Convention in (v) below is specified to be Not Applicable]]
- (iv) First Interest Payment Date: [Not Applicable]/ [●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
- (vi) Business Centre(s) (Condition 3.2.4(f)): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Interest Period Date(s): [Not Applicable/[●]]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (x) Screen Rate Determination (Condition 3.2.3(B)):
- Relevant Time: [●]
  - Interest Determination Date(s): [●] [[TARGET] Business Days in [●] for [●] prior to [●]]  
[Second London business day prior to the start of each Interest Accrual Period]  
[First day of each Interest Accrual Period]  
[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
  - Primary Source for Floating Rate: [●]
  - Reference Banks (if Primary Source is “Reference Banks”): [●]
  - Relevant Financial Centre: [●]
  - Benchmark: [LIBOR/ EURIBOR / AUD-BBR-BBSW / CAD-BA-CDOR]
  - Representative Amount: [●]
  - Effective Date: [●]
  - Specified Duration: [●]
- (xi) ISDA Determination (Condition 3.2.3(A)): [Applicable/Not Applicable]

	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(xii) Linear Interpolation (Condition 3.2.3(c)):	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
	(xiii) Margin(s):	[+/-][●] per cent. per annum [Not Applicable]
	(xiv) Minimum Rate of Interest:	[●] per cent. per annum [Not Applicable]
	(xv) Maximum Rate of Interest:	[●] per cent. per annum [Not Applicable]
	(xvi) Day Count Fraction (Condition 3.2.4(f)):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis / Actual/ Actual Canadian Compound Method]
17	<b>Zero Coupon Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Amortisation Yield (Condition 5.4):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 3.2.4(f)):	[●]
18	<b>Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
	(i) Index/Formula:	As specified in Condition [4.1/4.7]
	(ii) Interest Rate:	[●]
	(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[●] / Not Applicable]
	(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5 / 4.9] apply
	(v) Specified Interest Payment Dates:	[●]
	(vi) First Interest Payment Date:	[●]
	(vii) Interest Period(s):	[●]
	(viii) Business Day Convention:	[Following Business Day Convention/Modified

		Following Business Day Convention/Preceding Business Day Convention]
(ix)	Minimum Indexation Factor:	[Not Applicable/[●]]
(x)	Business Centre(s) (Condition 3.2.4(f)):	[●]
(xi)	Maximum Indexation Factor:	[Not Applicable/[●]]
(xii)	Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
(xiii)	Base Index Figure (Condition 4.1):	[●]
(xiv)	Day Count Fraction (Condition 3.2.4(f)):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis / Actual/Actual Canadian Compound Method]
(xv)	“Index” or “Index Figure” (Condition 4.1):	Sub-paragraph [(i)/(ii) (iii)] of the definition of “Index” or “Index Figure” as set out in Condition 4.1 shall apply
(xvi)	Reference Gilt:	[●]

**PROVISIONS RELATING TO REDEMPTION**

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

	(v) Notice periods (Condition 5.5.2):	Minimum Period: [15][●] days Maximum Period: [30][●] days
21	<b>Make-whole Redemption Option</b>	[Applicable/Not Applicable]
	(i) Make-whole Redemption Date(s):	[●]
	(a) Reference Bond:	[●]
	(b) Quotation Time:	[●]
	(c) Redemption Margin:	[[●] per cent.][None]
	(d) Determination Date:	[●]
	(ii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iii) Notice periods (Condition 5.5.3):	Minimum Period: [15][●] days Maximum Period: [30][●] days
22	<b>Put Option</b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Instrument:	[●] per Calculation Amount
	(iii) Option Exercise Date(s):	[●]
	(iv) Notice periods (Condition 5.6):	Minimum Period: [15][●] days Maximum Period: [30][●] days
	(v) Option Period:	[●]
23	<b>Final Redemption Amount of each Instrument</b>	[[●] per Calculation Amount]
	In cases where the Final Redemption Amount is Index-Linked:	
	(i) Index/Formula:	The Index as defined in Condition [4.1/ 4.7]
	(ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	[[●] / Not Applicable]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with Condition [4.2/ 4.8]
	(iv) Determination Date(s):	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or	Condition(s) [4.3 to 4.5/ 4.9] shall apply

impracticable or otherwise disrupted:

- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption [●] per Calculation Amount Amount:
- (viii) Maximum Final Redemption [●] per Calculation Amount Amount:
- (ix) Notice Periods (Condition [4.6/4.10]): Minimum Period: [30][●] days  
Maximum Period: [60][●] days

24

**Early Redemption Amount**

- (i) Early Redemption Amount(s) of [●] per Calculation Amount each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9):
- (ii) Redemption for taxation reasons [Yes/No] permitted on days other than Interest Payment Dates (Condition 5.2):
- (iii) Notice Periods (Condition 5.2): Minimum Period: [30][●] days  
Maximum Period: [45][●] days

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

25

**Form of Instruments**

[Temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]

[Temporary Global Instrument exchangeable for Definitive Instruments on 40 days' notice]

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

New Global Note: [No/Yes]

26

Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.6): [Not Applicable/[●]]

27

Talons for future Coupons to be attached to Definitive Instruments (and dates on which such Talons mature): [Yes, as the Instruments have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

**THIRD PARTY INFORMATION**

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

Signed on behalf of the Issuer:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING AND TRADING

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

### 2 RATINGS

- Ratings: The Instruments to be issued [have [not ]been][are expected to be] rated[:
- [S & P: [●]]
- [Moody's: [●]]
- [[Fitch: [●]]]

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

[So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]

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

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

### 5 [Fixed Rate Instruments only – YIELD

- Indication of yield: Calculated as [●] on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 6 [Index Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING

- (i) Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [non-revised Harmonised Index of Consumer Prices (HICP) (all items excluding tobacco),

published by Eurostat]

(ii) Information about the Index, its volatility and past and future performance can be obtained from:

Information on [RPI/ HICP] can be found at [www.statistics.gov.uk / www.epp.eurostat.ec.europa.eu]

## 7 OPERATIONAL INFORMATION

ISIN:	[•]
Common Code:	[•]
CFI:	[•]
FISN:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/  [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]
Names and addresses of additional Paying Agent(s) (if any):	[•]
Relevant Benchmark[s]:	Amounts payable under the Instruments will be calculated by reference to [[specify benchmark]

which is provided by [*administrator legal name*]].  
 As at the date hereof, [[*administrator legal name*][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] [does not fall within the scope of Regulation (EU) 2016/1011 [by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply] such that [*administrator legal name*] is not currently required to obtain authorisation or registration (or if located outside the EU, recognition, endorsement or equivalence)]/[Not Applicable]

If syndicated, names of Managers:

[•]

If non-syndicated, name of Dealer:

[•]

Stabilisation Manager(s) if any:

[Not Applicable/[•]]

## 8 SELLING RESTRICTIONS

(i) U.S Selling Restrictions:

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

(ii) Prohibition of Sales to EEA Retail Investors:

[Applicable/Not Applicable]

(iii) [Prohibition of Sales to Belgian Consumers:

[Applicable/Not Applicable]]

(iv) Method of distribution:

[Syndicated/Non-syndicated]

(v) Additional selling restrictions:

[Not Applicable/give details]

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of PSM Instruments issued under the Programme which is listed on the official list of the U.K. Listing Authority and admitted to trading on the London Stock Exchange's professional securities market will be in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW.

### Pricing Supplement dated [●]

#### NATIONAL GRID GAS PLC

Legal Entity Identifier (LEI): FPCHGTHKVVH9ZWX57S453  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]  
under the Euro 10,000,000,000 Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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

Any person making or intending to make an offer of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16

of the Prospectus Directive, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Listing Particulars dated [●] which [together with the supplementary listing particulars dated [●]] constitutes listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”). This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules and must be read in conjunction with such Listing Particulars [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as so supplemented]. The Listing Particulars [and the supplementary listing particulars] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

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

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Listing Particulars dated [original date] and incorporated by reference into the Listing Particulars dated [date of current prospectus] and which are attached hereto. This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules of the Financial Conduct Authority and must be read in conjunction with the Listing Particulars dated [date of current prospectus] [and the supplementary listing particulars dated [●]], which [together] constitute[s] listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Listing Particulars dated [current date] [and the supplementary listing particulars dated [●] and [●]] and this Pricing Supplement. [The Listing Particulars [and the supplementary listing particulars] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

- |  |   |
|--|---|
| 1. Issuer:   | National Grid Gas plc   |
| 2. [(i)] Series Number:                                | [●]   |
| [(ii)] Tranche Number:                                 | [●]   |
| [(iii)] Date on which the Instruments become fungible: | [Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph [25] below [which is expected to occur on or about [insert date]]].] |

3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]  
 [(i)] Series: [•]  
 [(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. Specified Denominations: [•]
7. Calculation Amount: [•]
8. [(i)] Issue Date: [•]  
 [(ii)] Interest Commencement Date: [•]
9. Maturity Date: [•] [Interest Payment Date falling on or nearest to [•]]
10. Interest Basis: [[•] per cent. Fixed Rate]  
 [[LIBOR][EURIBOR][AUD-BBR-BBSW][CAD-BA-CDOR]] +/- [•] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 See paragraph [15/16/17/18] below
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [•] per cent. of their nominal amount]  
 [Index Linked Redemption]
12. Change of Interest or Redemption/Payment Basis: [[•] / Not Applicable]
13. Put/Call Options: [Investor Put]  
 [Issuer Call] [(Make-whole)]  
 See paragraph [19/20/21/22] below
14. Date [Board] approval for issuance of Instruments obtained: [•]

### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

(ii) Interest Payment Date(s):	[●] in each year commencing on [●] and ending on [●]
(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v) Day Count Fraction (Condition 3.2.4(f)):	[30/360 / Actual/Actual ([[ICMA]/ISDA)] / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / RBA Bond Basis / Actual/ Actual Canadian Compound Method]
(vi) Determination Dates (Condition 3.2.4(f)):	[●] in each year
<b>16. Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
(i) Interest Period(s):	[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(ii) Specified Interest Payment Dates:	[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iii) Interest Period Date:	[Not Applicable]/[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iv) First Interest Payment Date:	[Not Applicable]/ [●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
(vi) Business Centre(s) (Condition 3.2.4(f)):	[●]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii) Party responsible for calculating the Rate(s) of Interest and Interest	[●]

Amount(s) (if not the Calculation Agent):	
(ix) Screen Rate Determination (Condition 3.2.3(B)):	[Applicable/Not Applicable]
– Relevant Time:	[•]
– Interest Determination Date(s):	[•] [[TARGET] Business Days in [•] for [•] prior to [•]] [Second London business day prior to the start of each Interest Accrual Period] [First day of each Interest Accrual Period] [Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
– Primary Source for Floating Rate:	[•]
– Reference Banks (if Primary Source is “Reference Banks”):	[•]
– Relevant Financial Centre:	[•]
– Benchmark:	[LIBOR/ EURIBOR / AUD-BBR-BBSW / CAD-BA-CDOR]
– Representative Amount:	[•]
– Effective Date:	[•]
– Specified Duration:	[•]
(x) ISDA Determination (Condition 3.2.3(A)):	[Applicable/Not Applicable]
– Floating Rate Option:	[•]
– Designated Maturity:	[•]
– Reset Date:	[•]
(xi) Linear Interpolation (Condition 3.2.3(c)):	[Not Applicable/ Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
(xii) Margin(s):	[+/-][•] per cent. per annum [Not Applicable]
(xiii) Minimum Rate of Interest:	[•] per cent. per annum [Not Applicable]
(xiv) Maximum Rate of Interest:	[•] per cent. per annum [Not Applicable]

(xv) Day Count Fraction (Condition 3.2.4(f)):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis / Actual/Actual Canadian Compound Method]
<b>17. Zero Coupon Instrument Provisions</b>	[Applicable/Not Applicable]
(i) Amortisation Yield (Condition 5.4):	[•] per cent. per annum
(ii) Day Count Fraction (Condition 3.2.4(f)):	[•]
<b>18. Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
(i) Index/Formula:	As specified in Condition [4.1/4.7]
(ii) Interest Rate:	[•]
(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[•] / Not Applicable]
(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5 / 4.9] apply
(v) Interest Payment Dates:	[•]
(vi) First Interest Payment Date:	[•]
(vii) Interest Period(s):	[•]
(viii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(ix) Minimum Indexation Factor:	[Not Applicable/[•]]
(x) Business Centre(s) (Condition 3.2.4(f)):	[•]
(xi) Maximum Indexation Factor:	[Not Applicable/[•]]

- (xii) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor: [•] per cent. per annum
- (xiii) Base Index Figure (Condition 4.1): [•]
- (xiv) Day Count Fraction (Condition 3.2.4(f)): [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis / Actual/Actual Canadian Compound Method]
- (xv) "Index" or "Index Figure" (Condition 4.1): Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 4.1 shall apply
- (xvi) Reference Gilt: [•]

## PROVISIONS RELATING TO REDEMPTION

- 19. **Residual Holding Call Option** [Applicable/Not Applicable]
  - (i) Residual Holding Percentage: [•] per cent.
  - (ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent): [•]
  - (iii) Benchmark Security: [•]
  - (iv) Benchmark Spread: [•] per cent. per annum
  - (v) Benchmark Day Count Fraction: [•]
- 20. **Call Option** [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Instrument: [[•] per Calculation Amount]
  - (iii) If redeemable in part:
    - (a) Minimum nominal amount to be redeemed: [•]
    - (b) Maximum nominal amount to be redeemed: [•]

(iv) Option Exercise Date(s):	[•]
(v) Notice periods (Condition 5.5.2):	Minimum Period: [15] [•] days Maximum Period: [30] [•] days
<b>21. Make-whole Redemption Option</b>	[Applicable/Not Applicable]
(i) Make-whole Redemption Date(s):	[•]
(a) Reference Bond:	[•]
(b) Quotation Time:	[•]
(c) Redemption Margin:	[[•] per cent.][None]
(d) Determination Date:	[•]
(iii) If redeemable in part:	
(a) Minimum nominal amount to be redeemed:	[•]
(b) Maximum nominal amount to be redeemed:	[•]
(iv) Notice periods (Condition 5.5.3):	Minimum Period: [15][•] days Maximum Period: [30][•] days
<b>22. Put Option</b>	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[•]
(ii) Optional Redemption Amount(s) of each Instrument:	[•] per Calculation Amount
(iii) Option Exercise Date(s):	[•]
(iv) Notice periods (Condition 5.6):	Minimum Period: [15] [•] days Maximum Period: [30] [•] days
(v) Option Period:	[•]
<b>23. Final Redemption Amount of each Instrument:</b>	[[•] per Calculation Amount]
In cases where the Final Redemption Amount is Index-Linked:	
(i) Index/Formula:	The Index as defined in Condition [4.1/ 4.7]

- (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [[●] / Not Applicable]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with Condition [4.2/ 4.8]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: Condition(s) [4.3 to 4.5/ 4.9] shall apply
- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount
- (ix) Notice Periods (Condition [4.6/4.10]): Minimum Period: [30] [●] days  
Maximum Period: [60] [●] days

**24. Early Redemption Amount**

- (i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9): [●] per Calculation Amount
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2) [Yes/No]
- (iii) Notice Periods (Condition 5.2): Minimum Period: [30] [●] days  
Maximum Period: [45] [●] days

## GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

### 25. Form of Instruments

[Temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]

[Temporary Global Instrument exchangeable for Definitive Instruments on 40 days' notice]

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

### 26. New Global Note

[No/Yes]

### 27. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.6):

[Not Applicable/[•]]

### 28. Talons for future Coupons to be attached to Definitive Instruments (and dates on which such Talons mature):

[Yes, as the Instruments have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

## THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND TRADING

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

### 2. RATINGS

- Ratings: The Instruments to be issued [have [not ] been / are expected to be] rated[:
- [S & P: [●]]  
[Moody's: [●]]  
[[Fitch: [●]]]

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

[So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]

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

[(i)] Reasons for the offer/use of proceeds: [●]

[(ii)] Estimated net proceeds: [●]

[(iii)] Estimated total expenses: [●]

### 5. [*Fixed Rate Instruments only*] – YIELD

Indication of yield: Calculated as [●] on the Issue Date

The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

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

- (i) (Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [non-revised Harmonised Index of Consumer Prices (HICP) (all items excluding tobacco) published by Eurostat]

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

## 7. OPERATIONAL INFORMATION

ISIN:	[•]
Common Code:	[•]
CFI:	[•]
FISN:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]
[Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/</p> <p>[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]</p>
Relevant Benchmark[s]:	Amounts payable under the Instruments will be calculated by reference to [[ <i>specify benchmark</i> ] which is provided by [ <i>administrator legal name</i> ]]. As at the date hereof, [[ <i>administrator legal name</i> ][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 ( <i>Register of administrators and benchmarks</i> ) of Regulation (EU) 2016/1011]/[As far as the Issuer is aware, as at

the date hereof, [*specify benchmark*] [does not fall within the scope of Regulation (EU) 2016/1011]/[by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply such that [*administrator legal name*] is not currently required to obtain authorisation or registration (or if located outside the EU, recognition, endorsement or equivalence)][Not Applicable]

## 8. DISTRIBUTION

- |   |  |
|---|--|
| (i) U.S. Selling Restrictions:                    | Reg. S Compliance Category 2; [TEFRA C / TEFRA D / TEFRA not applicable] |
| (ii) Prohibition of Sales to EEA Retail Investors | [Applicable/Not Applicable]  |
| (iii) [Prohibition of Sales to Belgian Customers: | [Applicable/Not Applicable]]   |
| (iv) Method of distribution:                      | [Syndicated/Non-syndicated]  |
| (v) If syndicated, names of Managers:             | [Not Applicable/give names]  |
| (vi) Stabilisation Manager(s) (if any):           | [Not Applicable/give names]  |
| (vii) If non-syndicated, name of Dealer:          | [Not Applicable/give name]   |
| (viii) Additional selling restrictions:           | [Not Applicable/give details]  |

## GENERAL INFORMATION

- (1) The admission of the Programme to listing on the Official List and to trading on the Market and the PSM is expected to take effect on or about 7 August 2018. The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List and admitted to trading on the Market or the PSM will be so admitted to listing and trading upon submission to the U.K. Listing Authority and the London Stock Exchange (in accordance with their rules and procedures) of the relevant Final Terms and any other information required by the U.K. Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the Market or the PSM, as the case may be, in accordance with their respective rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
- (2) National Grid Gas has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments.
- (3) The Programme in its current form was established on 31 July 2006. The update of the Programme was authorised by a resolution of the Finance Committee of the Board of Directors of National Grid Gas (which was established by a resolution of the Board of Directors of National Grid Gas passed on 19 November 2002) passed on 26 January 2010.
- (4) Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the relevant Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system(s) as shall have accepted the relevant Instruments for clearance together with any further appropriate information. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (5) There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which National Grid Gas is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past a significant effect on the financial position or profitability of National Grid Gas or of the National Grid Gas Group.
- (6) There has been no significant change in the financial or trading position of the National Grid Gas Group since 31 March 2018.
- (7) There has been no material adverse change in the prospects of National Grid Gas or the National Grid Gas Group since 31 March 2018.
- (8) PricewaterhouseCoopers LLP (chartered accountants and registered auditors authorised and regulated by the Financial Conduct Authority) has audited the financial statements of the National Grid Gas Group for the year ended 31 March 2017 in accordance with international financial reporting standards and reported thereon without qualification.
- (9) Deloitte LLP (registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales) has audited the financial statements of the National Grid Gas Group for the year ended 31 March 2018 in accordance with international financial reporting standards and reported thereon without qualification.

- (10) Each Instrument, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (11) For a period of 12 months following the date of this Prospectus, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL:
- (i) a copy of this Prospectus with any supplement to this Prospectus or further Prospectus;
  - (ii) the Memorandum and Articles of Association of National Grid Gas;
  - (iii) the audited consolidated financial statements of National Grid Gas for the years ended 31 March 2017 and 31 March 2018, together with the audit report thereon;
  - (iv) the amended and restated Trust Deed; and
  - (v) the Agency Agreement.

In addition, this Prospectus is and, in the case of Instruments to be admitted to the Official List and admitted to trading on the Market or the PSM, the relevant Final Terms will be, available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

- (12) The Issuer does not intend to provide any post-issuance information.
- (13) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Instruments issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

- (14) The Legal Entity Identifier (LEI) of National Grid Gas is FPCHGTHKVH9ZWX57S453.

**REGISTERED OFFICE OF THE ISSUER**

**National Grid Gas plc**  
1-3 Strand  
London WC2N 5EH

**THE TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX

**THE ARRANGER**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**THE DEALERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP

**Mizuho International plc**  
Mizuho House  
30 Old Bailey  
London EC4M 7AU

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA

**NatWest Markets Plc**  
250 Bishopsgate  
London EC2M 4AA

**RBC Europe Limited**  
Riverbank House, 2 Swan Lane  
London EC4R 3BF

**LEGAL ADVISERS**

*To the Issuer*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

*To the Dealers and to the Trustee*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

**ISSUING AND PAYING AGENT**

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL

**PAYING AGENTS**

**KBL European Private Bankers S.A.**  
43, Boulevard Royal  
L-2955 Luxembourg

**AUDITORS**

**Deloitte LLP**  
2 New Street Square  
London EC4A 3BZ