

IMPORTANT NOTICE

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

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

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

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

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

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

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

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

BASE PROSPECTUS



SMITHS GROUP PLC

(incorporated as a public limited company in England and Wales with registered number 137013)

EUR 2,500,000,000

Euro Medium Term Note Programme

Guaranteed by

SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED

(incorporated as a limited company in England and Wales with registered number 01085153)

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "FCA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("Notes") issued under the Euro Medium Term Note Programme (the "Programme") described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the regulated market of the London Stock Exchange plc (the "London Stock Exchange"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Programme is expected to be rated Baa2 by Moody's Investors Service ("Moody's") and BBB+ by Standard & Poor's ratings Services, a division of the McGraw Hill Companies, Inc. ("S&P"). Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation"). Tranches of Notes to be issued under the Programme will be rated or unrated. Each of Moody's, S&P and Fitch Ratings Ltd ("Fitch") may in the future rate Notes issued under the Programme. Fitch is established in the EEA and registered under the CRA Regulation. Where a Tranche (as defined herein) of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme.

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

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

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

Arrangers

BARCLAYS

BNP PARIBAS

Dealers

**ANZ
BNP PARIBAS
CREDIT SUISSE
J.P. MORGAN
MUFG**

**BARCLAYS
CITIGROUP
HSBC
MORGAN STANLEY
RBC CAPITAL MARKETS**

17 October 2016

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IMPORTANT NOTICES

Responsibility for this Base Prospectus

Each of Smiths Group plc (the "**Issuer**") and Smiths Group International Holdings Limited (the "**Guarantor**") (each a "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Final Terms/Drawdown Prospectus

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

Other relevant information

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

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

Unauthorised information

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

None of the Dealers has separately verified the information contained in this Base Prospectus. None of the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

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

on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, 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 U.S. persons.

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

Programme limit

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 2,500,000,000 and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain definitions

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

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

Ratings

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

Notice to investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) 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.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not 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 relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW

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

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

- Issuer:** Smiths Group plc, a public limited company incorporated under the laws of England and Wales which operates in the global technology business serving the threat and contraband detection, energy, medical devices, communications and engineered component markets worldwide.
- Guarantor:** Smiths Group International Holdings Limited, a limited company incorporated under the laws of England and Wales whose principal activity is that of an investment holding company and which conducts substantially all of its business through operating subsidiaries.
- Programme Limit:** Up to EUR 2,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
- Risk Factors:** Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "*Risk Factors*" below.
- Arrangers:** Barclays Bank PLC and BNP Paribas
- Dealers:** Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc and RBC Europe Limited and any other Dealer appointed from time to time by the Issuer and Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- Trustee:** Citicorp Trustee Company Limited
- Registrar:** Citibank N.A., London Branch
- Principal Paying Agent:** Citibank N.A., London Branch
- Final Terms or Drawdown Prospectus:** Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and relevant Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
- Listing and Trading:** Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.
- Clearing Systems:** Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Principal Paying Agent and the relevant Dealer(s).

Method of Issue:	The Notes will be issued in Series. Each Series may be issued in one or more Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, date of first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.
Forms of Notes:	<p>Notes may be issued in bearer form or in registered form.</p> <p>Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "Classic Global Note"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "New Global Note"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If TEFRA D is specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached.</p> <p>Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p>
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Status and Guarantee:	The Notes will constitute direct, unconditional and (subject to Condition 5 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer as described in " <i>Terms and Conditions of the Notes – Status</i> ". The Guarantee constitutes a direct, unconditional and (subject to Condition 5 (<i>Negative Pledge</i>)) unsecured obligation of the Guarantor.
Issue Price:	Notes may be issued at any price on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption:	Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
Redemption or Purchase on Change of Control:	The Notes of a Noteholder may be redeemed or purchased prior to their stated maturity at the option of such Noteholder on a change of control (as described in Condition 9(f) (<i>Redemption and Purchase – Redemption or Purchase on Change of Control</i>)), to the extent specified in the relevant Final Terms.
Tax Redemption:	Except as described in " <i>Optional Redemption</i> " and " <i>Redemption or Purchase on Change of Control</i> " above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (<i>Redemption and Purchase - Redemption for tax reasons</i>), where the Issuer or the Guarantor has an obligation to pay additional amounts under Condition 12 as a result of a change in, or amendment to, UK withholding tax rules.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or its equivalent in any other currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (<i>Negative Pledge</i>).
Cross Acceleration:	The Terms and Conditions of the Notes will contain a cross acceleration provision as described in Condition 13 (<i>Events of Default</i>).
Taxation:	All payments of principal and interest in respect of Notes and the Coupons or under the Guarantee of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of withholding taxes of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject as provided in Condition 12 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders and the Couponholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required, all as described in " <i>Terms and Conditions of the Notes – Taxation</i> ".
Governing Law:	English law
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America and the United Kingdom, see " <i>Subscription and Sale</i> " below.
United States selling Restriction:	Regulation S, Category 2

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industry in which they operate together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only but are the material risks that the Issuer and the Guarantor believe to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor at the date of this Base Prospectus, or that either currently deems immaterial as at such date, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

RISKS RELATING TO THE ISSUER AND THE GUARANTOR

Risks Relating To the Group's Business

The Group operates in over 50 countries, and is thus exposed to a broad range of social, political and economic risks that are inherent in operating in a global market.

The Group operates in over 50 countries and derives revenue from significant operations in the United States, Canada, United Kingdom, Japan, Germany and China. The Group's results of operations and financial condition are influenced by the social, economic, regulatory and political situations in these and other markets and regions in which it has operations, which are often unpredictable and outside its control.

Furthermore, the Group has operations in several developing economies, particularly in Asia and Latin America (including Mexico), and its strategy includes continuing to expand its operations in these regions. However, many developing economies have recent histories of economic, social and political instability, including, for example, political unrest in North Africa and the Middle East and security concerns in Mexico, unexpected changes in local laws, regulations and standards, substantial depreciation and volatility in national currencies and the imposition of trade barriers and wage and price controls.

The Group's operations in all of these countries are subject to varying degrees of risk including:

- exchange controls, currency restrictions and fluctuations in currency values;
- political instability;
- risk of sovereign default;
- trade protection measures;
- import or export requirements;
- subsidies or increased access to capital for firms who are currently or may emerge as competitors in countries in which the Group has operations;
- consumer confidence and consumer perception of economic conditions in the Group's markets;
- legal, fiscal and regulatory change;
- differing labour regulations; and

- differing protection of intellectual property.

These and other factors may have a material adverse effect on the Group's international operations, supply chains or on its business, results of operations and financial condition generally.

The Group's revenues and financial condition depend to a significant degree on spending by governments and government agencies.

A notable element of the Group's revenues comes from governments and their agencies or is influenced by government regulation; a significant majority of the revenue for the Smiths Detection and Smiths Medical, and a significant minority for Smith Interconnect, are directly or indirectly influenced by spending by governments and government agencies. As a result, the Group's business is affected by government spending priorities and budgetary conflicts, in particular those of the United States and European governments, and the willingness of governments to commit substantial resources to homeland security and defence initiatives.

Smiths Detection frequently need to tender for government contracts. Smiths Detection has observed delays and uncertainty in the timing of contracts and tender activities. The timing of the award of contracts and payments under such contracts may be uncertain and uneven over a given financial year, possibly resulting in uneven revenues which may distort the Group's results of operations in a given period compared to prior periods.

At times the Group must bid for contracts prior to completing the necessary design, which may result in unforeseen technological difficulties and/or cost overruns. In addition the Group is exposed to periodic government audit procedures which may lead to a shortfall in cost recovery.

Additionally, the risk that governmental purchases of the Group's products may decline results from the terms of certain of the Group's contracts with governments, including the US government. For example, a government body that is the Group's counterparty to a contract may:

- terminate contracts at its convenience;
- terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change; and
- cancel multi-year contracts and related orders if funds become unavailable.

Exposure to cyclical end markets means a prolonged economic downturn and/or a continuation of volatile credit markets and/or a continuation of the long-term reduction in oil prices, both globally and as a consequence of the sovereign debt crisis in Europe, could continue to have a material adverse effect on the Group's business, financial condition and results of operations.

Current global economic and financial market conditions, including disruptions in the Eurozone and global credit markets, uncertainty surrounding the sovereign debt crises in Europe, the potential for a prolonged global economic downturn and the effects of a long-term reduction in global oil prices, have affected and may continue to materially and adversely affect the Group's results of operations and financial condition. In particular, for the financial years ended 31 July 2015 and 31 July 2016, the reduction in global oil prices has led to a decline in the revenues of John Crane.

These economic conditions, which could include a default or a significant decline in the credit rating of one or more sovereigns or financial institutions, may also materially impact the Group's customers, suppliers and other parties with which the Group does business directly or indirectly and in ways which are difficult to predict. Economic and financial market conditions that adversely affect the Group's customers may cause them to terminate existing purchase orders or to reduce the volume of products or services they purchase from the Group in the future.

Political and economic structural weaknesses in the Eurozone's single currency framework have heightened uncertainty regarding the future of the Eurozone. This may result in substantial defaults on existing Euro sovereign debt and could lead to economic dislocation. It could also result in capital exchange controls being imposed, domestic banking failures or the expropriation of assets.

Changes of this type could significantly affect the Group's liquidity and could have a material adverse effect on its business, financial condition and results of operations. If the Group is unable to anticipate successfully changing economic and financial market conditions, it may be unable to plan effectively for and respond to those changes, and its business could be negatively affected.

The Group may be adversely affected by the withdrawal of the United Kingdom from the European Union.

On 23 June 2016, the United Kingdom voted in a national referendum to leave the European Union. The result of the referendum does not legally oblige the United Kingdom Government to commence a process to leave the European Union, and it is unclear if or when the United Kingdom Government will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve several years of negotiation to finalise an agreement in accordance with Article 50 of the Treaty on European Union.

Regardless of any eventual timing or the terms of the United Kingdom's exit from the European Union, the June referendum has created political, social and macroeconomic uncertainty. For example, leaders in Scotland have announced that they may seek European Union membership in the event of the United Kingdom's exit, raising the possibility of a second referendum on Scottish independence. In addition, following the United Kingdom's referendum result, certain public figures in other European Union member states have called for referenda in their respective countries on exiting the European Union, raising concerns over a contagion effect whereby multiple member states seek to exit the European Union and Eurozone, eventually culminating in their collapse as political and economic institutions.

The exit of the United Kingdom (or any other country) from the European Union, the potential withdrawal of Scotland or Northern Ireland from the United Kingdom, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies), decreased gross domestic product in the United Kingdom and other European Union member states and a downgrade of the United Kingdom's and other European Union member states' sovereign credit rating. In addition, these events could push the United Kingdom, Eurozone and/or United States into an economic recession.

The Group sells its products in the United Kingdom and other member states of the European Union. Approximately 19 per cent. of the Group's revenue for the financial year ending 31 July 2016 was derived from countries within the European Union (of which approximately 4 per cent. related to business within the United Kingdom). Following the United Kingdom's withdrawal from the EU, and depending on the agreement (if any) that the two sides reach regarding trade arrangements and tariffs, the Group's products could be subject to increased import and export duties, which could increase the Group's costs and could negatively impact its sales.

Any of these risks could result in lower revenue, higher operating costs and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations

The Group is subject to a broad range of laws, regulations and standards in the jurisdictions in which it operates. Any unexpected changes in these laws or regulations or failure to comply with them could have significant adverse consequences for the Group's business and results of operations.

The Group operates in highly regulated markets. The Smiths Detection, Smiths Interconnect and Smiths Medical divisions are particularly subject to regulation, with certain customers and regulatory or other enforcement bodies routinely inspecting practices, processes and premises. Certain of the Group's products, most notably devices produced by Smiths Medical, are subject to regulatory approval processes. Should a regulator's approval process take a particularly long time, the Group's products may suffer a delay in getting to the market, which could give an advantage to a competitor with a similar product and negatively affect the Group's results.

As manufactures and exporters of military and dual-use goods, Smiths Detection and Smiths Interconnect are subject to the export control laws and regulations of the countries in which they do business. Violations of export control laws and regulations can result in criminal and/or civil penalties, denial of export privileges, debarment and reputational harm.

Smiths Detection and Smiths Interconnect also maintain a Special Security Agreement (“SSA”) with the U.S. Department of Defense that enables their “cleared” facilities to access classified information in support of work performed on certain government contracts despite their foreign ownership. The “cleared” facilities must operate in accordance with the SSA and other relevant laws and regulations and are subject to annual audit by the U.S. Defense Security Service. Violations can result in invalidation of facility security clearances, loss of business, and reputational harm.

In addition, new regulations or certification requirements may require additional expenses or restrict the Group’s commercial flexibility and planned business strategies. Efforts by the private and public sector, specifically in the United States, to control health care costs through legislation and regulatory initiatives may lead to lower reimbursements and increased utilisation controls related to the use, by health care providers, of a range of medical devices, including those produced by Smiths Medical.

Further, new legislation, regulations or certification requirements may require additional expense, restrict commercial flexibility and business strategies or introduce additional liabilities for the Group or its directors. There also appears to be a growing trend for legislation that could be described as ‘protectionist’, which may affect the Group’s businesses.

Should any of the Group’s divisions, including their respective agents and distributors, fail to comply with the laws and regulations of the jurisdictions in which they operate, that division or the Group could be subject to civil and/or criminal penalties, administrative sanctions including disqualification from public procurement processes, debarment and reputational damage.

The Group may be adversely affected by environmental laws, regulations and liabilities.

The Group is subject to numerous foreign, international, national, regional and local environmental laws and regulations concerning emissions into the environment, including greenhouse gas emissions, discharges to the ground, air and surface and subsurface water, the generation, storage, handling, use, transportation, disposal and treatment of hazardous materials and waste, noise pollution and the health and safety of its employees. Pursuant to such laws and regulations, for certain activities, the Group is required to obtain permits from governmental authorities. There can be no assurance that the Group has been or will be at all times in complete compliance with such laws, regulations and permits. If the Group violates or fails to comply with these laws, regulations or permits, it could be fined or otherwise sanctioned by regulators. The Group cannot anticipate whether, and to what extent, these environmental requirements may become stricter over time, nor can there be any assurance that the cost of maintaining compliance with environmental laws, regulations or permits will not increase. Substantial increases in environmental compliance costs or the Group’s failure to comply with such environmental requirements could adversely affect its business, reputation, results of operations and financial condition.

Under certain environmental laws, the Group could be held responsible for any and all liabilities and consequences arising out of past or future releases of hazardous materials or waste, human exposure to such substances or other environmental damage, including potentially significant remedial costs. The environmental laws of the jurisdictions in which it operates impose liability for and actual and potential obligations to remediate releases of hazardous materials or contamination relating to the Group or its predecessors’ past or present facilities or third-party waste disposal sites. The Group is currently involved in various investigation and remediation activities at such locations. There is a risk that such liabilities or remediation costs could prove greater than expected or that further contamination could be discovered with significant adverse consequences for the Group. The Group makes provisions for expected liabilities and remediation costs based on independent professional advice, but there can be no assurance that such provisions will adequately cover such liabilities or costs.

The Group’s liabilities or remediation costs arising from releases of or exposure to hazardous materials could have an adverse effect on its business, reputation, results of operations and financial condition.

The Group operates in diverse locations which exposes it to a broad range of operational and other external risks.

Because of the location of the Group's operations and manufacturing facilities, it is exposed to a number of natural catastrophe risks, such as earthquakes, floods, hurricanes and other types of storm, which, like other external events, such as terrorist attacks, nuclear catastrophe or a disease pandemic, could have significant adverse consequences for its business. Other operational risks the Group faces include:

- equipment and systems failures including information technology failures;
- difficulty in enforcing legal claims and agreements through some national legal systems;
- labour force shortages or work stoppages;
- events impeding or increasing the cost of transporting products; and
- social unrest and civil disturbances.

Should any of these operational risks materialise, they could lead to delays in the delivery of the Group's products or breaches in the provision of its services, including adverse effects on the quality of its products or services which could lead to the need for product recalls or liability claims from customers or third parties in connection with faults in the design or manufacture of the products, which could have an adverse effect on the Group's business, reputation, results and financial condition.

The Group depends heavily on supplies of raw materials and purchased components and any disruption in supply or volatility in price could have a material adverse effect on the Group's performance.

The Group's business is affected by the price, quality, availability and timely delivery of the various raw materials and purchased components, including electronic components, metals and plastics that it uses in the manufacture of its products. The Group's business, therefore, could be adversely impacted by factors affecting its suppliers and supply chain, such as the destruction of suppliers' facilities or their distribution infrastructure, a work stoppage or strike by suppliers' employees, disruption of transportation and supply routes due to civil or political unrest or other factors, or the failure of suppliers to provide materials of the requisite quality or by increased costs of such raw materials or components.

In particular, the Group relies on sole suppliers to provide raw materials or purchased components for some of its products. The Group cannot guarantee that it will not encounter loss of or shortage in supply or volatility in prices of these sourced materials, in the future, in which case it may not be able to quickly establish additional or replacement sources for certain components or materials. A reduction or interruption in manufacturing, disruptions in transport, volatility in prices or an inability to secure alternative sources of raw materials or components could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The concentration of manufacturing in countries with lower manufacturing costs, in particular in Mexico, Malaysia and China, increases the length of the supply chain and means that an adverse event could have more significant consequences for the Group's ability to supply customers on time. A longer supply chain also affects transport costs, which could be exacerbated by energy cost inflation.

The Group is subject to litigation including, but not limited to, asbestos and other product liability litigation.

In the ordinary course of business, the Group is subject to litigation such as product liability claims, employee disputes and other kinds of lawsuits, and faces different types of legal issues in different jurisdictions. The high level of activity in the United States, for example, exposes the Group to the likelihood of various types of litigation commonplace in that country, such as a "mass tort" and "class action" litigation, and challenges to the scope and validity of patents. These types of proceedings (or the threat of them) are also used to create pressure to encourage negotiated settlement of disputes. Any claim brought against the Group, with or without merit, could be costly to defend and could result in an increase of its insurance premiums. Some claims brought against the Group might not be covered by its insurance policies. Furthermore, even where the claim is covered by the Group's insurance, insurance coverage might be inadequate and it would have to pay the amount of any settlement or

judgment that is in excess of its policy limits. In addition, there is the risk that any litigation the Group is subject to may prove more costly and time consuming than expected. There is also a risk that the current litigation, and any additional litigation instigated in the future, could have a material adverse impact on the Group. For risks specifically associated with John Crane, Inc. asbestos litigation and Titeflex Corporation's flexible gas piping products, see "*Description of the Issuer — Litigation*".

A failure by the Group to deliver products and services could adversely affect the Group.

The Group is obliged, as part of its business, to deliver, in a timely fashion, a number of products and services. Failure to do so, or any fault in contract execution due to delays or breaches by its suppliers or other counterparties, may lead the Group to be liable for higher costs, liquidated damages or other penalties. In addition, certain contracts entered into by the Group may expose the Group to unlimited liabilities to counterparties or allow them to terminate a contract unilaterally, amend the terms of such contract or seek other remedies at the expense of the Group.

Defects or failures associated with the Group's products could lead to recalls or safety alerts and negative publicity.

Manufacturing flaws, component failures or design defects could require the Group to recall products (as the Group was required to do in recent years in Smiths Medical). Many of the Group's products are used in critical applications such as products sold to aviation, security, health care, energy and consumer/domestic industries, where the consequences of a failure could be extremely serious and, in some cases, potentially catastrophic, particularly where its products have medical applications or have been supplied to government or military organisations.

Due to the strong name recognition of certain of the Group's brands, an adverse event involving one of its products could result in reduced market acceptance and demand for all products within that brand, and could harm the Group's reputation and its ability to market its products in the future. In some circumstances, adverse events arising from or associated with the design, manufacture or marketing of the Group's products could result in the suspension or delay of regulatory reviews of its applications for new product approvals. The Group may also undertake voluntarily to recall products or temporarily shut down production lines based on internal safety and quality monitoring and testing data. These problems may arise from issues with the Group's suppliers or other external parties who operate outside its control. Any of the foregoing problems could disrupt the Group's business and have a material adverse effect on its business, results of operations, financial condition and cash flows.

Fluctuation in currency exchange and interest rates could have an adverse effect on the Group's results of operations.

Exchange rate fluctuations have had, and could continue to have, a material impact on the Group's operating results. The continuing global financial crisis and the Eurozone crisis have led to increased volatility in exchange rates, which makes it harder to predict exchange rates and thus carry out accurate financial planning. Changes in exchange rates can unpredictably and adversely affect the Group's consolidated operating results, and could result in exchange losses.

The Group is exposed to two types of currency risk, transaction risk in respect of products manufactured in one currency region and sold in another currency, and translation risk in that the results of its non-UK businesses will translate into Sterling, the Group's reporting currency, at differing values, depending on the exchange rate. Over 96 per cent. of the Group's revenues for the financial year 2016 were derived from non-UK markets. Therefore, fluctuations in the exchange rate of the pound sterling against other currencies (particularly the U.S. Dollar and the Euro) can have a significant impact on its manufacturing costs, and as a result on its revenues and operating results. In circumstances where the Group's contracts are denominated in currencies other than Sterling, delays in payment can affect translation value if the relevant currency exchange rate fluctuates between the time the contract is signed and payment.

The Group is exposed to interest rate risk derived from indebtedness which has been issued at floating interest rates. The Group manages interest rate risk through fixed rate borrowings and interest rate swaps; however, there can be no assurance that these measures will be sufficient to eliminate exposure to higher interest rates.

Changes in currency values, including future exchange rate fluctuations between the pound sterling and the currencies of countries in which the Group operates, as well as changes in interest rates, may have an adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to credit risk from its credit counterparties, including customers, banks and insurers.

Cash deposits and other financial instruments expose the Group to credit risk on the amounts due from counterparties such as suppliers, banks, insurers, pension annuity providers and customers, including governments and government agencies. Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have recently intensified. The large sovereign debts and/or fiscal deficits of a number of European countries and of the United States have raised concerns regarding the financial condition of financial institutions, insurers and other corporates either (i) located in these countries, (ii) that have direct or indirect exposure to these countries and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. Continued constraints on government budgets due to the sovereign debt crisis in Europe may put pressure on public sector spending in areas such as healthcare, defence and homeland security in markets in which the Group operates. For example, budgetary pressure has caused payment periods to lengthen with some government-funded customers in southern Europe. The failure of any counterparty to meet its obligations to the Group could have an adverse effect on the Group's financial condition or operations. There can be no guarantee that any particular credit risk will not have a material adverse effect on the Group's financial condition.

The Group relies on insurance to manage many of the risks to which it is subject in the course of its business. Such insurance may not be sufficient to cover the Group's potential losses.

Where appropriate, the Group seeks to insure against business risks and protect many of its assets and associated profits by purchasing insurance. The severity and frequency of various events, such as accidents and other mishaps, business interruptions or potential damage to the Group's facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes, natural catastrophes and other eventualities, may result in losses or expose the Group to liabilities in excess of its insurance coverage or significantly impair its reputation.

There can be no assurance that the Group will be able to obtain insurance on terms acceptable to it or at all since insurance varies in cost and can be difficult to obtain. Furthermore, there can be no assurance that the insurance coverage of the Group will respond or be sufficient to cover the loss arising from any or all of the above events. In addition, even if the Group's coverage is sufficient, the insurance industry is subject to credit risk, particularly in the event of a catastrophe or where an insurer has substantial exposure to a specific risk, which may expose the Group to losses.

The Group aims to transfer certain legal liability risks such as product liability and employer's liability to insurers, but the Group's claims under insurance policies are subject to policy limits, deductibles, exclusions and other conditions, and there is no guarantee that the Group's insurance will cover any or all such legal liability claims. In particular, because the Issuer and its subsidiaries have been in business for many years, there is a risk of latent injury claims that may not be covered by insurance.

Furthermore, as the Group operates globally, it may not enjoy the protection of limited liability in certain instances afforded by local statutes such as the US Safety Act. There can be no guarantee that the policies in place will be sufficient to cover any or all costs and financial awards the Group may be required to pay as a result of third party contractual or other liability claims. Claims which are not covered or which significantly exceed the insurance policy coverage, or for which insurance companies demand reimbursement for costs and financial judgments against the Group could have a material adverse effect on the Group and its business, financial condition and results of operations.

Any accident, failure, incident or liability could significantly impact the cost and availability of adequate insurance in the future, which could have a material adverse effect on the Group's business.

The Group's ability to refinance its borrowings in the bank or capital markets may be materially and adversely affected by a financial crisis in a particular geographic region, industry or economic sector.

The Group's ability to refinance its borrowings in the bank or capital markets to meet the financial requirements of the Group is dependent on favourable market conditions. Financial crises in particular geographic regions, such as the Eurozone, or in particular industries or economic sectors have, in the recent past, led and could, in the future, lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected financial systems and economies.

Such financial crises may adversely impact the Group's ability to refinance its borrowings in the bank or capital markets and may significantly increase the costs of such refinancing. If sufficient sources of financing are not available in the future for these or other reasons, the Group may not be able to meet its financial requirements, which could have an adverse effect on its funding and liquidity position, its credit ratings or its ability to finance acquisitions. This could materially and adversely affect the Group's business, results of operations and financial condition.

The key markets of the Group are highly competitive and in order to remain competitive in such key markets, the Group must make frequent investments in new technologies, product improvements and other projects.

The industries in which the Group operates are characterised by technological innovation, intense global competition, consolidation through mergers, joint ventures and alliances and some of the Group's competitors may have greater resources than it does. Additionally, the entry of new competitors, the consolidation of competitors and changed or irrational behaviour by competitors could all have a significant adverse impact on the Group's business.

Continued development of new products and improvements to existing products are critical to the future of the Group's business and competitors, or potential competitors, may innovate in these areas more effectively than the Group does, including development of new technologies by competitors which could impact the commercial success of the Group's existing technologies, with significant adverse consequences for the Group's business and cash flow. The speed of innovation in certain markets may lead to shorter product lifecycles, increasing the need for innovation. The Group's growth depends on penetrating new markets, particularly in Brazil, China and India, adapting existing products to new requirements and introducing new products that achieve market acceptance.

The Group frequently develops new technologies and introduces new products or improves existing ones, in some cases contracting to supply the products to the customer before the design is established or proven. All new or improvements to technologies and products involve risk, including possible abortive expenditure, reputational risk, and potential customer claims or onerous contracts. Further, the Group's research and development programme may not produce successful results and its new products may not receive regulatory approval or achieve market acceptance, create additional revenue or become profitable, which could materially harm the Group's reputation, business, results of operations and financial condition. The same is true for investment in new facilities and other major projects. Such risks, if they materialise, may have significant adverse consequences for the Group's business.

In addition, should there be a decrease in the funds available from the Group's operations, from customer advances (for example, if customers cancel the relevant contracts) or from government grants, the Group may not be able to continue an adequate level of research and development activity which would harm its ability to develop new products and, accordingly, negatively affect the Group's future results.

If the Group is unable to pursue its growth strategy, is unsuccessful in its research and development efforts to produce technologically superior products or is unable to maintain a competitive cost structure, the Group will not be able to compete effectively on a global scale, which would harm its business, results of operations and financial condition.

Failure to meet targeted cost savings and operational efficiencies may reduce profitability.

Part of the Group's strategy is to improve profitability over time and secure resources for investment in future growth through increased productivity and efficiency by reducing costs throughout the supply chain. However productivity gains may not be realised, targeted cost savings may not materialise and the Group could face unexpected increases in direct or indirect costs.

The Group's ability to gain additional efficiencies may become more difficult over time, particularly when synergies from the Group's current restructuring and rationalisation programme are fully realised. The Group's current restructuring and rationalisation programme may not deliver the cost savings anticipated. In addition, objectives and limitations could be imposed over the scope of savings programmes by relevant stakeholders, which may jeopardise future savings programmes. The Group's failure to achieve such reductions in costs would have an adverse effect on its business, financial condition and results of operations.

The Group may not be able to expand or enhance its portfolio through successful mergers or acquisitions and may become liable for claims arising from completed mergers, acquisitions or disposals.

The Group's growth strategy includes a combination of organic growth, mergers and acquisitions and selected disposals. The success of this strategy depends, among other things, on the identification of suitable acquisition and disposal targets, obtaining the necessary authorisations and approvals and the ability to commit the necessary finance. There can be no assurance that the necessary acquisition financing would be available to the Group on acceptable terms if and when required.

Even if the Group is successful in making an acquisition, the products and technologies that it acquires may not be successful or may require significantly greater resources and investments than the Group originally anticipated. The Group may not be able to successfully integrate the businesses that it acquires or obtain the appropriate regulatory approvals for such acquisitions. Additionally, there is no guarantee that any anticipated benefits from an acquisition will be realised. Integrating acquisitions is a complex, time consuming and expensive process that involves risks, including the risk that the integration may divert the focus of management and resources from the Group's goals, and the risk that the integration may take longer and be more expensive than expected. The Group can also experience difficulties in integrating geographically separated organisations, systems and facilities, and personnel with diverse backgrounds. The Group's financial performance may suffer from goodwill or other acquisition-related impairment charges. Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities for the Group and have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may also incur or assume significant debt or known, unknown or contingent liabilities, such as environmental liabilities, products liability, patent infringement claims or other unknown liabilities in the event that the Group is deemed to be a successor to the liabilities of the acquired company. Any such claim against the Group may adversely affect its business and financial condition.

In addition, disposals and divestitures of parts of the Group's business may mean that the Group gives certain indemnities, warranties and guarantees to counterparties relating to, among other matters, known and potential latent environmental liabilities.

The extent to which the Group will be required in the future to incur costs under any indemnities, warranties, guarantees or contracts which the Group enters into in connection with such disposals cannot be determined with certainty. If the Group should incur such costs, this could have an adverse effect on its results of operations, financial condition and cash flows.

The Group is subject to internal control, compliance, security, ethical and technology risks.

The Group's information systems, personnel and facilities are subject to security risk. Failures in security systems or processes could have significant adverse consequences, as could failures in the Group's various corporate governance and internal controls, failures to detect fraud, theft or corruption or non-compliance with the Group's code of business ethics.

Additionally, the Group is dependent on information technology systems for both internal and external communications and for the day to day management of its operations with a number of key enterprise

resource planning projects in the course of implementation across the Group. The incidence of cyber-security crime has increased in recent years and some Group companies operate in sectors where cyber-criminals have been active. Any disruption to these systems, or delays or failures in the implementation of these projects, could have significant adverse consequences to the Group's business.

The Issuer and certain of its subsidiaries and affiliated entities conduct business in countries which experience corruption, including government corruption, and unethical behaviour. The Group is committed to doing business in accordance with all applicable laws and its code of business ethics. However, there is a risk that the Issuer, its subsidiaries or affiliated entities or its or their respective officers, directors, employees and agents may take actions in violation of applicable laws or the Group's code of business ethics. Any such violations could result in substantial civil and/or criminal penalties, loss of business licenses or permits, exclusion from public contracts or other sanctions for the Group, its employees, management or agents and might materially adversely affect its reputation, business and results of operations or financial condition.

The Group may be unable to protect its intellectual property rights or may infringe the intellectual property rights of others.

The Group's results of operations are partially dependent on its ability to protect its intellectual property and other proprietary rights. The Group relies primarily on registered patents, trademarks, copyrights, trade secrets, know-how and unfair competition laws, as well as confidentiality and non-disclosure clauses and agreements and other contractual provisions to protect its intellectual and other proprietary rights. However, patent protection does not prevent competitors from developing equivalent or superior products without infringing the Group's intellectual property rights. If the Group does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, the Group's competitiveness could be impaired, which would limit its growth and future revenue.

Additionally, the Group's trade secrets and know-how held by it and its employees are critical to the Group's business. There can be no assurance that such persons will not reveal the Group's trade secrets, breach their agreements with the Group or convey the Group's know-how or other confidential information to competitors. In such cases, the Group may not have adequate remedies, if any, to compensate it for losses that it may suffer.

Whilst the Group endeavours to protect its own intellectual property rights and respect those of others, there can be no guarantee that the Group's technology will not be found to infringe rights owned by or granted to others. Similarly, there can be no assurance that any of the Group's currently patented products will not be the subject of intellectual property litigation or other disputes. If the Group cannot resolve an intellectual property dispute, it may be liable for damages, be required to obtain costly licences or be stopped from manufacturing, using or selling its products. Contesting such claims can be costly, even if the Group is successful.

Lack of or delays in the award of new contracts, cancellation of contracts, breaches of contractual commitments or differences between estimated costs and actual costs of performing a contract could have an adverse effect on the Group's business.

The Group's long-term economic and financial performance depends, in part, on its ability to service its existing contracts and to win new contracts. The Group's contracts may be completed or expire, or they may be altered or terminated. The Group may be unable to replace these contracts with new contracts of comparable size or in a timely manner. The award of new contracts is often subject to competition and is affected by factors outside the Group's control, such as government spending decisions and administrative procedures. Any failure to secure or any delay in securing a consistent number of contracts or any interruption to or termination of existing contracts would adversely affect the Group's business, results of operations and financial condition.

Additionally, the Group's ability to execute its contractual commitments, in a timely and satisfactory manner, depends on numerous factors, including its ability to develop necessary technologies. Failure to deliver, in a timely fashion or at all, the products and services the Group is obliged to deliver, or any fault in contract execution due to delays or breaches by the Group's suppliers, may lead to higher costs or penalties. In particular, some of the Group's contracts require compliance with a variety of complex laws, regulations and standards, including US and EU export controls, breaches of which could entail

serious consequences for the Group not limited to the loss of the individual contract and including potential fines and other criminal sanctions. The Group may also face difficulty enforcing its contracts with customers, suppliers or other counterparties. Enforcing the Group's contracts is especially challenging given the number of jurisdictions in which it operates.

Some of the Group's business activities involve medium- and long-term contracts and programmes. Under many of the Group's medium- and long-term contracts, revenues to be paid by the customer are established based on an estimate of costs made when the contract is awarded. Differences between the estimated costs and actual costs can have a substantial negative effect on the Group's financial position and results of operations. These differences may arise from a number of factors including production delays, cost overruns and other items. Cost overruns, as well as contractual disputes, may continue to occur in the future which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could seriously harm its business.

The Group relies on its executive directors, senior management and other key employees to generate business, maintain good customer relations and identify new opportunities. Competition for personnel is intense and the Group may not be successful in attracting or retaining qualified personnel, particularly management and engineering professionals. In addition, certain personnel may be required to receive security clearance and substantial training to work on certain programmes or perform certain tasks. The loss of key employees, the Group's inability to attract new qualified employees, adequately trained employees, or a delay in hiring key personnel could seriously harm the Group's business, results of operations and financial condition.

The Group is exposed to pension funding risk on liabilities under its retirement benefit schemes which may increase in the future due to a number of factors.

The Group operates a number of retirement benefit plans worldwide. These arrangements have been developed in accordance with local practices in the relevant market. As a result of these retirement benefit arrangements, the Group is subject to various funding risks, including poor performance of the investments (particularly equity investments), increased longevity of members and changes in valuation and funding assumptions.

The principal defined benefit pension plans are in the United Kingdom and the United States. The contributions to the Group's defined benefit plans and their valuations are determined in accordance with the advice of independent, professionally qualified actuaries. Under the Group's defined benefit plans, it is committed to pay a defined level of benefits to plan participants, thereby bearing the risk that the plans' assets, such as investments in equity and debt securities, may not be sufficient to cover the value of those benefits. The value of the plans' assets is affected by, among other things, developments in the equity and bond markets. A triennial review of each of the two principal UK pension plans was completed in November 2015 and March 2016 respectively. The next triennial review is expected to begin in 2018. The conclusions of such review may have an adverse effect on future cash flows. Changes in asset returns, inflation, long-term interest rates and other actuarial assumptions could require the Group to make further contributions to the pension plans, and such contributions could be significant and have a negative impact on the Group's cash flow and results of operations. The Group's pension obligations could also adversely affect the Group's credit rating.

The Group's business may be significantly impacted by changing tax laws and tax rates from around the world.

The Group operates in over 50 markets and pays tax in accordance with the tax legislation of those markets. Tax laws and tax rates around the world are constantly changing and the Group is exposed to the risk of changes in tax legislation (particularly following any change of government in a country in which the Group operates), its interpretation and increases in the rate of corporate and other taxes in the jurisdictions in which it operates.

Many jurisdictions in which the Group operates are experiencing high and increasing levels of sovereign debt. If as a result of increasing levels of sovereign debt or for other reasons, governments in the jurisdictions in which the Group operates implement changes in tax legislation or regulations which lead

to higher taxes, this may have an adverse effect on the Group's business, results of operations and financial condition. Revisions to tax legislation or to its interpretation might also affect the Group's results in the future.

The exact nature of any tax changes which may be imposed is difficult to predict and outside the control of the Group, and such uncertainty may make it difficult for the Group to plan, invest, and otherwise carry on business in the jurisdictions in which it operates.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time. Downgrades of its debt ratings could adversely affect the Group.

One or more independent credit rating agencies may assign credit ratings to 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 or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes.

While each of Moody's and S&P have recently maintained the Group's ratings at Baa2 (stable) and BBB+ (stable) respectively, a downgrade by Moody's and/or S&P may increase the Group's cost of borrowing and make it more difficult for the Group to obtain new financing which may have a material adverse effect on its business, financial condition and results of operations.

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 of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

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

RISKS RELATED TO THE NOTES GENERALLY

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

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

The 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 Conditions of the Notes also provide that the Trustee may, in certain circumstances, without the consent of Noteholders, (i) agree to modifications 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 shall not be treated as such or (iii) agree to the substitution of the Issuer or the Guarantor.

There is no active trading market for the Notes

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

Because Notes in global form are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the common depositary or common safekeeper (as applicable) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed

The Issuer and the Guarantor are holding companies with no revenue-generating operations of their own.

The business of the Group is carried out in large part through its operating subsidiaries and associated companies. The Group depends upon operating subsidiaries to provide the funds necessary to pay the principal of, and the interest on, the Notes. These operating subsidiaries and associated companies have not guaranteed the Notes, and have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available for these payments, whether in the form of liens, dividends or otherwise. Payments from the operating subsidiaries to the Issuer and the Guarantor might not be able to be made in some circumstances, due to corporate law, contractual or other legal restrictions or other factors.

Holders of Notes will have a direct claim based on the Notes against the Issuer and the Guarantor, but will not have a direct claim based on the Notes against any operating subsidiaries. The right of the holders of Notes to receive payments under the Notes will be structurally subordinated to all liabilities of the operating subsidiaries and associated companies. These liabilities include debt that some of its subsidiaries have incurred under bank facilities. In the event of a bankruptcy, liquidation, reorganisation or similar proceeding relating to a subsidiary, the right of the holders of the Notes to participate in a distribution of the assets of such subsidiary will rank behind such subsidiary's and associated companies' creditors (including trade creditors) and preferred stockholders (if any), except to the extent that the Issuer or the Guarantor has a direct claim against such subsidiary.

Notes in New Global Note and New Safekeeping Structure form

The New Global Note and New Safekeeping Structure form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the “**Eurosystem**”) and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

Minimum Specified Denomination and higher integral multiples

In relation to any issue of Notes in bearer form which have a denomination consisting of a minimum Specified Denomination (as defined below) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such Specified Denomination. In such case a Noteholder who, as a result of trading such amount, holds a principal amount not an integral amount of such Specified Denomination may not receive an Note in definitive form corresponding to such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to an integral multiple of such Specified Denomination.

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of 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 subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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

As of the date of this Base Prospectus, the Programme is expected to be assigned a rating of Baa2 by Moody's and BBB+ by S&P. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Programme or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes, which may not necessarily be the same ratings as the Programme rating described above or any rating(s) assigned to Notes already issued. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency ("**CRA**") established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered CRA or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

Smith Group plc

Audited consolidated financial statements and corresponding auditors' reports thereon of the Issuer for the years ended 31 July 2016 (included on pages 125 to 184 of the 2016 Annual Report of the Issuer) and 31 July 2015 (included on pages 121 to 173 of the 2015 Annual Report of the Issuer).

The Guarantor does not produce and has not published any consolidated financial statements. The Guarantor is fully consolidated in the Issuer's consolidated financial statements incorporated by reference into this Base Prospectus.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, from the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and during usual business hours at the specified offices of the Principal Paying Agent, unless such documents have been modified or superseded.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

FORMS OF THE NOTES

Bearer Notes

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

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

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

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ("**TEFRA C**") or U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA D**") is applicable in relation to the Notes.

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that TEFRA C are applicable or that neither TEFRA C nor TEFRA D is applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

The exchange referred to in (a) and (b) above should not be expressed to be applicable if the Specified Denomination of the relevant Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which are to be represented on issue by a Permanent Global Note which is exchangeable for Definitive Notes.

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

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

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

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

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

Global Registered Note exchangeable for Individual Note Certificates

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

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

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Registered Note at the specified office of the Registrar.

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

Terms and Conditions applicable to the Notes

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

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

Transfers of Interests in Global Notes and Global Registered Notes

Transfers of interests in Global Notes and Global Registered Notes within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Guarantor, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Registered Note or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*".

Conditions applicable to Global Notes

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

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

respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

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

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

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

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

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

Electronic Consent: While any Global Note is held on behalf of, or any Global Registered Note is registered in the name of a nominee for a depository common to, a clearing system, then approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the principal amount of the Notes outstanding (an "**Electronic Consent**") shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons whether or not they participated in such Electronic Consent.

Meetings: The quorum at any meeting of Noteholders shall be at least two Voters (as defined in the Trust Deed) representing or holding not less than the Relevant Fraction (as defined in the Trust Deed) of the aggregate principal amount of the outstanding Notes; provided, however, that, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by, in the case of Bearer Notes, the Global Note(s) or, in the case of Registered Notes, the Global Registered Note(s) or a single Individual Note Certificate, in the context of Registered Notes, a Voter (as defined in

the Trust Deed) appointed in relation thereto or being the holder of the Notes represented thereby shall be deemed to be two Voters for the purpose of forming a quorum.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (i) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (ii) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may supplement, amend or replace any information in this Base Prospectus.

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

1. Introduction

- (a) *Programme:* Smiths Group plc (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 2,500,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Smiths Group International Holdings Limited (the "**Guarantor**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 17 October 2016 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 17 October 2016 (the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents, the Registrar and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (e) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed

and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

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

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

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

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

"**Business Day**" means:

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

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

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

- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

"Companies Act" means the UK Companies Act 2006;

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

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

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Guarantee of the Notes" means the guarantee of the Notes given by the Guarantor in the Trust Deed;

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

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

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

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

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

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

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

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

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

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

"Margin" has the meaning given in the relevant Final Terms;

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

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

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

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

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

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

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

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

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:

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

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

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

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

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

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

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

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

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

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

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but

excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

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

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

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

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

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

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

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to modify any provision of the guarantee of the Notes (other than as permitted under Clause 8.3 of the Trust Deed), to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend the definition of "**Reserved Matter**" as set out herein;

"**Security Interest**" means any mortgage, charge, pledge, lien or other encumbrance;

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

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

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

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

"**Subsidiary**" means a subsidiary within the meaning of Section 1159 of the Companies Act;

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

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

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

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

"**Written Resolution**" means, in relation to any Series, a resolution in writing signed by or on behalf of holders representing at least 75 per cent. of Notes of such Series for the time being outstanding, whether contained in one document or several documents in like form, each signed by or on behalf of one or more such Noteholders;

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

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Interpretation - Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended, restated and/or supplemented up to and including the Issue Date of the Notes.

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

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status and Guarantee**

- (a) *Status of the Notes:* The Notes constitute direct, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and

unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (b) *Guarantee of the Notes:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes a direct, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

6. **Fixed Rate Note Provisions**

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

7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10

(*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

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

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent in consultation with the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest

Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

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

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Guarantor, the Paying Agents, the Trustee and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its rights, powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

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

9. **Redemption and Purchase**

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

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) (I) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (II) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (I) the Guarantor has or (if a demand is made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or the Guarantee of the Notes, as the case may be, or the Guarantor has or will become obliged to make such withholding or deduction as is referred to in Condition 12 (*Taxation*), from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (II) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (i) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the circumstances referred to in (A)(I) and (A)(II) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Guarantor stating that the circumstances referred to in (B)(I) and (B)(II) above prevail and setting out the details of such circumstances; and (ii) an opinion addressed to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment.

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

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

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

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

In these Conditions:

"Optional Redemption Amount (Call)" means:

- (iii) in relation to any Optional Redemption Date (Call) which falls in the period from (and excluding) the date falling three months prior to the Maturity Date to (and including) the Maturity Date, the principal amount of the Notes plus accrued interest (if any) to (but excluding) such date; or
- (iv) in relation to any Optional Redemption Date (Call) which falls in the period from (and including) the Issue Date to (and including) the date falling three months prior to the Maturity Date, the higher of (x) the principal amount of the Notes and (y) the Make-Whole Redemption Amount, plus accrued interest (if any) to (but excluding) such date; or
- (v) such other amount as may be specified in the relevant Final Terms.

"Make-Whole Redemption Amount" means the amount to be calculated by the Determination Agent, which will be the greater of (x) 100 per cent. of the principal amount of the Notes to be redeemed and (y) the sum of the then present values of each remaining scheduled payment of principal and interest on such Notes (not including any interest accrued on the Notes to, but excluding, the relevant Optional Redemption Date (Call)) discounted to the relevant Optional Redemption Date (Call) on an annual basis at the Make-Whole Redemption Rate plus the Make-Whole Redemption Margin, if any, specified in the applicable Final Terms, plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date (Call).

"DA Selected Bond" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

"Determination Agent" means a financial adviser selected by the Issuer;

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

"Make-Whole Redemption Rate" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

"Reference Bond" shall be as set out in the applicable Final Terms or the DA Selected Bond;

"**Reference Bond Price**" means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"**Reference Date**" will be set out in the relevant notice of redemption;

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues; and

"**Reference Government Bond Dealer Quotations**" mean, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption and Purchase - Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption and Purchase - Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice (which notice shall be irrevocable) at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or the Registrar (as the case may be) with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar (as applicable) shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or the Registrar (as applicable) in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent or Registrar (as applicable) shall be deemed to be the Holder of such Note for all purposes.
- (f) *Redemption or Purchase on Change of Control:* If the Change of Control Put Option is specified in the relevant Final Terms as being applicable, and a Change of Control Put Event occurs, the

Issuer shall, at the option of any Noteholder redeem or, at the Issuer's discretion, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount (as specified in the Final Terms) together with any interest (if any) accrued up to (but excluding) such Change of Control Put Date.

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

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person or persons acting on behalf of any such person(s) (the "**Equity Holder**") at any time directly or indirectly own(s) or acquire(s):
 - (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer; or
 - (B) such number of shares in the issued or allotted ordinary share capital of the Issuer carrying more than 50 per cent. of the total voting rights attached to such issued or allotted ordinary share capital of the Issuer that are normally exercisable at a general meeting of the Issuer,

(any such event being a "**Change of Control**"), provided that a Change of Control will be deemed not to have occurred if all or substantially all of the holders of the issued or allotted ordinary share capital or units of, or interests in, the Equity Holder are, or immediately prior to the event which would otherwise have constituted a Change of Control were, holders of the issued or allotted ordinary share capital of the Issuer with the same (or substantially the same) pro rata interest in the issued or allotted ordinary share capital or units of, or interests in, the Equity Holder as such holders have, or as the case may be, had in the issued or allotted ordinary share capital of the Issuer; and

- (ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the earliest Relevant Potential Change of Control Announcement (as defined below) (if any), the Notes carry from any Rating Agency (as defined below):
 - (A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better) assigned at the invitation of the Issuer (or where there is no rating from any Rating Agency assigned at the invitation of the Issuer, the then investment grade credit rating (if any) assigned from any Rating Agency of its own volition), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
 - (B) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) assigned at the invitation of the Issuer (or where there is no rating from any Rating Agency assigned at the invitation of the Issuer, the then non-investment grade credit rating (if any) assigned from any Rating Agency of its own volition), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
 - (C) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then subparagraph (A) will apply; and

- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer, the Guarantor and the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

If a Change of Control Put Event occurs, each Noteholder shall have the option (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 9(b) (*Redemption and Purchase - Redemption for tax reasons*) or Condition 9(c) (*Redemption and Purchase - Redemption at the option of the Issuer*) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date (as defined below) at its principal amount together with interest accrued to but excluding the date of redemption or purchase. Such option (the "**Change of Control Put Option**") shall operate as set out below.

Promptly upon the Issuer or the Guarantor (as the case may be) becoming aware that a Change of Control Put Event has occurred the Issuer shall notify the Trustee and give notice (a "**Change of Control Put Option Notice**") to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option the holder of the Note must, if it is in definitive form and held outside Euroclear or Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Event Notice is given, 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 "**Change of Control 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 these Conditions accompanied by the Note or evidence satisfactory. The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the amount of any such missing unmatured Coupon will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner provided in Condition 10 (*Payments – Bearer Notes*) against surrender of the relative missing Coupon (or any replacement therefore issued pursuant to Condition 15 (*Replacement of Notes and Coupons*)) at any time after such payment but before the expiry of five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent.

If a Note is represented by a note in global form or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the option to require redemption or purchase of the Note the holder of the Note must, within the Change of Control Put Period, give notice to any Paying Agent of such exercise in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg or any common depository for them to such Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to these Conditions, once given, shall be irrevocable. For the purposes of this Condition, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

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

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

In this Condition:

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

"Change of Control Period" means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control;

"Rating Agency" means Moody's Investor Services Limited ("**Moody's**") or Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. ("**S&P**") or their respective successors or any rating agency (a "**Substituted Rating Agency**") substituted for any of them by the Issuer or the Guarantor from time to time with the prior written approval of the Trustee; and

"Relevant Potential Change of Control Announcement" means any public announcement or statement by the Issuer or the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 90 days following the date of such announcement or statement, a Change of Control occurs.

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

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

- (i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them may, but need not, be cancelled at the election of the Issuer. Any Notes so cancelled will not be reissued or resold.

10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, 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 (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (f) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable (and does not specify that Condition 10(g) is applicable) and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment)

which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (g) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption and Purchase - Redemption for tax reasons*), Condition 9(e) (*Redemption and Purchase - Redemption at the option of Noteholders*), Condition 9(f) (*Redemption or Purchase on Change of Control*), Condition 9(c) (*Redemption and Purchase - Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on

redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the 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 (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

12. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required (“**Additional Amounts**”), except that no such Additional Amounts shall be payable in respect of any Note or Coupon:
 - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on

presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

- (b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

13. **Events of Default**

If any of the following events occurs and is continuing, it shall be regarded as an "**Event of Default**" with respect to the Notes:

- (a) *Non-payment:* default is made for more than 14 days in the payment on the due date of interest or Additional Amounts in respect of the Notes, or default is made for more than seven days in the payment of all or any part of the principal or premium, if any, of any Note as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise; or
- (b) *Breach of other obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof addressed to the Issuer or the Guarantor (as the case may be) requiring the same to be remedied; or
- (c) *Cross-Acceleration:* (i) any other present or future indebtedness for borrowed money of the Issuer, the Guarantor or any of the Principal Subsidiaries becomes due and payable prior to its stated maturity by reason of any default or event of default (howsoever described) and remains unpaid, or (ii) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, the Guarantor or any of the Principal Subsidiaries fails to pay when due and called upon (after the expiry of any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money and which remains unpaid, provided that (x) payment of the relevant indebtedness for borrowed money is not being contested in good faith and in accordance with legal advice or (y) the aggregate amount of the relevant indebtedness for borrowed money, guarantees and indemnities in respect of which one or more of the events mentioned above in clauses (i), (ii) and (iii) has or have occurred and is or are continuing, equals or exceeds £25,000,000 or its equivalent in any other currency of the relevant indebtedness for borrowed money or, if greater, 3 per cent. of the Net Assets of the Issuer; or
- (d) *Cessation of Guarantee:* the Guarantee of the Notes ceases to be in full force and effect or the Guarantor denies or disaffirms in writing its obligations under the Trust Deed or the Guarantee of the Notes; or
- (e) *Security enforced:* any Security Interest, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) against all or substantially all of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged within 45 days; or
- (f) *Insolvency etc:* any of the Issuer, the Guarantor or the Principal Subsidiaries is insolvent or bankrupt or unable to pay its debts (within the meaning of Section 123(1)(b) or (e) of Section 123(2) of the UK Insolvency Act 1986), stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition (otherwise than for the purposes of reconstruction, amalgamation, reorganisation, merger or consolidation or other similar arrangement or in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries) with or for the benefit of its creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

- (g) *Winding-up and Cessation of Business*: an order is made, or an effective resolution passed or a plan adopted for the winding-up, liquidation or dissolution or administration of the Issuer, the Guarantor or any of the Principal Subsidiaries, or the Issuer, the Guarantor or any of the Principal Subsidiaries shall apply, propose a plan or petition for a winding-up, liquidation or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation or other similar arrangement, or in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (h) *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (e) to (g).

If an Event of Default occurs and is continuing, then and in each and every such case (subject in the case of paragraph (b) above or (in relation to any Principal Subsidiary only), paragraph (e), (f) and (g) above, to the Trustee having certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), unless the principal of all the Notes shall have already become due and payable, the Trustee at its discretion may, and if so requested in writing by holders of at least one quarter of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of Notes then outstanding shall (subject in each case to its receiving indemnification and/or security and/or prefunding to its satisfaction), by notice in writing to the Issuer and to the Guarantor, declare the entire principal amount of all Notes and interest accrued and unpaid thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, without any further declaration or other act or formality.

In these Conditions:

"Group" means, at any time, the Issuer together with its Subsidiaries;

"Net Assets" means, at any time, the gross assets of the Group less the liabilities of the Group at that time excluding (a) assets or liabilities representing the fair value of derivative financial instruments and (b) any liability or asset in respect of retirement benefits obligations and (c) any related deferred tax asset or liability, each as determined in accordance with generally accepted accounting principles in the United Kingdom (including IFRS) as applied in connection with the Group's 2016 financial statements, as calculated by reference to the most recent annual or interim consolidated accounts of the Group; and

"Principal Subsidiary" means a Subsidiary of the Issuer at any relevant date:

- (a) which has been a Subsidiary of the Issuer for more than 60 days; and
- (b) whose turnover attributable to the Group for the then latest year or other period in respect of which accounts of such Subsidiary have been prepared for inclusion in the audited consolidated accounts of the Issuer (and as derived by reference to such accounts) represent 10 per cent. or more of the consolidated turnover of the Group for the then latest year or other period (or proportionately if the then latest accounting period of the relevant Subsidiary for which turnover is included in consolidated turnover shall have been for a shorter period than the then latest year or other period of the Group) in respect of which consolidated accounts of the Issuer shall have been audited; or
- (c) whose gross assets as shown by the then latest accounts of such Subsidiary which have been prepared for inclusion in the audited consolidated accounts of the Issuer represent 10 per cent. or more of the consolidated gross assets of the Group, as derived by reference to the then latest audited consolidated accounts of the Issuer; or
- (d) to which has been transferred (whether by one transaction or a series of transactions, related or not) the whole or substantially the whole of the assets of a Subsidiary of the Issuer which immediately prior to those transactions was a Principal Subsidiary,

however:

- (i) a determination of whether a company which becomes a Subsidiary of the Issuer is or is not a Principal Subsidiary may be made at any time after the 60th day following that company becoming a Subsidiary of the Issuer by reference to its latest audited accounts and the latest audited consolidated accounts of the Issuer; and
- (ii) in the case of paragraph (d) above, the transferring Subsidiary shall, upon the transferee Subsidiary becoming a Principal Subsidiary, cease to be a Principal Subsidiary.

A certificate from two Authorised Signatories of the Issuer that in their opinion a Subsidiary is, or is not, or was, or was not, at any particular time, or throughout any particular period, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

14. **Prescription**

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

15. **Replacement of Notes and Coupons**

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

16. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

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

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

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

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

17. Meetings of Noteholders; Modification and Waiver; Substitution

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes of any Series. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding or representing at least 75 per cent. of the aggregate principal amount of the outstanding Notes of any Series who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

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

Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders. Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

- (c) *Substitution:* The Trust Deed contains provisions under which a company may, without the consent of the Noteholders or the Couponholders, assume the obligations of the Issuer as

principal debtor or the Guarantor as guarantor and principal debtor under the Trust Deed and the Notes **provided that** certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Notes is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder, except to the extent provided for in Condition 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

- (d) *Written Resolution:* A Written Resolution shall take effect as if it were an Extraordinary Resolution.

18. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

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

No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. **Further Issues**

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

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against

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

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

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligations arising out of or in connection with the Notes) and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.

FORM OF FINAL TERMS

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

Final Terms dated [•]

Smiths Group plc
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Smiths Group International Holdings Limited
under the EUR 2,500,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 17 October 2016 [and the supplement[s] dated [•] [and [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

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 Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it] [has] [have] been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and include any relevant implementing measure in the relevant Member State.

1. (i) Issuer: Smiths Group plc
- (ii) Guarantor: Smiths Group International Holdings Limited
2. (i) Series Number: [•]
- [(ii) Tranche Number: [•]
- [(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]
- [(i) Series: [•]

- (ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [EURIBOR]/[LIBOR] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below in paragraph(s) [14/15/16])
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Change of Control Put/Put Event]
- [Issuer Call]
- (See paragraph(s) [17/18/19] below)
13. (i) Status of the Notes: [Senior/Subordinated]
- (ii) Status of the Guarantee: [Senior/Subordinated]
- (iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained: [•] [and [•], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date

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

- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (xi) [Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]]
- (xii) Margin(s): [+/-][•] per cent. per annum
- (xiii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA)/ Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360]
- (xv) [Ratings Step-up/Step-down: [Applicable/Not Applicable]
[Step-up/Step-down Margin: [•] per cent. per annum]]
16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to early Redemption Amounts: [Actual/Actual (ICMA) / Actual/Actual (ISDA)/ Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360]
17. **Condition 10(g) (Unmatured Coupons void)** [Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

18. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [[•]/[Par] per Calculation Amount / Make-Whole Amount]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: **[Bearer Notes:]**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes:]**
- Global Registered Note registered in the

name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]

24. New Global Note: [Yes] [No] [Not Applicable]
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. 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 left.]

THIRD PARTY INFORMATION

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

Signed on behalf of **Smiths Group plc**:

By:
Duly authorised

Signed on behalf of **Smiths Group International Holdings Limited**:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

The Notes to be issued [[have been/are expected to be] rated]/[are unrated]:

Ratings: [Standard & Poor's: [•]]
[Moody's: [•]]
[Fitch: [•]]
[•]

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority].]

[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to

the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

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

[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [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.]/[•]/[Not Applicable]

4. **USE OF PROCEEDS** [General corporate purposes]/[•]

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: [•]

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

6. **[Floating Rate Notes only - HISTORIC INTEREST RATES]**

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

7. **OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

Delivery Delivery [against/free of] payment

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

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] 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 Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs

acting as common safekeeper,]. 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.]

8. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated: [Not Applicable / *give names*]
 - (a) Names of Dealers: [•]
 - (b) Date of subscription agreement: [•]
 - (c) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name Dealer: [Not Applicable/*give name*]
- (iv) US Selling Restrictions: [Reg. S Compliance Category 2]; [TEFRA C/TEFRA D/TEFRA not applicable]

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its general corporate purposes or as may otherwise be disclosed in the Final Terms.

DESCRIPTION OF THE ISSUER

Overview

Smiths Group plc (previously known as Smiths Industries Public Limited Company) (the “**Issuer**”) was incorporated and registered on 15 July 1914. The Issuer and its subsidiaries taken as a whole (the “**Group**”) is a global technology business serving a wide range of end markets, including healthcare, energy and petrochemicals, threat and contraband detection, telecommunications and equipment manufacture. The Group’s technology-based businesses apply leading-edge technology to design, manufacture and deliver innovative solutions to a range of highly sophisticated customers.

The Group operates through five divisions:

- *John Crane* provides engineered products and services to global energy and process industry customers;
- *Smiths Medical* supplies medical devices and consumables that are vital to patient care globally;
- *Smiths Detection* designs and manufactures technology solutions that detect and identify security threats and other contraband;
- *Smiths Interconnect* develops electronic components and subsystems providing signal, power and microwave solutions; and
- *Flex-Tek* provides engineered components that heat and move fluids and gases for the aerospace, industrial, construction and domestic appliance markets.

The Group generated revenue of £2,949 million for the financial year 2016, £2,897 million and £2,952 million for the financial years 2015 and 2014 respectively. The Group’s headline operating profit was £510 million for the financial year 2016, £511 million and £504 million for the financial years 2015 and 2014 respectively.

As at 31 July 2016, the Group employed approximately 22,000 people in more than 50 countries. The Group serves a diverse range of global customers including governments and their agencies, petrochemical companies, military and defence companies, hospitals, telecommunications companies and manufacturers in a variety of industrial sectors.

Strengths

The Group seeks to implement its strategy by deploying its key strengths, including:

- *Globally recognised brands*

The Group has brands which are recognised by customers across the world, particularly in protecting transport, borders and the military (Smiths Detection), supplying vital oil and gas seals and services (John Crane) and airway and pain management and regional anaesthesia (Smiths Medical).

- *Markets with historic long-term defensive qualities*

The Group operates in markets with historic long-term underlying defensive dynamics. These include security enhancement to combat evolving terror threats, oil and gas production to meet global energy demands, products to meet the growing healthcare needs of ageing populations and growing health spend in the emerging markets and the increased demand for wireless communications.

- *Product engineering and innovation*

The Group’s core competency is leadership in innovation and advanced technology and their practical, commercial applications. Examples of the Group’s recent innovative products include: a new family of gas seals, which use a common global design and patented polymeric seal device to help cut operating costs, and a new generation of larger split rotating seals suited for difficult

to maintain pumps, which allow installation without dismantling the equipment, cutting installation times by up to 50 per cent. (John Crane); a new generation of ambulatory infusion pumps that provide enhanced functionality, safety software and performance for patients (Smiths Medical); and a new generation of explosives trace detectors and remote screening software applications to enhance airport checkpoint security capabilities (Smiths Detection).

- *Small batch, low cost manufacturing*

The Group has access to a global manufacturing and service footprint which enables it to minimise costs and sustain margins over the long term. Over recent years the Group has undertaken a programme of site rationalisation with relocation to low-cost countries, such as Mexico, Costa Rica, China and Malaysia. The Group creates efficiencies through a continuous focus on its manufacturing footprint.

- *Low capital intensity and high operating cash conversion*

The Group's businesses generally have low requirements for major upfront capital commitments allowing the business to focus resources on research and development. The Group has an operating cash flow that is a high percentage of headline operating profit.

- *Close relationships with blue chip customers and governments*

The Group has strong relationships with its customer base, including blue chip corporates, such as Boeing, Raytheon, GE and Shell, governments such as the United States and government agencies including the US Transportation Security Administration (TSA).

Strategy

The Group seeks to create value for its shareholders by managing its portfolio, improving operating performance and growing its revenues. The Group's strategy includes the following elements:

- *Delivering operational efficiency*

The Group aims to continuously make its operations more efficient and to respond to changing products and customer demands. The Group aims to improve margins through restructuring initiatives and self-help programmes.

The Group's global footprint enables it to rationalise manufacturing operations and, where appropriate, relocate manufacturing to countries such as China, Mexico, Malaysia, Costa Rica and India in order to lower costs.

- *Delivering strong cashflow*

The Group is focused on reducing its working capital needs to support the generation of strong free cash-flow and an improved return on invested capital.

Cash generation will be used to fund investment in future revenue growth, both organically and through acquisitions.

The Group intends to maintain an investment grade credit rating.

- *Investing in growth*

The Group aims to invest in long-term growth drivers through research and development, improved sales and marketing capability, targeted acquisitions and expansion into faster growing developing markets.

The Group's research and development spend is targeted at new products which will drive the future organic growth of the business.

The Group's Divisions

The tables below show the breakdown of the Group's revenue, headline operating profit and statutory operating profit by division for the financial year ended 31 July 2016.

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items considered non-operational in nature. This measure of profit is described as 'headline' and is used by management to measure and monitor performance. Headline measures exclude amounts relating to costs of acquisitions and disposals, amortisation of acquired intangibles, impairments, legacy liabilities, significant restructuring, material one-off items and certain re-measurements. The excluded items are referred to as 'non-headline' items.

	Year ended 31 July 2016						
	John Crane £m	Smiths Medical £m	Smiths Detection £m	Smiths Interconnect £m	Flex-Tek £m	Corporate costs £m	Total £m
Revenue	830	874	526	435	284		2,949
Divisional headline operating profit	181	187	69	57	51		545
Corporate headline operating costs						(35)	(35)
Headline operating profit/(loss)	181	187	69	57	51	(35)	510
Items excluded from headline measures	(30)	(21)	(6)	(31)	(14)	(21)	(123)
Operating profit/(loss)	151	166	63	26	37	(56)	387

	Year ended 31 July 2015						
	John Crane £m	Smiths Medical £m	Smiths Detection £m	Smiths Interconnect £m	Flex-Tek £m	Corporate costs £m	Total £m
Revenue	905	836	467	420	269		2,897
Divisional headline operating profit	225	166	55	49	50		545
Corporate headline operating costs						(34)	(34)
Headline operating profit/(loss)	225	166	55	49	50	(34)	511
Items excluded from headline measures	(60)	(24)	(10)	(21)	(9)	7	(117)
Operating profit/(loss)	165	142	45	28	41	(27)	394

John Crane

John Crane is a leading provider of engineered products and services to a global customer base across major process industries including oil and gas, power generation, chemical, pharmaceutical, water/wastewater, mining, pulp and paper.

The company designs and manufactures a comprehensive range of products and services that support rotating equipment performance, such as mechanical seals and sealing support systems, hydrodynamic bearings, power transmission couplings, and filtration systems. John Crane's customers are supported by its global presence with more than 200 sales and service centres in 50 countries to maintain and support customer assets throughout their economic lifetime.

John Crane's manufacturing is concentrated in the United States, Mexico, Czech Republic, the United Kingdom, and China, with supporting facilities in other parts of Europe, Africa, the Middle East and the Asia Pacific region. At 31 July 2016, John Crane had approximately 6,400 employees.

Smiths Medical

Smiths Medical is a leading manufacturer and supplier of specialist medical equipment and single use devices for global markets.

Smiths Medical's products fall into four main market categories:

- Infusion Systems products deliver medication and biologic therapies via infusion for the treatment of an array of indications, including acute and chronic pain management, cancer, pulmonary hypertension, and Parkinson's disease in hospital and home settings.
- Vital Care products help to manage patient airways before, during, and after surgery, alleviate breathing difficulties, improve bronchial hygiene and help maintain body temperature.
- Vascular Access products protect healthcare workers and patients from the risk of infection and injury through the use of safety-enabled devices. Smiths Medical's portfolio covers a range of functions, including drawing blood, injections and vaccinations, delivery of chemotherapeutic agents, and blood pressure monitoring for critically ill patients.
- Specialty products for specialized care areas improve patient outcomes in vitro diagnostics and fertilization, animal health and surgery, emergency transport life support ventilation, and monitoring of critical vital signs.

Smiths Medical has operations in over 30 countries with manufacturing located in North America, Europe, and Asia. Smiths Medical sells to approximately 120 markets worldwide, with the US comprising over 50 per cent. of sales, and continue to build its presence in emerging markets. As at 31 July 2016, Smiths Medical employed approximately 7,700 employees.

Smiths Detection

Smiths Detection is a leading designer and manufacturer of sensors that detect and identify explosives, weapons, chemical agents, biohazards, narcotics and other contraband. Smiths Detection has developed a comprehensive range of detection technology, including X-ray trace detection, millimetre-wave, infra-red and biological detection and diagnostics. These technologies can be broadly divided into imaging, detection and identification.

The core applications for the X-ray technology relate to the imaging of suspicious or dangerous objects. Such technology differentiates itself through its ability to provide high resolution imaging and automatic detection of material. Static X-ray sources are used to identify objects and their chemical composition is compared to a threat database. The division is a leading supplier of automated X-ray equipment used to screen checked and carry-on baggage as well as cargo and container freight.

Smiths Detection holds a broad portfolio of trace detection innovations used in products to detect very small quantities of chemical substances, such as trace amounts of explosives, drugs, toxic industrial material or chemical warfare agents. Infra-red technology is used for the identification of visible materials where sample material is analysed by a spectroscopic analysis which compares the result with an "on board" database of thousands of different materials. Ion Mobility Spectrometry technology lies behind Smiths Detection's range of chemical agent detectors and explosives detectors. This technology is used in extensive applications from the detection and monitoring of chemical warfare agents and toxic industrial chemicals to the detection of explosive traces on airport luggage.

Smiths Detection's key markets are:

- transportation, including airports;
- critical infrastructure, including mass transit, sports and similar events and government and military facilities;
- ports and borders;
- military; and
- emergency responders, including hazardous material teams, law enforcement, and federal and local government agencies.

Smiths Detection's manufacturing is concentrated in North America, Germany, France, Malaysia and the United Kingdom and as at 31 July 2016, it employed approximately 2,000 people.

Smiths Interconnect

Smiths Interconnect is a specialised electronic components and sub-systems business providing signal, power and microwave solutions that are application specific and incorporate innovative technologies. Smiths Interconnect designs and manufactures products that connect, protect, and control critical systems for the global data centre wireless telecommunications, aerospace, defence, space, medical, rail, test and industrial markets.

Smiths Interconnect comprises three technology focussed businesses:

- **Connectors** provides application-specific, high reliability electrical interconnect solutions;
- **Microwave** provides components, sub-assemblies and systems for defence, aerospace and wireless telecommunications;
- **Power** provides distribution, conditioning and monitoring solutions for data centres.

As at 31 July 2016, Smiths Interconnect had approximately 3,400 employees.

Flex-Tek

Flex-Tek is a designer and manufacturer of engineered hoses and tubing, engineered heating solutions and flexible ducting for a diverse set of applications in the aerospace, industrial, housing and construction markets.

- The aerospace business provides tubing which is used on large commercial aircraft and turbine engines for applications such as fuel and hydraulics lines.
- The industrial business provides thermoplastic tubing for automotive, industrial, and medical end markets.
- The residential and commercial business provides heat solutions and ducting for diverse applications in industrial, construction, housing appliance and HVAC (heating, ventilation and air conditioning) markets and natural gas tubing products for industrial and residential use.

The overall US housing market accounts for approximately 40 per cent. of the division's sales.

Flex-Tek conducts most of its business in the United States and operates from manufacturing sites in the US, France, Mexico, China, and Malaysia. At 31 July 2016, it had approximately 2,000 employees.

Intellectual Property

Intellectual property is an important asset for the Group. The Group has in excess of: (a) 3,700 utility patents (registered and pending); (b) 200 design patents (registered and pending); and (c) 2,600 registered or pending trademarks/service marks. Intellectual property also includes copyrights, trade secrets and know-how and other proprietary information. It is the Group's policy, and procedures are in place, to identify, protect (by patent and trademark registration, and maintenance of proprietary information), defend and manage its intellectual property. It is the Group's policy that new and re-designed products, processes or software are thoroughly reviewed at regular points throughout development to safeguard against the potential infringement of the intellectual property rights of third parties.

Regulation

Certain of the businesses of the Group, particularly the Smiths Medical, Smiths Interconnect and Smiths Detection divisions are subject to substantial regulation, with certain customers and regulatory or other enforcement bodies routinely inspecting their respective practices, processes and premises. Certain of the Group's products, most notably devices produced by Smiths Medical, are subject to US Food and Drug Administration (FDA), equivalent European and other approval processes. Smiths Detection and Smiths Interconnect are subject to governmental procurement regulations and technology export controls. Compliance with such regulations may require the Group to incur additional expenses or restrict its commercial flexibility and planned business strategies. Certain of Flex-Tek's aerospace products are

subject to regulation by the United States Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), and other equivalent foreign regulatory agencies.

Smiths Medical is principally subject to FDA regulations in the United States and the Medical Devices Directive in the European Union. Broadly, both sets of regulations require the development of internal systems to ensure that proper risk assessments are performed on the design, manufacture and sale of medical devices to certify their safety and fitness for purpose. These regulations also require that the product remains safe over its lifetime. In addition to regulations concerning the safe manufacture and use of medical devices, Smiths Medical is also subject to laws in the United States and other countries in which it operates protecting the privacy of personal medical information and to regulation governing the marketing of its products to healthcare professionals.

Due to the advanced technical features of their products and the regions in which they do business, Smiths Detection and Smiths Interconnect are subject to export control regulations administered by the US Departments of Commerce, State and Treasury that govern the export and re-export of commercial, dual-use and military goods, software and technology. Smiths Detection and Smiths Interconnect are also required to maintain a Special Security Agreement that governs their “cleared sites” that require access to, on a restricted basis, classified information in order to perform certain contracts with the US Government. The “cleared sites” must operate in accordance with the National Industrial Security Program Operating Manual and other applicable laws and regulations and are subject to periodic audit by the US Department of Defense’s Defense Security Service.

Because both businesses sell to the US Government, they are subject to Federal Acquisition Regulations (“**FAR**”) that provides highly structured rules and guidelines for the US Government acquisition process. Although FAR’s primary objective is to guide government employees through the acquisition process, in practice many of its provisions are incorporated into proposals and ultimately into government contracts.

All these regulations are constantly developing and any material changes have the potential to impact the way that the Group’s divisions which are subject to such regulations conduct their business.

The Group is also subject to numerous foreign, international, national, regional and local environmental laws and regulations, and, in connection with certain of the Group’s activities, permits. The Group is currently involved, directly or indirectly, in environmental investigation and remediation activities at various locations and has reserves in respect of these activities. Environmental laws and regulations are continuously changing and have tended to become more stringent over time. The development of new facts or further changes in environmental laws and regulations, or the enforcement of such laws and regulations, could have a material impact on the Group’s business, reputation, results of operations or financial condition.

Litigation

In the ordinary course of business, the Group is subject to litigation such as product liability claims and lawsuits, alleging that its products have resulted or could result in an unsafe condition or injury.

John Crane, Inc. Litigation

John Crane, Inc. (“**JCI**”), a subsidiary of the Group, is currently one of many co-defendants in litigation in the United States relating to products previously manufactured which contained asbestos. This litigation began more than 30 years ago and, typically, involves claims for a number of diseases including asbestosis, lung cancer and mesothelioma. The JCI products generally referred to in these cases consist of industrial sealing products, primarily packing and gaskets. The asbestos was encapsulated within these products in such a manner that causes JCI to believe, based on tests conducted on its behalf, that the products were safe. JCI ceased manufacturing products containing asbestos in 1985.

The litigation involves claims for a number of allegedly asbestos-related diseases, with awards, when made, for mesothelioma tending to be larger than those for the other diseases. JCI’s ability to defend mesothelioma cases successfully is, therefore, likely to have a significant impact on its annual aggregate adverse judgment and defence costs.

JCI continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the most efficacious presentation of its “safe product” defence, and intends to resist these claims based upon this defence. Approximately 247,000 claims against JCI have been dismissed before

trial over the last 37 years. JCI is currently a defendant in cases involving approximately 74,000 claims. Despite these large numbers of claims, since the inception of litigation JCI has had final judgments against it in 137 cases, and has had to pay awards amounting to approximately US\$158 million.

At 31 July 2016, the aggregate provision for JCI asbestos litigation, including for adverse legal judgments and defence costs, amounted to £252 million expressed at the then current exchange rate. In deciding on the amount of the provision JCI relied on independent expert advice from a specialist in asbestos liability estimation. Moreover, in establishing this provision no account has been taken of any recoveries from insurers as their nature and timing are subject to pending litigation. Because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of related litigation, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred and, as a result, the provision may be subject to potentially material revision from time to time if new information becomes available as a result of future events.

The provision is based on past history and published tables of asbestos incidence projections. Whilst published incidence curves can be used to estimate the likely future pattern of asbestos related disease, JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. The projections use a 10 year time horizon on the basis that JCI's asbestos valuation experts consider that there is substantial uncertainty in the asbestos litigation environment so probable expenditures are not reasonably estimable beyond this time horizon. As a result, whilst the Group anticipates that asbestos litigation will continue beyond the period covered by the provision, the uncertainty surrounding the US litigation environment beyond this point is such that the costs cannot be reliably estimated.

The assumptions made in assessing the appropriate level of provision include:

- the period over which the expenditure can be reliably estimated;
- the future trend of legal costs;
- the rate of future claims filed;
- the rate of successful resolution of claims; and
- the average amount of judgments awarded.

The provision in respect of JCI is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period.

Titeflex Corporation litigation

Titeflex Corporation, a subsidiary of the Group in the Flex-Tek division, has received a number of claims in recent years from insurance companies seeking recompense on a subrogated basis for the effects of damage allegedly caused by its flexible gas piping products being energised by lightning strikes. It has also received a number of product liability claims relating to this product, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes; however some claims have been settled on an individual basis without admission of liability. Equivalent third-party products in the US marketplace face similar challenges.

At 31 July 2016, provision of £94 million has been made for the costs which the Group expects to incur in respect of these claims. Because of the significant uncertainty associated with the future level of claims and of the costs arising out of the related litigation, there is no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

The assumptions made in assessing the appropriate level of provision, which are based on past experience, include:

- the period over which expenditure can be reliably estimated;

- the number of future settlements;
- the average amount of settlements; and
- the impact of statutes of repose and safe installation initiatives on the expected number of future claims.

This is the first year that the Group has had sufficient evidence of the impact of statutes of repose and safe installation initiatives to incorporate them into the provision calculation. Reflecting work completed in the year on streamlining the settlement process, and dismissing claims covered by statutes of repose, the Group considers that the pattern of resolution of future potential claims by Titeflex Corporation is now more predictable. As a result, the provision model has been extended. Incorporating the two additional assumptions and extending the time period generated a net £16 million increase in the provision.

The provision is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period.

However, because of the significant uncertainty associated with the future level of claims and of the costs arising out of related litigation, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred and, as a result, the provision may be subject to potentially material revision from time to time if new information becomes available as a result of future events.

Other Litigation/Administrative Matters

In addition to the JCI asbestos law suits and litigation in relation to Titeflex Corporation's flexible gas piping products, other companies within the Group are also involved in product liability and other litigation for which no material provision has been made.

The Group operates in some markets where the risk of unethical or corrupt behaviour is material and has procedures, including an employee "Ethics Alertline", to help it identify potential issues. Such procedures will, from time to time, give rise to internal investigations, both to manage immediate issues and to improve its practices and procedures for the future. The Group also co-operates with relevant authorities in investigating business conduct issues whenever requested to do so. As at the date of this Prospectus, the Group is not aware of any issues which are expected to generate material financial exposures.

Research and development

The Group invests in research and development ("R&D") to deliver new product initiatives and higher levels of organic revenue growth. The Group's R&D expenditure was £112 million and £104 million in the financial years ending 31 July 2016 and 31 July 2015 respectively. In addition, the Group actively seeks funding from customers to support R&D and this amounted to £5 million and £6 million in the financial years ending 31 July 2016 and 31 July 2015 respectively.

Board of Directors

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

Name	Title	Principal activities outside the Group
Sir George Buckley	Chairman	Chairman of Ownership Capital Non-executive director of Hitachi, Ltd. Non-executive director and member of the Audit Committee of PepsiCo, Inc. Non-executive director and member of the Audit and Compensation Committees of Stanley Black & Decker, Inc.

Name	Title	Principal activities outside the Group
Andrew Reynolds Smith	Chief Executive Officer	
Chris O'Shea	Chief Financial Officer	
Bruno Angelici	Non-executive director	<p>Non-executive director and member of the Nomination Committee of Novo Nordisk A/S</p> <p>Member of the Supervisory Board and the Audit Committee of Wolters Kluwer nv</p> <p>Chairman and a member of the Nomination and Remuneration Committees of Vectura Group plc</p> <p>Member of the Global Advisory Board of Takeda Pharmaceutical Company Ltd, Japan</p>
Tanya Fratto	Non-executive director	<p>Non-executive director and member of the Audit Committee of Advanced Drainage Systems, Inc.</p> <p>Non-executive director and member of the Nomination and Remuneration Committees of Ashtead Group plc</p>
Anne Quinn, CBE	Non-executive director	Senior Independent Director and Chair of the Remuneration Committee of Mondi plc and Mondi Limited
Bill Seeger	Non-executive director	<p>Non-executive director and Chairman of the Audit and Risk Committee of Spectris plc</p> <p>Visiting professor at UCLA Anderson School of Management</p>
Mark Seligman	Non-executive director	<p>Senior Independent Director and member of the Audit, Nomination and Remuneration Committees of Kingfisher plc</p> <p>Alternate member of the Panel on Takeovers and Mergers for the Association for Financial Markets in Europe</p>
Sir Kevin Tebbit, KCB, CMG	Non-executive director	<p>Senior Adviser to AECOM Corporation</p> <p>Senior Associate Fellow at Royal United Services Institute</p> <p>Visiting Professor at King's College, London</p> <p>Member of the Advisory Board of the Imperial College Institute for Security, Science and Technology</p>

The business address of each member of the Board of Directors is 4th Floor, 11-12 St James's Square, London, SW1Y 4LB.

None of the members of the Board of Directors has any potential conflict of interests between duties to the Issuer and their private interests or other duties.

Board Committees

Audit Committee

The members of the Audit Committee are Bill Seeger (Chairman), Bruno Angelici, Tanya Fratto, Anne Quinn, Mark Seligman and Sir Kevin Tebbit.

Nomination Committee

The members of the Nomination Committee are Sir George Buckley (Chairman), Bruno Angelici, Tanya Fratto, Anne Quinn, Bill Seeger, Mark Seligman and Sir Kevin Tebbit.

Remuneration Committee

The members of the Remuneration Committee are Anne Quinn (Chair), Bruno Angelici, Sir George Buckley, Tanya Fratto, Bill Seeger, Mark Seligman and Sir Kevin Tebbit.

Principal Shareholders

Share Capital

As at 11 October 2016, the Issuer had issued share capital of £148,277,430.75 comprised of 395,406,482 ordinary shares and no preference shares.

Shareholders

The following table sets forth information regarding the beneficial ownership of the Issuer's ordinary shares as of 11 October 2016 by the directors (and their connected persons) as a group and by shareholders who have disclosed notifiable interests, pursuant to the FCA Disclosure Guidance & Transparency Rules and the Companies Act 2006, in more than three per cent. or more, or five per cent. or more (as applicable) of the Issuer's outstanding ordinary shares.

Name	Number of shares held (million)	Ownership of issued ordinary share capital (per cent.)
Ameriprise Financial, Inc.	23.0	5.8
Black Rock Inc.	27.8	7.0
Dodge & Cox	24.7	6.2
Harris Associates LP	19.1	4.8
Jupiter Asset Management	14.8	3.8
Directors as a group	0.2	0.05

Recent Developments

On 21 April 2016, the Issuer announced that it had entered into an agreement to acquire Morpho Detection ("MD"), a California based detection and security solutions company, from Safran S.A. for an enterprise value of \$710 million (£546 million¹). The closing of the acquisition of MD is expected to take place in early 2017 and is subject to customary conditions including regulatory approvals.

¹ This figure is based on a current exchange rate of £1.00:\$1.30.

DESCRIPTION OF THE GUARANTOR

Incorporation, Registered Office, and Purpose

Smiths Group International Holdings Limited (the “**Guarantor**”) was incorporated and registered as a private limited company in England and Wales under the registered number 01085153 on 5 December 1972, and operates under the Companies Act 2006. It changed its name from Alamanda Investments Limited to T.I. International Holdings Limited on 26 January 1973 and to Smiths Group International Holdings Limited on 14 November 2002. The registered office of the Guarantor is located at 4th Floor, 11-12 St James’s Square, London, SW1Y 4LB and the telephone number of its registered office is +44 20 7004 1600.

The Guarantor’s principal activity is that of an investment holding company and it conducts substantially all of its business through operating subsidiaries. As at 31 July 2015 the Guarantor had investments of £3,760 million. Since that date the Guarantor has received £180 million from a UK subsidiary which redeemed part of its share capital.

As at the date of this Prospectus the Issuer owns 100 per cent. of the shares of the Guarantor.

Board of Directors

The directors of the Guarantor and their functions and principal activities outside the Guarantor are as follows:

Name	Title	Principal activities outside the Group
Julian David Kenelm Fagge	Director	Group Financial Controller, Smiths Group plc
Melanie Jane Rowlands	Director	Deputy Group General Counsel and Company Secretary, Smiths Group plc
Jameson Robert Mark Smith	Director	Director, Tax and Treasury, Smiths Group plc

The business address of each of the above directors is 4th Floor, 11-12 St James’s Square, London, SW1Y 4LB.

None of the members of the Board of Directors has any potential conflict of interests between duties to the Guarantor and their private interests or other duties.

Employees

As at the date of this Prospectus, the Guarantor has no active employees. Employees of other Group companies perform all administration of the Guarantor’s affairs.

TAXATION

A. United Kingdom Taxation

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

B. UK Withholding Tax on UK Source Interest

(1) UK Notes listed on a recognised stock exchange

The Notes issued by the Issuer which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

(2) All UK Notes

In all cases falling outside the exemption described in (1) above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

C. Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to such relief as may be available under an

applicable double tax treaty (a "**Treaty**"), or to any other exemption which may apply. Where such a Treaty relief is available, and the applicable conditions in the relevant Treaty are satisfied, the Noteholder should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such claim within the relevant limitation period. It may, however, not in practice be possible for the Noteholder to obtain a direction for the guarantee payments to be made free from withholding tax.

D. Other Rules Relating to United Kingdom Withholding Tax

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

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

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

The references to "interest" in A to C above mean "interest" as understood in United Kingdom tax law. The statements in A to C above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc and RBC Europe Limited, (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 17 October 2016 (the "**Dealer Agreement**") and made between the Issuer, the Guarantor and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

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

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

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

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

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

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

United Kingdom

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

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

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

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 27 September 2016 and by a resolution of a committee of the Board of Directors of the Issuer dated 10 October 2016. The giving of the Guarantee has been authorised by a resolution of the Board of Directors of the Guarantor dated 13 October 2016. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Legal and Arbitration Proceedings

2. Save as disclosed in the “*Description of the Issuer – Litigation*” on pages 75 to 77 of this Base Prospectus, 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), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries.

Significant/Material Change

3. There has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group since 31 July 2016. There has been no significant change in the financial or trading position of the Issuer or the Group since 31 July 2016 or the Guarantor or the Guarantor and its subsidiaries as a whole since 31 July 2016.

Auditors

4. The consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 July 2016 and 31 July 2015 by PricewaterhouseCoopers LLP, of 1 Embankment Place, London, WC2N 6RH, members of the Institute of Chartered Accountants in England and Wales. The report of the auditors on the consolidated financial statements of the Issuer for the years ended 31 July 2015 and 31 July 2016 respectively included the following wording: "This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing."

Documents on Display

5. Copies of the following documents may be inspected during normal business hours on any weekday at the offices of the Issuer and the Principal Paying Agent for 12 months from the date of this Base Prospectus:
 - (a) the Articles of Association of the Issuer;
 - (b) the Articles of Association of the Guarantor;
 - (c) the most recently published audited annual financial statements of the Issuer and the most recently published interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
 - (d) the Trust Deed;
 - (e) the Agency Agreement;
 - (f) the Programme Manual; and

- (g) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note or NSS form).

This Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Clearing of the Notes

6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue Price and Yield

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

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

Legend Concerning US Persons

7. Any Notes and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

Dealers transacting with the Issuer

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

REGISTERED OFFICE OF THE ISSUER

Smiths Group plc
4th Floor
11-12 St James's Square
London SW1Y 4LB

REGISTERED OFFICE OF THE GUARANTOR

Smiths Group International Holdings Limited
4th Floor
11-12 St James's Square
London SW1Y 4LB

DEALERS

Australia and New Zealand Banking Group Limited

28th Floor
40 Bank Street
Canary Wharf
London E14 5EJ
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

MUFG Securities EMEA plc

Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited

Canada Square
Canary Wharf
London E14 5LB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

RBC Europe Limited

Riverbank House
2 Swan Lane
London EC4R 3BF
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

**PRINCIPAL PAYING AGENT, REGISTRAR
AND TRANSFER AGENT**

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

LEGAL ADVISERS

*To the Issuer and the Guarantor
as to English law:*

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers and the Trustee as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

AUDITORS TO THE ISSUER AND THE GUARANTOR

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH