



## ROLLS-ROYCE plc

*(incorporated with limited liability in England and Wales under the Companies Acts 1948-1967 Registered Number 1003142)  
unconditionally and irrevocably guaranteed by*

### Rolls-Royce Holdings plc

*(incorporated with limited liability in England and Wales under the Companies Act 2006 Registered Number 7524813)*

**£4,000,000,000**

## **Euro Medium Term Note Programme**

On 9 June 2000 Rolls-Royce plc (the "Issuer" or "Rolls-Royce") entered into a £600,000,000 Euro Medium Term Note Programme (the "Programme") and issued an Offering Circular on that date describing the Programme. This Offering Circular supersedes any previous Offering Circular. Any Notes (as defined below) issued under the Programme on or after the date hereof are issued subject to the provisions herein. This does not affect any Notes already issued. Under the Programme the Issuer may from time to time issue Notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payment of all amounts payable by the Issuer in respect of the Notes will be unconditionally and irrevocably guaranteed by Rolls-Royce Holdings plc (the "Guarantor").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £4,000,000,000 (or its equivalent in other currencies calculated as described in the Distribution Agreement (as defined herein)), subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "General Description of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

This Offering Circular has been approved as a base prospectus by the Financial Conduct Authority (the "FCA"), as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer or the Guarantor or of the quality of the Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the FCA (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

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

**This Offering Circular is valid for 12 months from its date in relation to Notes which are admitted to trading on a regulated market in the European Economic Area (the "EEA"). The obligation to supplement this Offering Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Offering Circular is no longer valid.**

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

The Issuer has debt ratings of A- by Fitch Ratings Ltd. ("Fitch"), Baa1 by Moody's Deutschland GmbH ("Moody's") and BBB+ by S&P Global Ratings Europe Limited ("S&P"). The Programme has been rated A- by Fitch, Baa1 by Moody's and BBB+ by S&P. Each of Fitch, Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms and will not necessarily be the same as the rating specified above. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

### **Arranger**

**Goldman Sachs International**

**Dealers**

**Barclays  
BofA Merrill Lynch  
Deutsche Bank  
J.P. Morgan**

**BNP Paribas  
Citigroup  
Goldman Sachs International  
Morgan Stanley**

**NatWest Markets**

The date of this Offering Circular is 13 August 2019

## IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor the information contained in this Offering Circular is in accordance with the facts and the Offering Circular makes no omission likely to affect its import.

This Offering Circular is to be read in conjunction with all documents which are incorporated in it by reference (see "Documents Incorporated by Reference" below). This Offering Circular shall be read and construed on the basis that those documents are so incorporated and form part of this Offering Circular.

Other than in relation to the documents which are deemed to be incorporated by reference (see "Documents Incorporated by Reference" below), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

None of the Arranger, the Dealers and the Trustee (each as defined herein) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer and/or the Guarantor in connection with the Programme. None of the Arranger, the Dealers and the Trustee accept any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer and/or the Guarantor in connection with the Programme.

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

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, the Dealers and the Trustee undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

The Notes and the Guarantee (as defined under "Terms and Conditions of the Notes") have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "Selling Restrictions" below).

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should 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 Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular 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 Notes 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 Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the relevant Notes and is 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.

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

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, the Guarantor and their affiliates.

### **BENCHMARKS REGULATION**

Amounts payable on Floating Rate Notes (as described under “Terms and Conditions of the Notes”) will be calculated by reference to LIBOR or EURIBOR, as specified in the applicable Final Terms. As of the date of this Offering Circular, the administrators of LIBOR (ICE Benchmark Administration Limited) and EURIBOR (the European Money Markets Institute) are included in the European Securities and Markets

Authority's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "Benchmarks Regulation").

### **MIFID II PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms in respect of any Notes may include a legend titled "MIFID II PRODUCT GOVERNANCE" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), 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 Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA")**

Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **ALTERNATIVE PERFORMANCE MEASURES**

Certain alternative performance measures ("APMs") are included or referred to in this Offering Circular (including in the documents incorporated by reference). APMs are non-IFRS measures used by the Group within its financial publications to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuer considers that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric's components and calculation method can be found at:

- (a) pages 12-13, 80-86 and 124-125 of the Annual Report 2018 of the Issuer for the year ended 31 December 2018 and pages 14-15, 124-130 and 167-168 of the Annual Report 2018 of the Guarantor for the year ended 31 December 2018 (both incorporated by reference); and
- (b) pages 12-13, 86-89 and 123 of the Annual Report 2017 of the Issuer for the year ended 31 December 2017 and pages 14-15, 132-135 and 169 of the Annual Report 2017 of the Guarantor for the year ended 31 December 2017 (both incorporated by reference).

### **PRESENTATION OF INFORMATION**

All references in this Offering Circular to “U.S. dollars”, “US\$”, “U.S.\$”, “USD” and “\$” refer to United States dollars, all references to “Sterling”, “£” and “GBP” refer to pounds sterling and all references to “euro”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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## STABILISATION

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

## GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description is qualified in its entirety by the remainder of this Offering Circular.*

<b>Issuer:</b>	Rolls-Royce plc
<b>Issuer Legal Entity Identifier (LEI):</b>	X57JK1U580XATGR67572
<b>Guarantor:</b>	Rolls-Royce Holdings plc
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "Risk Factors".
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Up to £4,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes. The Issuer may increase the size of the Programme amount in accordance with the terms of the Distribution Agreement.
<b>Arranger:</b>	Goldman Sachs International
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc NatWest Markets Plc
	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. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as 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 to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee:</b>	BNY Mellon Corporate Trustee Services Limited
<b>Issuing and Paying Agent:</b>	The Bank of New York Mellon
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the

Issuer or the relevant Specified Currency.

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "FSMA") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "Selling Restrictions".

**Issue Price:** Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:** The Notes will be issued in bearer form as described in "Form of the Notes".

**Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

**Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

**Zero Coupon Notes:** Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:** The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year are subject to



restrictions on their denomination and distribution. See “*Maturities – Notes having a maturity of less than one year*” above.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that (i) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (See “*Maturities – Notes having a maturity of less than one year*” above) and (ii) the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the Issue Date of such Notes).

**Taxation:**

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the United Kingdom, unless such deduction is required by law. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge:**

The terms of the Notes will contain a negative pledge provision as further described in Condition 2.

**Cross Default:**

The terms of the Notes will contain a cross default provision as further described in Condition 9. The threshold is £100,000,000 (or its equivalent in other currencies) or, if greater, 2 per cent. of Consolidated Net Worth (as defined in Condition 9) (provided that such amount shall, in any event, be subject to a cap of £150,000,000).

**Status of the Notes:**

The Notes and the Coupons will constitute direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Issuer and will rank (subject as aforesaid and to certain statutory exceptions) *pari passu* and rateably without any preference or priority among themselves and equally with all other present and future unsecured (subject as aforesaid and to certain statutory exceptions) and unsubordinated obligations of the Issuer from time to time outstanding.

**Guarantee:**

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will constitute direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Guarantor and will rank (subject as aforesaid and to certain statutory exceptions) equally with all other present and future unsecured (subject as aforesaid and to certain statutory exceptions) and unsubordinated obligations of the Guarantor from time to time outstanding.

**Rating:**

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms and will not necessarily be the same as the rating of the Programme.

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

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

**Governing Law:** English.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Japan and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "Selling Restrictions."

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treas. Reg. section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "D Rules") unless (i) the applicable Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. section 1.163-5(c)(2)(i)(C) (or any successor U.S. Treas. Reg. section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are risks which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such risks occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate.*

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

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meaning in this section.*

**Factors that may have a material impact on the Group's results of operations, financial condition or future prospects and affect (i) the Issuer's ability to fulfil its obligations under Notes issued under the Programme and (ii) the Guarantor's ability to fulfil its obligations under the Guarantee are noted below, with the most material risk factors appearing first in each category:**

### **1. Risks related to the Group's business activities and industry**

*A range of events could occur which could threaten the continuity of the Group*

A major disruption to the Group's operations caused by a range of events including extreme weather or natural hazards (e.g. earthquakes and floods), political events, financial insolvency of a critical supplier, scarcity of materials, loss of data, and fire or infectious disease could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects. Such disruptions could result in the Group failing to meet agreed customer commitments and damage its prospects of winning future orders.

All such risks are subject to review by the Audit Committee and are mitigated through the Group sustaining investments to ensure that it has adequate capacity, modern equipment and facilities, dual sources of supply and through the funding of research into alternative materials. It also has a programme of promoting and developing resilience within its external supplier partner networks as well as providing a supplier finance programme which enables suppliers to access funds at a lower interest rate through benefits derived from the Group's credit rating.

The Group promotes building a resilient culture through flexible and collaborative working and the use of its single Group-wide incident management framework. It also develops, maintains and regularly exercises effective business continuity and crisis management plans in order to prepare its people to be able to respond quickly and confidently to any business disruption.

As well as sharing lessons learned which have been identified through exercises or incidents, the Group undertakes horizon scanning to provide awareness of emerging risks and potential incidents.

Despite the above measures taken by the Group to minimise the severity of the risk noted above, the potential of this risk having the aforementioned adverse impact on the Group remains.

*The Group may fail to attract and retain the best talent*

The inability to identify, attract, retain and apply critical capabilities and skills needed in appropriate numbers and to effectively organise, deploy and incentivise the Group's people to deliver the Group's strategy, business plans and projects could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group aims to attract, reward and retain the right people with the right skills globally and locally in a planned and targeted way, including the regular benchmarking of remuneration. It develops and enhances organisational, leadership, technical and functional capability to deliver global programmes with a strong focus on individual development and succession planning by recognising the changing nature of careers and expectations of work. It further proactively monitors retirement in key areas and actively manages the development and career paths of its people with a special focus on employees with the highest potential.

The Group embeds a lean, agile, high performance culture where everyone can be at their best to enable the tight alignment of Group strategy with individual and team objectives. The Group seeks to incentivise and effectively deploy its critical capabilities, skills and people when needed to deliver its strategic priorities, plans and projects at the same as the implementation of its major transformation programme to ensure that its business is resilient and able to act with pace and simplicity. The Group tracks employee engagement through an annual employee opinion survey and has a commitment to drive year-on-year improvements to employee engagement.

Despite the above measures taken by the Group to minimise the occurrence of the risk noted above, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

*The Group may fail to meet major programme delivery targets*

Failure to deliver a major programme on time, within budget, to technical specification or falling significantly short of customer expectations, or not delivering the planned business benefits would have potentially significant adverse financial and reputational consequences for the Group. These implications include the risk of impairment of the carrying value of the Group's intangible assets and the impact of potential litigation, each of which could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

All major programmes are subject to Board approval and are then reviewed, at levels and frequencies appropriate to their criticality and performance, against key financial and non-financial deliverables and potential risks. Such reviews are continued throughout the programme's lifecycle. Technical audits are conducted at pre-defined points and are performed by a team that is independent from the programme. Programmes are required to address the actions arising from the reviews and audits and progress is monitored and controlled through to closure. Knowledge management principles are also applied to provide benefit to current and future programmes.

The Group has also invested in facilities and people specifically to manage the level of disruption to its customers resulting from Trent 1000 in-service issues and is developing longer-term solutions to these issues.

The Group is working closely with its customers to minimise any operational impact and remains committed to resolving these in-service programme issues.

Despite the above measures taken by the Group to minimise the occurrence of the risk noted above, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

*The Group may not be able to derive the expected benefits from its strategic transformation*

Failure to deliver the Group's strategic transformation which was announced on 14 June 2018 could result in missed opportunities, dissatisfied customers, disengaged employees, the ineffective use of the Group's scarce resources and an increase in the likelihood of other principal risks occurring. The result of this could lead to the business being overly dependent on a small number of products and customers, it failing to achieve its vision and financial targets and it not meeting investor expectations leading ultimately to a material adverse effect on the Group's future cash flows, which may affect the Group's ability to invest and remain competitive.

The Group is in the process of implementing a new organisational operating model which seeks to focus on behaviours to drive cultural change and to simplify processes whilst simultaneously ensuring that the Group complies with its legal, contractual and regulatory requirements.

Along with horizon scanning and scenario planning, the Group is investing in products with lower emissions in order to reduce its impact on climate change as well as engaging with employees through an innovation portal.

Despite the above measures taken by the Group to minimise the occurrence of the risk noted above, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

*The Group faces competition that may reduce its market share and margins*

The presence of competitors in the majority of the Group's markets means that it is susceptible to significant price pressure for original equipment or services. Failure to remain competitive could result in the loss of market share, which could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group's main competitors have access to significant government funding programmes as well as the ability to invest heavily in technology and industrial capability. Disruptive technologies or new entrants with alternative business models could also reduce the Group's ability to sustainably win future business, achieve operating results and realise future growth opportunities.

The Group seeks to minimise this risk by continuously horizon scanning for emerging technology and other competitive threats, including through extensive patent searches and has established an Innovation Hub to invest in innovation, manufacturing and production, and ensure continuing governance of technology programmes. The Group is committed to improving the quality, delivery and durability of its products and services through investment in innovation, manufacturing and production capabilities. The Group is further seeking to enhance its capabilities to access, invest in and develop key technologies and innovative service offerings to differentiate itself from its competitors as well as forming strategic partnerships and conducting joint research programmes with its partners.

Additional measures that the Group is taking include driving down cost to improve margins, protecting its credit lines and actively strengthening its balance sheet to enable access to cost-effective sources of third-party funding.

Despite the above measures taken by the Group to minimise the severity of the risk noted above, the potential of this risk having the aforementioned adverse impact on the Group remains.

*The Group's operations and financial results may be adversely affected by market and financial shocks*

The Group is exposed to a number of market risks, some of which are of a macro-economic nature, for example, oil price fluctuations or foreign currency exchange rates, and some of which are more specific to the Group, such as, liquidity and credit risks, reduction in air travel or disruption to other customer operations.

Significant extraneous market events could also materially damage the Group's competitiveness and/or creditworthiness. This would affect operational results or the outcomes of financial transactions which could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group seeks to manage the risk of a market shock by maintaining a healthy balance sheet, through managing cash balances and debt levels and by providing financial flexibility by maintaining high levels of liquidity along with an investment grade credit rating. The Group sustains a balanced portfolio through earning revenue both from the sale of original equipment and aftermarket services, providing a broad product range and addressing diverse markets that have different business cycles. The Group decides where and what currencies to source in, where and how much credit risk is extended or taken and has a number of treasury policies that are designed to hedge residual risks using financial derivatives markets (foreign exchange, interest rates and commodity price risk). The Group reviews debt financing and hedging in light of volatility in external financial markets caused by external events, such as Brexit or other geopolitical changes.

Despite the above measures taken by the Group to minimise the severity of the risk noted above, the potential of this risk having the aforementioned adverse impact on the Group remains.

*Failure to meet safety standards may adversely affect the Group's reputation and operations*

Failure to meet the expectations of: (i) our customers to provide safe products which also minimise the impact on the environment during their production or use; and/or (ii) people who work for or with us to provide a safe and healthy place of work which minimises the impact on the environment would adversely affect our reputation and long-term sustainability and could therefore have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

Under the oversight of the Safety & Ethics Committee, the Group ensures clear accountability for product safety and operates a safety-first culture. Its engineering design and validation process is applied from initial design, through production and into service to reduce the safety risks so far as is reasonably practicable whilst at the same time always ensuring that the Group meets or better the relevant company, legal, regulatory and industry requirements. The Group operates a safety management system which is governed by the product safety assurance board and is subject to continual improvement based on a review of existing and emerging threats, experience and industry best practice. Appropriate product safety and awareness training is an integral part of the Group's safety management system and is mandatory for all employees. The Group also works with the Group's supply chain to ensure that its products and those of its suppliers conform to their specifications.

Despite the above measures taken by the Group to minimise the occurrence of the risk noted above, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

*The Group's business may be adversely affected by unfavourable economic conditions or political or other developments and risks in the countries in which the Group operates*

Geopolitical factors that lead to an unfavourable business climate and significant tensions between major trading parties or blocs, for example, changes in key political relationships, explicit trade protectionism, differing tax or regulatory regimes, potential for conflict or broader political issues and heightened political tensions, could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

Where possible, the Group diversifies its global operations to avoid excessive concentration of risks in particular areas. The Group's businesses, strategic marketing network and global government relations teams proactively monitor local situations. The Group also focuses on developing and maintaining relationships with governments and stakeholders and seeks to proactively influence policy, regulation and legislation where it affects the Group.

The United Kingdom's vote to leave the European Union on 23 June 2016 and the subsequent triggering of Article 50 of the Treaty of Lisbon has created political and economic uncertainty in the United Kingdom and potentially across other European Union member states. This may last a number of months or years. No assurance can be given that this could not have a material adverse effect on the Group's business, results of operations, financial condition and future prospects. In addition, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

The Brexit Steering Committee coordinates activities across the Group with the aim of minimising the impact of Brexit, however, the potential of this risk having the aforementioned adverse impact on the Group remains.

## **2. Legal and regulatory risk**

*Non-compliance with regulations and changes in the legal, and regulatory environment could increase the Group's costs or limit its business activities*

Non-compliance by the Group with legislation, the terms of the deferred prosecution agreements or other regulatory requirements in the heavily regulated environment in which it operates (for example, export controls, use of controlled chemicals and substances; anti-bribery and corruption; environmental regulations; and tax and customs legislation) could compromise the ability of the Group to conduct business in certain jurisdictions and expose the Group to potential reputational damage, financial penalties, debarment from governmental contracts for a period of time, and/or suspension of export privileges (including export credit financing), any of which could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group has an extensive compliance programme in place and takes an uncompromising approach to compliance. The Group implements global mandatory policies, processes and training which are disseminated throughout the Group and are updated from time-to-time in order to ensure their continued relevance and further ensure that they are complied with both in spirit and to the letter. The Group undertakes regular reviews of the strength of the relevant teams including the ethics, anti-bribery and corruption, compliance, tax, sustainability and export control teams as well as engaging with all relevant external regulatory authorities. A legal team is in place to manage any ongoing regulatory investigations. The Group is implementing a comprehensive REACH (registration, evaluation, authorisation and restriction of chemicals) compliance programme which includes establishing appropriate data systems and processes, working with suppliers, customers and trade associations to ensure that the Group and its supply chain are covered by the relevant REACH authorisations for a number of chemicals needed in its products.

Despite the above measures taken by the Group to minimise the occurrence of this risk, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

### **3. Internal control risks**

*The Group may be adversely affected by disruption to business services or information systems, including via cyber attacks*

An attempt to cause harm to the Group, its customers, suppliers and partners through the unauthorised access, manipulation, corruption, or destruction of data, systems or products through cyber space could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group has established 'defence in depth' through deployment of multiple layers of software protection and processes including web gateways, filtering, firewalls, intrusion, advanced persistent threat detectors and integrated reporting. Security and network operations centres have been established and there is active sharing of information through industry, government and security forums. Information and product assurance processes have been put in place and the Group promotes training and awareness to improve its cyber security culture.

Despite the above measures taken by the Group to minimise the occurrence of the risk noted above, the potential of this risk occurring and having the aforementioned adverse impact on the Group remains.

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

### **1. Risks related to the structure of a particular issue of Notes**

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

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

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

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

*If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this will affect the secondary market and the market value of the Notes concerned.*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to general changes in interest rates.*

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

*Future discontinuance of LIBOR or EURIBOR may adversely affect the value of and return on any Floating Rate Notes which are linked to LIBOR or EURIBOR*

On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the United Kingdom Financial Conduct Authority 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 announcements indicated 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 after 2021. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

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

The above-mentioned risks related to LIBOR may also impact EURIBOR in the future. Investors in Floating Rate Notes which reference EURIBOR should be mindful of the applicable interest rate fall-back provisions applicable to such Notes and the adverse effect this may have on the value or liquidity of, and return on, any Floating Rate Notes which are linked to EURIBOR.

## **2. Risks related to Notes generally**

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

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

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all



Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, (ii) determine that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer or another company as guarantor under any Notes in place of the Guarantor, in each case in the circumstances described in Condition 3 of the Terms and Conditions of the Notes. In addition, the Terms and Conditions of the Notes also provide that the Trustee shall, without the consent of Noteholders, agree to the substitution of another company as guarantor under any Notes in place of the Guarantor in the circumstances described in Condition 3 of the Terms and Conditions of the Notes and subject to the conditions set out in the Trust Deed (including there being no rating downgrade in respect of the Notes as a result of any such substitution).

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

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

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

### **3. 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:

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

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

more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

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

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

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

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

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

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

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

Furthermore, as a result of the CRA Regulation, if the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Offering Circular (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding the Excluded Information (as defined below)):

- (a) the Annual Report 2017 of the Issuer for the financial year ended 31 December 2017 (including the audit report issued in respect thereof) which can be viewed online at: <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/annual-report/2017/rr-plc-annual-report-2017.pdf>, and the Annual Report 2018 of the Issuer for the financial year ended 31 December 2018 (including the audit report issued in respect thereof) which can be viewed online at <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/annual-report/rr-plc-ar-2018.pdf>;
- (b) the Annual Report 2017 of the Guarantor for the financial year ended 31 December 2017 (including the audit report issued in respect thereof) which can be viewed online at: <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/annual-report/2017/2017-full-annual-report.pdf>, and the Annual Report 2018 of the Guarantor for the financial year ended 31 December 2018 (including the audit report issued in respect thereof) (see “Description of the Issuer and Guarantor”) which can be viewed online at: <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/annual-report/2018/2018-full-annual-report.pdf>; and
- (c) the unaudited 2019 Half Year Results of the Guarantor for the six-month period ended 30 June 2019 (including the independent review report issued in respect thereof) (the “Half Year Results of the Guarantor”) which can be viewed online at: <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/investors/2019-hy-press-release.pdf>,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

For the purposes of this Offering Circular, the Excluded Information shall comprise:

- (1) the sentence in the Chief Executive’s review which begins “We are also developing industry-leading capabilities in digital...” and ends with “...around 4,600 roles by mid-2020.” on page 7 of the Annual Report 2018 of the Guarantor and page 5 of the Annual Report 2018 of the Issuer;
- (2) the sentence in the Chief Executive’s review which begins “We reported good growth in underlying revenues...” and ends with “...increase openness and transparency with investors.” on page 6 of the Annual Report 2018 of the Guarantor and page 4 of the Annual Report 2018 of the Issuer;
- (3) the sentence in the Chief Executive’s review which begins “Consistent with the announcement from Airbus...” and ends with “...service Trent 900 fleet for many years to come.” on page 7 of the Annual Report 2018 of the Guarantor and page 5 of the Annual Report 2018 of the Issuer;
- (4) the sentence in the Chief Executive’s review which begins “We also took the decision to carry out...” and ends with “...due to complete in the first half of 2019.” on page 7 of the Annual Report 2018 of the Guarantor and page 5 of the Annual Report 2018 of the Issuer;
- (5) the sentences in the Key Performance Indicators which begin “All proposed investments are subject to rigorous review...” and end with “...we expect a proportion of around 4%.” in footnote 4 on page 15 of the Annual Report 2018 of the Guarantor and page 13 of the Annual Report 2018 of the Issuer;

- (6) the sentence in the Financial Review which begins “We expect cash costs within Civil Aerospace...” and ends with “...£100m in 2020 and stepping down materially thereafter.” on page 16 of the Annual Report 2018 of the Guarantor and page 14 of the Annual Report 2018 of the Issuer;
- (7) the sentences in the Financial Review which begins “In total we continue to expect around £500m...” and ends with “...£400m of run-rate cost savings from the end of 2020.” on page 17 of the Annual Report 2018 of the Guarantor and page 15 of the Annual Report 2018 of the Issuer;
- (8) the sentence in the Financial Review which begins “In July, we announced the sale...” and ends with “...net proceeds of around £350m to £400m” on page 17 of the Annual Report 2018 of the Guarantor and page 15 of the Annual Report 2018 of the Issuer;
- (9) the paragraph in the Financial Review entitled “2019 outlook” on page 17 of the Annual Report 2018 of the Guarantor and page 15 of the Annual Report 2018 of the Issuer;
- (10) the sentence in the Financial Review which begins “The total exceptional charge...” and ends with “...at least 15% through the cycle” on page 17 of the Annual Report 2018 of the Guarantor and page 15 of the Annual Report 2018 of the Issuer;
- (11) the sentences in the Financial Review which begins “Our mid-term ambition is to deliver free cash flow...” and ends with “...estimated cash costs from 2017 to 2022” on page 19 of the Annual Report 2018 of the Guarantor and page 17 of the Annual Report 2018 of the Issuer;
- (12) the sentences in the Financial Review which begins “In 2019, we expect the impact to be around £450m...” and ends with “...be fully embodied into the Trent 1000 fleet by 2022” on page 19 of the Annual Report 2018 of the Guarantor and page 17 of the Annual Report 2018 of the Issuer;
- (13) the sentence in the Financial Review which begins “The total expected cash cost to...” and ends with “...should be completed by the end of 2020” on page 19 of the Annual Report 2018 of the Guarantor and page 17 of the Annual Report 2018 of the Issuer;
- (14) the sentence in the Financial Review which begins “We expect to contribute around £145m...” and ends with “...of the benefits accruing in 2018” on page 21 of the Annual Report 2018 of the Guarantor and page 19 of the Annual Report 2018 of the Issuer;
- (15) the sentence in the Business Review which begins “AOGs remained at a high level in the second half...” and ends with “...course of 2019 reflecting the improvement in fleet health” on page 24 of the Annual Report 2018 of the Guarantor and page 22 of the Annual Report 2018 of the Issuer;
- (16) the sentence in the Business Review which begins “In 2019, we expect the impact to be around...” and ends with “...embodied into the Trent 1000 fleet by 2022” on page 27 of the Annual Report 2018 of the Guarantor and page 25 of the Annual Report 2018 of the Issuer;
- (17) the paragraph in the Business Review entitled “Civil Aerospace outlook” on page 28 of the Annual Report 2018 of the Guarantor and page 26 of the Annual Report 2018 of the Issuer;
- (18) the paragraph in the Business Review entitled “Power Systems outlook” on page 33 of the Annual Report 2018 of the Guarantor and page 31 of the Annual Report 2018 of the Issuer;
- (19) the paragraph in the Business Review entitled “Defence outlook” on page 36 of the Annual Report 2018 of the Guarantor and page 34 of the Annual Report 2018 of the Issuer;
- (20) the paragraph in the Business Review entitled “ITP Aero outlook” on page 39 of the Annual Report 2018 of the Guarantor and page 37 of the Annual Report 2018 of the Issuer;
- (21) the sentence in Sustainability - Technology which begins “In 2018, we saw a reduction of around 1,300 roles...” and ends with “...headcount reductions and structural changes by mid-2020” on page 44 of the Annual Report 2018 of the Guarantor and page 42 of the Annual Report 2018 of the Issuer;

- (22) the sentence in the Chief Executive's review which begins "We are also developing industry-leading capabilities in digital..." and ends with "...benefits in productivity and efficiency." on page 7 of the Annual Report 2017 of the Guarantor and page 5 of the Annual Report 2017 of the Issuer;
- (23) the sentence in the Chief Executive's review which begins "While Group underlying revenue..." and ends with "significantly from 2017 levels." on page 9 of the Annual Report 2017 of the Guarantor and page 7 of the Annual Report 2017 of the Issuer;
- (24) the sentences in the Key Performance Indicators which begin "We expect to spend approximately 5% of underlying revenue..." and end with "...reduce modestly over the medium-term." in footnote 4 on page 15 of the Annual Report 2017 of the Guarantor and page 13 of the Annual Report 2017 of the Issuer;
- (25) the sentences in the Key Performance Indicators which begin "We measure annual capital expenditure as..." and end with "...additions arising from TotalCare Flex arrangements)." in footnote 5 on page 15 of the Annual Report 2017 of the Guarantor and page 13 of the Annual Report 2017 of the Issuer;
- (26) the sentence in the Financial Review which begins "Looking ahead, I believe we are now poised..." and ends with "...growing installed engine base." on page 16 of the Annual Report 2017 of the Guarantor and page 14 of the Annual Report 2017 of the Issuer;
- (27) the paragraph in the Financial Review entitled "2018 outlook" on page 16 of the Annual Report 2017 of the Guarantor and page 14 of the Annual Report 2017 of the Issuer;
- (28) the sentence in the Financial Review which begins "Looking ahead to 2018 and beyond..." and ends with "...support and management functions." on page 18 of the Annual Report 2017 of the Guarantor and page 16 of the Annual Report 2017 of the Issuer;
- (29) the sentence in the Financial Review which begins "Looking ahead, improved Civil Aerospace engine..." and ends with "...free cash flow in 2018 and beyond." on page 19 of the Annual Report 2017 of the Guarantor and page 17 of the Annual Report 2017 of the Issuer;
- (30) the sentence in the Financial Review which begins "We expect the achieved £/\$ hedge rate..." and ends with "...for the coming three years." on page 19 of the Annual Report 2017 of the Guarantor and page 17 of the Annual Report 2017 of the Issuer;
- (31) the sentences in the Business Review which begin "Based on our current estimates, in 2018 the anticipated annual cash impact..." and end with "...included in our cash flow guidance for 2018 and beyond." on page 24 of the Annual Report 2017 of the Guarantor and page 22 of the Annual Report 2017 of the Issuer;
- (32) the sentence in the Business Review which begins "Over the next few years we expect continued..." and ends with "...our Civil Aerospace and Group revenue." on page 24 of the Annual Report 2017 of the Guarantor and page 22 of the Annual Report 2017 of the Issuer;
- (33) the paragraph in the Business Review entitled "Civil Aerospace outlook" on page 24 of the Annual Report 2017 of the Guarantor and page 22 of the Annual Report 2017 of the Issuer;
- (34) the sentence clause in the Business Review which begins "...although there is the expectation of incremental orders..." and ends with "...24 aircraft in December." on page 28 of the Annual Report 2017 of the Guarantor and page 26 of the Annual Report 2017 of the Issuer;
- (35) the paragraph in the Business Review entitled "Defence Aerospace outlook" on page 28 of the Annual Report 2017 of the Guarantor and page 26 of the Annual Report 2017 of the Issuer;
- (36) the paragraph in the Business Review entitled "Power Systems outlook" on page 32 of the Annual Report 2017 of the Guarantor and page 30 of the Annual Report 2017 of the Issuer;
- (37) the paragraph in the Business Review entitled "Marine outlook" on page 36 of the Annual Report 2017 of the Guarantor and page 34 of the Annual Report 2017 of the Issuer;

- (38) the paragraph in the Business Review entitled “Nuclear outlook” on page 40 of the Annual Report 2017 of the Guarantor and page 38 of the Annual Report 2017 of the Issuer;
- (39) the entirety of the section of the Strategic Report entitled “2018 Outlook”, on page 58 of the Annual Report 2017 of the Guarantor and page 56 of the Annual Report 2017 of the Issuer;
- (40) the sentence in the Chief Executive’s comment which begins “We expect a significant improvement in cash...” and ends with “improved trading in both Power Systems and Civil Aerospace...” on page 1 of the Half Year Results of the Guarantor;
- (41) the following words in the Operational section “expected to pick up in H2” on page 2 of the Half Year Results of the Guarantor;
- (42) the sentence in the Chief Executive’s comment which begins “We remain on track to meet our full year guidance...” and ends with “together with the steadily improving health of the Trent 1000 fleet...” on page 3 of the Half Year Results of the Guarantor;
- (43) the sentences which begin “This Half Year Results announcement contains forward-looking statements” and ends with “a number of factors could cause material differences to the actual results or developments” on page 4 of the Half Year Results of the Guarantor;
- (44) the sentence in the In Service performance highlights section which begins “We expect the full year 2019 impact to now be around £450-500m...” and ends with “expected to be fully embodied into the Trent 1000 Package B/C fleets by 2022” on page 14 of the Half Year Results of the Guarantor;
- (45) the paragraph in the Underlying revenue section which begins “The expected H2 seasonal bias to revenues...” and ends with “supported by a high level of order coverage” on page 16 of the Half Year Results of the Guarantor; and
- (46) the following words in the Underlying revenue section “and is expected to increase in H2” on page 20 of the Half Year Results of the Guarantor.

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

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

## FORM OF THE NOTES

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

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

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

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

In the case of a Tranche of Notes, initially represented by a Temporary Global Note and after the date (the “Exchange Date”) which is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

In the case of a Tranche of Notes either initially represented by a Permanent Global Note or represented by a Permanent Global Note after exchange for a Temporary Global Note, the applicable Final Terms will specify that the Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issuing and Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous

period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The Final Terms will specify whether the Notes will be represented upon issue by:

- (i) a Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes either (a) on 60 days' notice given at any time or (b) only upon an Exchange Event; or
- (ii) a Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date; or
- (iii) a Permanent Global Note exchangeable for Definitive Notes either (a) on 60 days' notice given at any time or (b) only upon an Exchange Event.

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

The following legend will appear on all Notes (other than Temporary Global Notes) and on all interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

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

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGN), be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.



The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Rolls-Royce plc (the “Issuer”) constituted by a Trust Deed dated 9 June 2000 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “Trustee” which expression shall include any successor as Trustee). Rolls-Royce Holdings plc (the “Guarantor”) has executed and delivered (i) a Fourteenth Supplemental Trust Deed dated 13 August 2019 made between the Issuer, the Guarantor and the Trustee and (ii) a guarantee by deed poll dated 3 August 2011 entered into by, *inter alia*, the Guarantor and Rolls-Royce Group plc (the “Deed of Guarantee”) under which the Guarantor has unconditionally and irrevocably guaranteed all amounts payable by the Issuer in respect of the Notes and under or pursuant to the Trust Deed in respect of the Notes (the “Guarantee”).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 9 August 2012 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) and made between the Issuer, the Guarantor, The Bank of New York Mellon as issuing and paying agent and agent bank (the “Issuing and Paying Agent”, which expression shall include any successor issuing and paying agent), the other paying agents named therein (together with the Issuing and Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee.

Interest-bearing definitive Notes have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “Noteholders” which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons) in accordance with the provisions of the Trust Deed.

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

Copies of the Trust Deed, the Agency Agreement, the Deed of Guarantee and the applicable Final Terms are available for inspection during normal business hours at the principal office for the time being of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified office of each of the Paying Agents and, in the case of the applicable Final Terms, the registered office of the Issuer save that, if

this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Regulation (EU) 2017/1129, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Deed of Guarantee.

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

#### **1. Status, Form and Denomination of, and Title to, the Notes and Status of the Guarantee**

The Notes and any relative Coupons constitute direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Issuer and rank (subject as aforesaid and to certain statutory exceptions) *pari passu* and rateably without any preference or priority among themselves and equally with all other present and future unsecured (subject as aforesaid and to certain statutory exceptions) and unsubordinated obligations of the Issuer from time to time outstanding.

The obligations of the Guarantor under the Guarantee are direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Guarantor and rank (subject as aforesaid and to certain statutory exceptions) equally with all other present and future unsecured (subject as aforesaid and to certain statutory exceptions) and unsubordinated obligations of the Guarantor from time to time outstanding.

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

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

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

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

the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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

## **2. Negative Pledge**

- (A) Subject to Condition 2(B), so long as any of the Notes remain outstanding (as defined in the Trust Deed) neither the Issuer nor the Guarantor will create or permit to subsist, and the Issuer and the Guarantor shall procure that no other member of the Group (as defined in Condition 2(C)) shall create or permit to subsist, any mortgage, lien, pledge or other charge (“Lien”) upon, or with respect to, any of its present or future revenues or assets, except for such Liens as shall have been approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, to secure any of the Issuer’s or the Guarantor’s Relevant Indebtedness (as defined in Condition 2(C)) or any Relevant Indebtedness of any other member of the Group, unless the Issuer, the Guarantor or such other member of the Group, as the case may be, shall simultaneously with, or prior to, the creation of any such Lien, take any and all action necessary to procure that all amounts payable by the Issuer in respect of the Notes and Coupons and by the Guarantor under the Deed of Guarantee are secured equally and rateably by such Lien or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders.
- (B) The following exceptions apply to the Issuer’s and the Guarantor’s obligations under Condition 2(A):
- (i) any Lien arising by operation of law or any right of set-off;
  - (ii) a Lien which exists on any asset which secures any loan or other indebtedness existing as at the Issue Date of the first Tranche of the Notes, any Lien which exists on any asset which secures any loan or other indebtedness where such asset is acquired after the Issue Date of the first Tranche of the Notes provided that such Lien existed as at the date of such acquisition and was not granted in contemplation of the acquisition and any Lien over the same asset(s) which is given for the purpose of, and to the extent of, the refinancing of any such loan or other indebtedness;
  - (iii) any Lien on any asset securing any loan or other indebtedness or any guarantee of any loan or other indebtedness if the liability for the repayment of the principal of and interest on such loan or indebtedness is restricted to, or by reference to, funds available from a particular source or sources (including, in particular, any project, projects or assets) for the undertaking or acquisition or development, as the case may be, of which the loan or indebtedness has been incurred; and
  - (iv) a Lien over any assets or revenue streams directly connected with or directly arising from projects which are supported by loan funding to a member of the Group from the European Investment Bank, the European Bank of Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank (or such other similar supranational organisation approved by the Trustee) and in respect of which the European Investment Bank, the European Bank of Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank (or such other similar supranational organisation approved by the Trustee) is required by its

statutes and/or any rule or regulation to which it is subject and with which it is accustomed to comply to obtain security.

(C) For the purpose of these Terms and Conditions:

“Group” means, at any time, the Guarantor and its Subsidiaries (as defined in the Trust Deed) including the Issuer and “member of the Group” shall be construed accordingly;

“Relevant Indebtedness” means any loan or other indebtedness (other than indebtedness in the form of Sterling Debenture Stock) which is in the form of or represented by any bonds, notes or other securities which have a final maturity of more than one year from the date of their creation and which are for the time being quoted, listed or dealt in, at the request or with the concurrence of the Issuer or the Guarantor, as the case may be, on any stock exchange or recognised securities market; and

“Sterling Debenture Stock” means (i) any secured debenture or other similar secured stock (whether convertible or otherwise) denominated in sterling and (ii) in respect of any secured debenture or other similar secured stock issued following the commencement of the United Kingdom’s participation in the third stage of European Economic Monetary Union pursuant to the Treaty on the Functioning of the European Union (as amended) (the “Treaty”), means any secured debenture or other similar secured stock (whether convertible or otherwise), in each case with an initial maturity of not less than 12 years and a maximum aggregate principal amount outstanding at any time not exceeding £350,000,000 or, in the case of (ii), the euro equivalent of £350,000,000.

### **3. Substitution**

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer (or of any previous substitute under this Condition) as principal debtor in respect of the Notes of (i) the Guarantor, (ii) a Successor in Business to the Issuer or the Guarantor (as defined in the Trust Deed), (iii) a holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or (iv) a Subsidiary of the Issuer or the Guarantor which is acceptable to the Trustee or (b) in place of the Guarantor (or of any previous substitute under this Condition) as guarantor in respect of the Notes of (i) a Successor in Business to the Guarantor or (ii) a holding company of the Guarantor, in each case subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

In addition, the Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition) as guarantor in respect of the Notes of a holding company of the Guarantor (or of any previous substitute under this Condition) where the shareholders of the Guarantor (or of any previous substitute under this Condition) have received one ordinary share in the capital of the new holding company for each ordinary share in the capital of the Guarantor (or of any previous substitute under this Condition) or otherwise if all or substantially all of the shareholders of the Guarantor (or of any previous substitute under this Condition) are the shareholders of the new holding company with the same (or substantially the same) pro rata interests in the share capital of the new holding company as such shareholders had in the share capital of the Guarantor (or of any previous substitute under this Condition), so that the new holding company becomes the parent of the Guarantor (or of any previous substitute under this Condition) subject to certain conditions set out in the Trust Deed being complied with.

### **4. Interest**

(a) *Interest on Fixed Rate Notes*

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

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

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

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

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

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date (or, if none, the Interest Commencement Date) the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“Determination Period” means the period from (and including) a Determination Date to (but excluding) the next Determination Date; and

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

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

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

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

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

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

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

In these Terms and Conditions, “Business Day” means:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System (as defined below)) specified in the applicable Final Terms;

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

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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



shall be disregarded by the Issuing and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B) subparagraph (1), no offered quotation appears or, in the case of Condition 4(b)(ii)(B) subparagraph (2), fewer than three offered quotations appear, in each case as at 11.00 a.m. (Relevant Financial Centre time), the Issuing and Paying Agent shall request each of the Reference Banks to provide the Issuing and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issuing and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuing and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issuing and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issuing and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (Relevant Financial Centre time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuing and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Relevant Financial Centre time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issuing and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Terms and Conditions:

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuing and Paying Agent or as specified in the applicable Final Terms;

“Reference Rate” has the meaning specified in the applicable Final Terms; and

“Relevant Financial Centre” has the meaning specified in the applicable Final Terms.

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

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

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

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

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

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

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

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 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 Interest 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;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest 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 Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

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

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case 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 Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Issuing and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under these Terms and Conditions to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Determination or Calculation by Trustee

If for any reason at any relevant time the Issuing and Paying Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issuing and Paying Agent.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Issuing and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of interest*

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**5. Payments**

(a) *Method of payment*

Subject as provided below:

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

(b) *Payments subject to fiscal and other laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 or (ii) any withholding or deduction 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, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) *Presentation of definitive Notes and Coupons*

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect

thereof. A “Long Maturity Note” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon.

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

(d) *Payments in respect of Global Notes*

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

(e) *General provisions applicable to payments*

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

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

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

(f) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “Payment Day” means (subject to Condition 8):

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation (if presentation is required);
  - (B) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms; and/or

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

(g) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **6. Redemption and Purchase**

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 or more than 60 days' notice to the Issuing and Paying Agent and the Trustee and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

It shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph (b) if the Issuer or, as the case may be, the Guarantor shall deliver to the Trustee a certificate of an independent lawyer or accountant of recognised standing satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in the laws or regulations of the United Kingdom or the application or interpretation thereof, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

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

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Issuing and Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not greater than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date").

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together (if appropriate) with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office



of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note), at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

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

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

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

(f) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. The Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor may at its option retain such Notes for its own account and/or resell or cancel or otherwise deal with such Notes at its discretion.

(g) *Cancellation*

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

(h) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

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

**7. Taxation**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such deduction or withholding of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in the payment to the Noteholders or Couponholders of the amounts which would otherwise have been receivable in respect of principal and interest, except that no such additional amount shall be payable in respect of any Note or Coupon:

- (a) the holder of which (i) is subject to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his being connected with the United Kingdom otherwise than merely by holding the Note or Coupon or (ii) would be able to avoid such withholding or deduction by making a declaration of non-residence or any other claim for exemption or any filing to the relevant tax authority, but fails to do so; or
- (b) in a case where presentation is required, where the Note or Coupon is presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(f)); or
- (c) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto, as provided in Condition 5(b).

The "Relevant Date" in relation to any Note or Coupon means:

- (i) the due date for payment; or
- (ii) if the full amount of the moneys payable on such due date has not been made available unconditionally to the Issuing and Paying Agent for the time being or in accordance with the Trust Deed to the Trustee on or prior to such due date, the date on which notice is given to the Noteholders in accordance with Condition 14 that such moneys have been made so available.

**8. Prescription**

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(c).

## 9. Events of Default

- (a) The Trustee in its discretion may, and if so requested in writing by the holders of at least one-quarter in aggregate nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, after the occurrence of any of the following events (each an "Event of Default"):
- (i) if default is made for a period of 10 Business Days or more in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them; or
  - (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes, the Deed of Guarantee or the Trust Deed and (except where in any such case the Trustee considers such failure to be incapable of remedy when no such notice as is hereinafter mentioned will be required) such failure is not remedied by the Issuer or, as the case may be, the Guarantor within 60 days (or such longer period as the Trustee may permit) of the service by the Trustee on the Issuer or, as the case may be, the Guarantor of notice requiring the Issuer or, as the case may be, the Guarantor to remedy the same; or
  - (iii) if any other indebtedness for borrowed moneys (as defined below) of the Issuer or the Guarantor other than indebtedness for borrowed moneys which is of a limited recourse nature (being indebtedness for borrowed moneys the liability for repayment of which is restricted as referred to in Condition 2(B)(iii)) is not paid when due or within any applicable grace period relating thereto, or any indebtedness for borrowed moneys of the Issuer or the Guarantor is declared to be or otherwise becomes due and payable prior to its specified maturity by reason of default; provided that such occurrence is not being challenged in good faith by the Issuer or, as the case may be, the Guarantor in, or in the course of action prior to, appropriate proceedings and provided further that any such event shall only be capable of being an Event of Default if the aggregate amount of all such indebtedness for borrowed moneys exceeds the greater of £100,000,000 (or its equivalent in other currencies) or, if greater, 2 per cent. of Consolidated Net Worth (as defined below) (provided that such amount shall, in any event, be subject to a cap of £150,000,000); or
  - (iv) if:
    - (a) any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor or a Principal Subsidiary, or an administration order is made in relation to the Issuer or the Guarantor or a Principal Subsidiary, or if the Issuer or the Guarantor or a Principal Subsidiary ceases to carry on all or the majority of its business other than (i) (in each such case) for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby all or the majority of the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another of the Issuer's or Guarantor's Subsidiaries; or
    - (b) an encumbrancer takes possession or an administrative or other receiver is appointed of the Issuer or the Guarantor or a Principal Subsidiary or of the whole or any material part of the assets of the Issuer or the Guarantor or a Principal Subsidiary, or if a distress or execution is levied or enforced upon or sued out against any material part of the assets of the Issuer or the Guarantor or a Principal

Subsidiary and is not removed, discharged or paid out within 90 days unless any of the same is (in each such case) being contested in good faith by the Issuer or, as the case may be, the Guarantor or the relevant Principal Subsidiary in, or in the course of action prior to, appropriate proceedings; or

- (c) the Issuer or the Guarantor or a Principal Subsidiary is unable to pay its debts within the meaning of section 123(1)(e) or section 123(2) of the Insolvency Act 1986 of Great Britain or if the Issuer or the Guarantor or a Principal Subsidiary makes a general assignment for the benefit of or enters into a composition with its creditors,

provided that, in the case of any such events other than those described in paragraph (i) or (iv)(a) (in relation to any order or resolution for the winding up or dissolution of the Issuer or the Guarantor or administration order in relation to the Issuer or the Guarantor) of this Condition, the Trustee shall have certified to the Issuer that such event is in its opinion materially prejudicial to the interests of the Noteholders.

(b) *For the purposes of these Terms and Conditions:*

“Consolidated Net Worth” means the aggregate of the amounts paid up, credited as paid up or deemed to be paid up on the issued share capital of the Guarantor and the aggregate amount of capital and revenue reserves of the Group including but not limited to:

- (i) any amount credited to the share premium account;
- (ii) any capital redemption reserves;
- (iii) any cash flow hedging reserves;
- (iv) any other reserves; and
- (v) any balance standing to the credit of the consolidated retained earnings of the Guarantor and its Subsidiaries,

all as determined from the latest published audited consolidated balance sheet of the Group but adjusting as follows:

- (vi) by deducting any debit balance on the consolidated retained earnings of the Group;
- (vii) by deducting any amounts shown in respect of the book values of goodwill;
- (viii) in respect of any variation in interests in Subsidiaries and to take account of any Subsidiary which shall have become or ceased to be a Subsidiary since the date as at which such financial statements were prepared;
- (ix) excluding all sums set aside for deferred taxation;
- (x) excluding any distribution declared, recommended or made to members of the Guarantor and outside shareholders in Subsidiaries out of profits accrued prior to the date such financial statements were drawn up and not provided for therein;
- (xi) by adding any pension liability back or by deducting any pension surplus balance;
- (xii) by deducting “Other financial assets”, being the amounts arising from the revaluations and reclassifications required by IFRS 9;
- (xiii) by adding back “Other financial liabilities”, being the amounts arising from the revaluations and reclassifications required by IFRS 9;
- (xiv) deducting the amount paid up or credited as paid up on, and the amount of any premium payable on the redemption of, any preference share capital of the Guarantor which is repayable on or prior to the final maturity date of the Notes,

and so that no amount shall be included or excluded more than once.

“indebtedness for borrowed moneys” means any present or future indebtedness (whether being principal, premium, interest or other amounts and whether actual or contingent) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any guarantee, indemnity, acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

“Principal Subsidiary” means any Subsidiary of the Guarantor whose turnover, as shown in its latest audited income statement, exceeds 25 per cent. of the consolidated turnover of the Group as shown by the latest published audited consolidated income statement of the Group and either (i) whose profits or (in the case of a Subsidiary which has Subsidiaries) consolidated profits, before taxation and extraordinary items, as shown by its latest audited income statement, exceed 25 per cent. of the consolidated profits, before taxation and extraordinary items, of the Group as shown by the latest published audited consolidated income statement of the Group or (ii) whose total assets or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) total consolidated assets, as shown by its latest audited balance sheet, are at least 25 per cent. of the total consolidated assets of the Group as shown by the latest published audited consolidated balance sheet of the Group. For the purpose of calculating the profits or (in the case of a Subsidiary which has Subsidiaries) consolidated profits or (in the case of a Subsidiary which has Subsidiaries) total consolidated assets of any Subsidiary which is not a wholly-owned Subsidiary pursuant to (i) or (ii) above, only such proportion of the above-mentioned profits or total assets shall be taken into account as the relevant holding, either direct or indirect, of issued equity share capital in such Subsidiary bears to that Subsidiary’s total issued equity share capital. A report by the Auditors that in their opinion a Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all concerned. References herein to the audited income statement and balance sheet and audited accounts of a Subsidiary which has Subsidiaries shall be construed as references to the audited consolidated income statement, consolidated balance sheet and consolidated accounts of such Subsidiary and its Subsidiaries, if such are required to be produced and audited, or, if no such accounts or balance sheet are produced, to pro forma accounts and balance sheet, prepared for the purpose of such reports. If the latest published audited consolidated income statement of the Group shows a loss before taxation and extraordinary items, then every Subsidiary whose turnover exceeds 25 per cent. of the consolidated turnover of the Group as aforesaid and whose latest audited income statement (consolidated if appropriate) shows a profit before taxation and extraordinary items shall be a Principal Subsidiary.

References herein to the latest published audited consolidated income statement and the latest published consolidated balance sheet (together, the “Financial Statements”) shall be those of the Guarantor and its subsidiaries, including the Issuer.

## **10. Enforcement**

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce repayment of the Notes and the Coupons together with accrued interest and to enforce the provisions of the Trust Deed and/or the Deed of Guarantee, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of not less than one-quarter in aggregate nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to do, fails so to do within a reasonable period and such failure shall be continuing.

## **11. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent upon payment by the claimant of such costs and

expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Paying Agents**

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

The Issuer and the Guarantor are entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issuing and Paying Agent with its specified office in a place approved by the Trustee; and
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e). Notice of any variation, termination, appointment or change will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

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

## **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **14. Notices**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority

and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

## **15. Meetings of the Noteholders, Modifications and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Deed of Guarantee and/or the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions and provisions of the Deed of Guarantee and/or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may, without the consent of the Noteholders or the Couponholders, agree to any modification of any of these Terms and Conditions or of any of the provisions of the Trust Deed and/or the Deed of Guarantee or to any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of any of the provisions of these Terms and Conditions or of any of the provisions of the Trust Deed and/or the Deed of Guarantee or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions or of any of the provisions of the Trust Deed and/or the Deed of Guarantee which is made to correct any manifest error or is of a formal, minor or technical nature or to comply with mandatory provisions of applicable law.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution under Condition 3), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer or the Guarantor, to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution under Condition 3 will be binding on the Noteholders and Couponholders and any such modification or substitution will (unless the

Trustee agrees otherwise) be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

#### **16. Indemnification of the Trustee and its contracting with the Issuer and the Guarantor**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure is continuing.

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

#### **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **18. The Contracts (Rights of Third Parties) Act 1999**

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

#### **19. Governing Law**

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



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

## DESCRIPTION OF THE ISSUER AND GUARANTOR

Rolls-Royce plc, the Issuer, is a wholly owned subsidiary of Rolls-Royce Group plc which in turn is a wholly owned subsidiary of Rolls-Royce Holdings plc, the Guarantor.

Rolls-Royce designs, develops, manufactures and services integrated power systems for use in the air, on land and at sea. The Group seeks to do this by developing world-leading technology, producing highly efficient products and providing through-life services in each of the Group's chosen markets.

The Group operates through four core businesses: Civil Aerospace, Defence, Power Systems and ITP Aero.

The sale of the Commercial Marine business to KONGSBERG Group was announced in July 2018 and completed on 1 April 2019. On 14 June 2018, a fundamental restructuring programme was announced to create smaller and more cost-effective corporate and support functions as well as to reduce management layers and complexity. This strategic restructuring, led through workstreams sponsored or owned by executive team members, will create empowered businesses, operating within a clear framework and supported by a Group Business Services organisation. This restructuring will create an organisation that will better enable the Group to maximise the economic value of the very significant investments that the Group has made over the past decade, realise the growth potential embedded in the Group's business and to seize the opportunities that the Group has identified across all of its markets. It is anticipated that the restructuring will result in net cost savings of £400m per annum by the end of 2020 and lead to the reduction of around 4,600 roles.

Annual underlying revenue was £15.1bn<sup>1</sup> in 2018, around half of which came from the provision of aftermarket services.

### Civil Aerospace

Civil Aerospace is a major manufacturer of aero engines for the large commercial aircraft and corporate jet markets and, in 2018, accounted for 48 per cent. (£7.4bn) of the Group's underlying revenue. Rolls-Royce engines power 35 types of commercial aircraft, and the Group has an installed base of more than 13,000 engines around the world. The business unit had an order backlog of £52.3bn (up £6.6bn from 2017) as of 31 December 2018.

In 2018, 42 per cent. of Civil Aerospace revenues came from original equipment and 58 per cent. from services. During the same period, underlying revenue was split between large engines (68 per cent.) business aviation (15 per cent.), regional (4 per cent.) and V2500 (13 per cent.). Key facilities and production plants are located in the US, UK, Germany, Singapore and Canada.

In 2018, Civil Aerospace recorded an underlying operating loss of £162m (compared with a £343m operating loss in 2017).

### Defence

Defence comprises Defence Aerospace, Naval Marine and Nuclear Submarine operations and, in 2018, accounted for 20 per cent. (£3.1bn) of the Group's underlying revenue.

Defence Aerospace is a leading engine manufacturer for the military transport market and one of the largest providers of defence aircraft engine products and services globally. It has an installed base of 16,000 engines with 150 customers in over 100 countries and had an order backlog of £6.8bn (up £1bn from 2017) as of 31 December 2018. In 2018, 46 per cent. of the Defence Aerospace revenues came from original equipment and 54 per cent. from services with the business unit reporting an underlying operating profit of £427m (down £27m from 2017). During the same period, underlying revenue was split between combat (22 per cent.), transport (37 per cent.), submarines (20 per cent.), Naval (8 per cent.) and other (13 per cent.).

Naval Marine manufactures and services a range of propulsion and handling equipment for about 70 naval forces around the world.

<sup>1</sup> All financial information presented in "Description of the Issuer and Guarantor" is stated on the basis as presented in the Annual Report 2018 of the Guarantor. Revenue in 2017 (restated for IFRS 15) was £13.7bn.

The Nuclear Submarine operation is the technical authority for the UK nuclear steam raising plant that powers the Royal Navy's nuclear submarine fleet; managing plant design, safety, manufacture and service support.

Key facilities and production plants are located in the US, UK and Germany.

### **Power Systems**

The Power Systems business is a leading provider of high and medium speed reciprocating engines and complete propulsion and, in 2018, accounted for 22 per cent. (£3.5bn) of the Group's underlying revenue. The business serves the marine, naval, defence, power generation and industrial markets and includes civil nuclear operations that supply safety-critical systems to approximately half of the world's nuclear power plants. The business unit had an order backlog of £3.1bn (up £0.7bn from 2017) as of 31 December 2018. In 2018, 67 per cent. of underlying revenue came from original equipment and 33 per cent. from services and the business unit reported an underlying operating profit of £317m (up £56m from 2017). During the same period, underlying revenue was split between Marine (29 per cent.), Industrial (30 per cent.), Power Generation (29 per cent.), Defence (7 per cent.) and Civil Nuclear (5 per cent.). Rolls-Royce Power Systems is active in 130 countries on all continents. Key facilities and production plants are located in Germany, Norway, US and China.

### **ITP Aero**

ITP Aero is a global leader in aero design, manufacture and maintenance and, in 2018, accounted for 5 per cent. (£0.8bn) of the Group's underlying revenue. Alongside the development, manufacturing, assembly and testing of engines, it provides MRO services for regional airlines, business aviation, helicopters, industrial and defence applications.

In 2018, 85 per cent. of underlying revenue came from original equipment and 15 per cent. from services and the business unit reported an underlying operating profit of £67m (up £2m from 2017). During the same period, underlying revenue was split between Civil Business Unit (67 per cent.), Defence Business Unit (18 per cent.) and In-Service Support (15 per cent.).

ITP Aero is a risk and revenue sharing partner in 7 of the Trent engine programmes and had an order backlog of £0.9bn (down £0.2bn from 2017) as of 31 December 2018.

Key facilities are located in India, Malta, Mexico, Spain, UK and US.

### **Non-core businesses**

Non-core businesses accounted for 5 per cent. of the Group's underlying revenue in 2018 and primarily comprised of (a) the L'Orange fuel injector business which was sold to Woodward Inc in June 2018 and (b) the Commercial Marine business which was sold to KONGSBERG in April 2019.

## BOARD OF DIRECTORS OF THE ISSUER AND GUARANTOR

The Boards of Directors of the Issuer and the Guarantor are as follows:

<i>Name</i>	<i>Position</i>	<i>Principal outside directorships</i>
Sir Ian Davis	Non-executive Chairman	Senior independent director of BP plc, non-executive director of Johnson & Johnson Inc., director of Teach for All Inc., non-executive director of Majid Al Futtaim Holding LLC, senior partner emeritus of McKinsey & Company
Warren East CBE	Chief Executive Officer	Director of Dyson James Group Limited, Fellow of the Royal Society, Fellow of the Institution of Engineering and Technology, Fellow of the Royal Academy of Engineering, Distinguished Fellow of the BCS and the Chartered Institute for IT, companion of the Chartered Management Institute
Stephen Daintith	Chief Financial Officer	Non-executive director of 3i Group plc
Lewis Booth CBE	Independent Non-executive Director	Director of Mondelez International Inc.
Ruth Cairnie	Independent Non-executive Director	Chair of Babcock International, non-executive director and Chair of the Remuneration Committee of Associated British Foods plc, Chair of the POWERful Women initiative, non-executive director of ContourGlobal plc, member of Cambridge University Finance Committee, trustee of Windsor Leadership
Sir Frank Chapman	Independent Non-executive Director	Vice-Chairman of Myeloma UK, Fellow of the Royal Academy of Engineering, the Institute of Mechanical Engineers, the Royal Society of Arts and the Energy Institute
Irene Dorner	Independent Non-executive Director	Director of AXA SA, Chair of Control Risks Groups Holdings, advisory board member and trustee of South East Asia Rainforest Research Partnership, honorary Fellow of St Anne's College Oxford
Beverley Goulet	Independent Non-executive Director	Non-executive director of Xenia Hotels & Resorts, board member of Dallas Women's Foundation, finance committee member of Cristo Rey School of Dallas, advisory board member of Answer ALS
Lee Hsien Yang	Independent Non-executive Director	

<i>Name</i>	<i>Position</i>	<i>Principal outside directorships</i>
Nick Luff	Independent Non-executive Director	Chief Financial Officer of RELX Group
Bradley Singer	Non-independent Non-executive Director	Partner and Chief Operating Officer of ValueAct Capital, Chairman of the Posse Foundation, trustee of the McIntire School Foundation, University of Virginia
Sir Kevin Smith	Senior Independent Director	Senior adviser to Unitas Capital, European Advisory Board Member of LEK Consulting, industry steering group member of the University of Central Lancashire
Jasmin Staiblin	Independent Non-executive Director	Board member of Georg Fischer AG, non-executive director of Seves, non-executive director of NXP Semiconductors N.V., non-executive director of Zurich Insurance Ltd
Pamela Coles	Company Secretary	Non-executive director of E-Act

The business address of the above directors is 62 Buckingham Gate, London, SW1E 6AT.

There are no potential conflicts of interest between the duties to the Issuer or the Guarantor, as applicable, of each of the members of the Board of Directors and his/her private interests or other duties.

## TAXATION

### United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and published HM Revenue & Customs ("HMRC") practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on the individual circumstances of the prospective Noteholders and may be subject to change in the future. These comments do not purport to constitute legal or tax advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

### *Interest on the Notes*

Payments of interest on the Notes may be treated as having a United Kingdom source and the following comments assume that the interest has a United Kingdom source.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act") and carry the right to interest. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and provided the Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a direction to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If the Guarantor makes payments in respect of the Notes, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for all the reliefs and exemptions described above.

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Any such payment of interest would be subject to the withholding tax provisions discussed above.

Prospective Noteholders, and particularly prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom, should seek their own professional advice.

## **Foreign Account Tax Compliance Act**

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 to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) 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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. In the event any withholding were to be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## **SUMMARY OF DISTRIBUTION AGREEMENT**

Subject to the terms and on the conditions contained in an amended and restated Distribution Agreement dated 13 August 2019 (as further amended and/or supplemented and/or restated from time to time the "Distribution Agreement") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission of a percentage of the nominal amount of the Notes to be agreed on each issue of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.



## SELLING RESTRICTIONS

### United States

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

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

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

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

### Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular 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 Insurance Distribution Directive, 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 Regulation; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Final Terms in

relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

### **United Kingdom**

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

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

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Singapore

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

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

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

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

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

## General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee and any of the other Dealers shall have any responsibility therefor.

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

## FORM OF FINAL TERMS

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

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

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended) (“MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97, 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 Regulation (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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE “SFA”) - [To insert notice if classification of the Notes is not “prescribed capital markets products”, pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]” .]<sup>2</sup>**

Final Terms dated [●]

### **ROLLS-ROYCE plc (the “Issuer”)**

**Legal Entity Identifier (LEI): X57JK1U580XATGR67572**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)  
unconditionally and irrevocably guaranteed by Rolls-Royce Holdings plc (the “Guarantor”)  
under the £4,000,000,000 Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Offering Circular dated 13 August 2019 [and the supplement[s] to it dated [date] [and [date]] ([the Offering Circular as so supplemented,] the “Offering Circular”) which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (as used herein “Prospectus Regulation” means Regulation (EU) 2017/1129). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular, including the documents incorporated by reference. The Offering Circular has been published on the website of 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).

<sup>2</sup> Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

- |     |  |   |
|-----|--|---|
| 1.  | (i) Series Number:   | [●]   |
|     | (ii) Tranche Number:   | [●]   |
|     | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]] [Not Applicable] |
| 2.  | Specified Currency or Currencies:  | [●]   |
| 3.  | Aggregate Nominal Amount:  |   |
|     | – Series:  | [●]   |
|     | – Tranche:   | [●]   |
| 4.  | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]  |
| 5.  | (i) Specified Denomination(s):   | [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]   |
|     | (ii) Calculation Amount:   | [●]   |
| 6.  | (i) Issue Date:  | [●]   |
|     | (ii) Interest Commencement Date:   | [[●]/Issue Date/Not Applicable]   |
| 7.  | Maturity Date:   | [●]   |
| 8.  | Interest Basis:  | [[●] per cent. Fixed Rate]<br>[[Reference Rate] +/- [●] per cent. Floating Rate]<br>[Zero Coupon]   |
| 9.  | Redemption/Payment Basis:  | Redemption at par   |
| 10. | Change of Interest Basis or Redemption/Payment Basis:                        | [●]/[Not Applicable]  |
| 11. | Put/Call Options:  | [Investor Put]<br>[Issuer Call]<br>[Not Applicable]   |
| 12. | Date Board approval for issuance of Notes and Guarantee obtained:            | [●] and [●], respectively   |

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

- |     |  |   |
|-----|--|---|
| 13. | <b>Fixed Rate Note Provisions</b>  | [Applicable/Not Applicable]   |
|     | (i) Rate(s) of Interest:   | [●] per cent. per annum payable in arrear on each Interest Payment Date                               |
|     | (ii) Interest Payment Date(s):   | [●] [and [●]] in each year, from and including [●], up to and including the Maturity Date             |
|     | (iii) Fixed Coupon Amount(s):<br><i>(Applicable to Notes in definitive form)</i> | [●] per Calculation Amount  |
|     | (iv) Broken Amount(s):<br><i>(Applicable to Notes in definitive form)</i>        | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable] |

	(v)	Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
	(vi)	Determination Date(s):	[[●] in each year]/[Not Applicable]
14.	<b>Floating Rate Note Provisions</b>		[Applicable/Not Applicable]
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii)	Additional Business Centre(s):	[●]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(vi)	Screen Rate Determination:	
		– Reference Rate and Relevant Financial Centre:	Reference Rate: [●] month [LIBOR/EURIBOR]  Relevant Financial Centre: [London/Brussels]
		– Reference Banks if not selected by the Issuing and Paying Agent:	[●]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]
	(vii)	ISDA Determination:	
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
	(viii)	Margin(s):	+/- [●] per cent. per annum
	(ix)	Minimum Rate of interest:	[●] per cent. per annum
	(x)	Maximum Rate of interest:	[●] per cent. per annum
	(xi)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
15.	<b>Zero Coupon Note Provisions</b>		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[●] per cent. per annum

- (ii) Reference Price:
- (iii) Day Count Fraction in relation to Early Redemption Amounts:  [30/360]  
 [Actual/360]  
 [Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

- 16. Issuer Call:  [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s):
  - (ii) Optional Redemption Amount(s):  per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount:  per Calculation Amount
    - (b) Maximum Redemption Amount:  per Calculation Amount
- 17. Investor Put:  [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s):
  - (ii) Optional Redemption Amount(s):  per Calculation Amount
- 18. Final Redemption Amount:  per Calculation Amount
- 19. Early Redemption Amount payable on redemption for taxation reasons or on event of default:  per Calculation Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 20. New Global Note:  [Yes/No]
- 21. Form of Notes:
- 22. Additional Financial Centre(s): /[Not Applicable]
- 23. Talons for future Coupons to be attached to Definitive Notes:  [Yes, as the Notes 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]

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: .....  
Duly authorised

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Date from which listing on the Official List of the FCA and admission to trading on the regulated market of the London Stock Exchange is expected to be effective: [●]
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: [[The Notes to be issued [have been/are expected to be] assigned the following ratings]]:
- [●] by Fitch Ratings Ltd.
- [●] by Moody's Deutschland GmbH
- [●] by S&P Global Ratings Europe Limited

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

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

### 4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [See ["Use of Proceeds"] in the Offering Circular/*Give details*]
- (ii) Estimated net proceeds: [●]

### 5. YIELD (*Fixed Rate Notes only*)

- Indication of yield: [●]

### 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]]
- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the [●]/[Not Applicable]



relevant identification number(s):

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

(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that the Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. TEFRA RULES

Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]

## 8. THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer and the Guarantor confirm 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.]/[Not Applicable]

## 9. PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Prohibition of sales to EEA Retail Investors: [Applicable/Not Applicable]

## GENERAL INFORMATION

1. The establishment of the Programme and the issue of Notes under it were duly authorised by resolutions of the Board of Directors of the Issuer dated 1 March 2000 and 25 May 2000. The update of the Programme has been duly authorised by resolutions of the Board of Directors of the Issuer and the Board of Directors of the Guarantor each dated 1 August 2019. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 27 July 2011. The increase in the maximum aggregate nominal amount of the Notes that may from time to time be outstanding under the Programme from £1,250,000,000 to £1,750,000,000 was authorised by a resolution of the Board of Directors of the Issuer dated 8 June 2005 and by a resolution of the Board of Directors of Rolls-Royce Group plc (in its capacity at such time as guarantor of Notes issued under the Programme) dated 8 June 2005. The increase in the maximum aggregate nominal amount of the Notes that may from time to time be outstanding under the Programme from £1,750,000,000 to £2,750,000,000 was authorised by resolutions of the Board of Directors of the Issuer and the Board of Directors of the Guarantor each dated 24 July 2013. The increase in the maximum aggregate nominal amount of the Notes that may from time to time be outstanding under the Programme from £2,750,000,000 to £4,000,000,000 was authorised by resolutions of the Board of Directors of the Issuer and the Board of Directors of the Guarantor each dated 29 July 2015.
2. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme in respect of Notes is expected to be granted on or around 16 August 2019.
3. For the period of 12 months following the date of this Offering Circular, the following documents can be inspected at <https://www.rolls-royce.com/>:
  - (a) the up to date memorandum and articles of association of the Issuer and the Guarantor; and
  - (b) all reports, letters, and other documents, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the registration document.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.
5. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
6.
  - (i) There has been no significant change in the financial performance of the Issuer or of the Issuer and its subsidiaries since 31 December 2018 to the date of this Offering Circular.
  - (ii) There has been no significant change in the financial position of the Issuer or of the Issuer and its subsidiaries since 31 December 2018.
  - (iii) There has been no material adverse change in the prospects of the Issuer or of the Issuer and its subsidiaries since 31 December 2018.

- (iv) There has been no significant change in the financial performance of the Guarantor or of the Guarantor and its subsidiaries since 30 June 2019 to the date of this Offering Circular.
  - (v) There has been no significant change in the financial position of the Guarantor or of the Guarantor and its subsidiaries since 30 June 2019.
  - (vi) There has been no material adverse change in the prospects of the Guarantor or of the Guarantor and its subsidiaries since 31 December 2018.
7. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have had in such period a significant effect on the financial position or profitability of the Issuer and its subsidiaries, the Guarantor or the Group.
8. KPMG LLP, chartered accountants, audited the Issuer's accounts for the financial year ended on 31 December 2017. PricewaterhouseCoopers LLP, chartered accountants, audited the Issuer's accounts for the financial year ended 31 December 2018.
- KPMG LLP, chartered accountants, audited the accounts of the Guarantor for the financial year ended on 31 December 2017. PricewaterhouseCoopers LLP, chartered accountants, audited the Guarantor's accounts for the financial year ending 31 December 2018 and reviewed the condensed set of financial statements in the 2019 Half Year Results of the Guarantor for the six-month period ended 30 June 2019.
9. Each of the consolidated and non-consolidated financial statements of (i) the Issuer for the financial year ended 31 December 2017 set out in the Annual Report 2017 of the Issuer for the financial year ended 31 December 2017 and for the financial year ended 31 December 2018 set out in the Annual Report 2018 of the Issuer for the financial year ended 31 December 2018, (ii) the Guarantor for the financial year ended 31 December 2017 set out in the Annual Report 2017 of the Guarantor for the financial year ended 31 December 2017 and for the financial year ended 31 December 2018 set out in the Annual Report 2018 of the Guarantor for the financial year ended 31 December 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The condensed consolidated half year financial statements of the Guarantor for the six-month period ended 30 June 2019 set out in the 2019 Half Year Results of the Guarantor have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting) as adopted by the European Union.
10. The Issuer was incorporated and registered in England and Wales on 23 February 1971 under the Companies Acts 1948-1967 as a public company limited by shares and with registered number 1003142. Its registered office is at 62 Buckingham Gate, London SW1E 6AT and its telephone number is +44 20 7227 9100.
- The Guarantor was incorporated and registered in England and Wales on 10 February 2011 under the Companies Act 2006 as a public company limited by shares and with registered number 7524813. Its registered office is at 62 Buckingham Gate, London SW1E 6AT and its telephone number is +44 20 7227 9100.
11. In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.
12. 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/or the Guarantor and their respective affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or the Guarantor and their respective affiliates,

investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

13. In this Offering Circular, references to websites or uniform resource locators (“URLs”) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Offering Circular.

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THE ISSUER**

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**Morgan Stanley & Co. International plc**  
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**ISSUING AND PAYING AGENT**

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