

# PROSPECTUS

(Dated 12 October 2018)

## WESTERN POWER DISTRIBUTION PLC

(incorporated with limited liability in England and Wales with registered number 09223384)

Issue of £350,000,000 3.500 per cent. Notes due October 2026

Issue price: 99.164 per cent.

Western Power Distribution plc, a public limited company incorporated under the laws of England and Wales (the **Issuer**), will issue £350,000,000 aggregate principal amount of 3.500 per cent. Notes due October 2026 (the **Notes**). The issue price of the Notes is 99.164 per cent. of their principal amount.

Interest on the Notes will be payable annually in arrear on 16 October each year, beginning on 16 October 2019. Payments on the Notes will be made in GBP without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes – Taxation*".

This Prospectus includes information on the terms of the Notes, including redemption and repurchase prices and covenants.

Application has been made to the United Kingdom Financial Conduct Authority in its capacity as competent authority under Part IV of the Financial Services and Markets Act 2000, as amended (**FSMA**) (the **UK Listing Authority** or **UKLA**) for the Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the **Market**). The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU.

The Notes will be in bearer form and in denominations of GBP 100,000 and integral multiples of GBP 1,000 in excess thereof, up to and including GBP 199,000. The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 16 October 2018 (the **Closing Date**) with a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, not earlier than 40 days after the Closing Date 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.

Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances – see "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

**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 are subject to United States tax law requirements. The Notes are being offered outside the United States in offshore transactions by the Managers in accordance with Regulation S under the Securities Act ("Regulation S") to persons who are not "U.S. persons" as defined in Regulation S and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each purchaser of the Notes in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. See "*Subscription and Sale*" in this Prospectus.**

**Neither the United States Securities and Exchange Commission nor any state securities commission in the United States nor any other United States regulatory authority has approved or disapproved the Notes or determined that this Prospectus is truthful or complete.**

**Please see "*Risk Factors*" to read about certain factors you should consider before buying any Notes.**

The Notes are expected to be rated on issue BBB+ by S&P Global Ratings Europe Limited (**Standard & Poor's**) and Baa3 by Moody's Investors Service Ltd. (**Moody's** and together with Standard & Poor's, the **Rating Agencies**). Ratings ascribed to all of the Notes reflect only the views of Standard & Poor's and Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Notes may adversely affect the market price of such Notes. Standard & Poor's and Moody's are established in the European Community and are registered under Regulation (EC) No 1060/2009 (the **CRA Regulation**).

### Joint Lead Managers

Barclays  
NatWest Markets

Lloyds Bank Corporate Markets  
MUFG

### Co-Managers

BofA Merrill Lynch  
Mizuho Securities

HSBC  
RBC Capital Markets

Santander Corporate & Investment Banking

## NOTICE TO INVESTORS

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the **Prospectus Directive**) and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries as a whole (the **Group**) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

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

None of the Issuer, the Joint Lead Managers and the Co-Managers (each as defined herein, and together, the **Managers**); HSBC Bank Plc (the **Principal Paying Agent**), HSBC Corporate Trustee Company (UK) Limited (the **Trustee**) nor any of their respective representatives is making any representation to investors regarding the legality of an investment in the Notes, and investors should not construe anything in this Prospectus as legal, business, financial, tax or other advice. Investors should consult their own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes. In making an investment decision regarding the Notes, investors must rely on their own examination of the Issuer and the terms of the offering and the Notes, including the merits and risks involved. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Managers, the Principal Paying Agent or the Trustee to any person to subscribe for or to purchase any Notes.

The Issuer has confirmed to the Managers that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this 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 all proper enquiries have been made to ascertain and verify the foregoing.

This Prospectus is based on information provided by the Issuer and other sources that the Issuer believes are reliable. Neither the Managers, the Principal Paying Agent nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Principal Paying Agent or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Manager or the Principal Paying Agent or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. In this Prospectus, the Issuer has summarised certain documents and other information in a manner it believes to be accurate, but it refers investors to the actual documents for a more complete understanding.

No person is or has been authorised by the Issuer, the Managers, the Principal Paying Agent or the Trustee to give any information or to make any representation not contained in this Prospectus and, if given or made, any other information or representation must not be relied upon as having been authorised by the Issuer, the Managers, the Principal Paying Agent or the Trustee.

The information contained in this Prospectus is given as of the date hereof. Neither the delivery of this Prospectus nor the offering, sale nor delivery of the Notes shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or the information set forth in this Prospectus since the date of this Prospectus. The Managers, the Principal Paying Agent and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. Investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

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

The Notes may not be a suitable investment for all investors.

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

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

## SUITABILITY OF INVESTMENT

Each potential investor in the Notes must determine the suitability of that investment in light of their 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:

1. has sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Notes;
2. 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 such investment will have on its overall investment portfolio;
3. has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
4. understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant markets; and
5. 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.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area and references to "**Sterling**", "**GBP**" or "**£**" are to the lawful currency of the United Kingdom.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer and its management, are intended to identify such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer does not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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## STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, NATWEST MARKETS AS STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE 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 NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## OVERVIEW

*This overview highlights certain information contained in this Prospectus. This overview does not contain all of the information prospective investors should consider before investing in the Notes. Prospective investors should read this entire Prospectus carefully, including the sections entitled "Risk Factors", "Forward-Looking Statements" and the financial information and the notes included elsewhere in this Prospectus.*

The Issuer is a holding company of four regulated monopoly distributors of electricity in the Midlands area of England, the South West of England and South Wales, namely Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, and Western Power Distribution (West Midlands) plc (together, the **Distribution Companies**). The Issuer heads the WPD Group (as defined below) whose principal activity is the distribution of electricity in the South West of England, South Wales and East and West Midlands of England conducted by the Distribution Companies and certain other subsidiaries (together with the Issuer, the **WPD Group**).

## KEY STRENGTHS

The business of the WPD Group has a number of strengths, deriving both from the commercial strength of the business, and from the status of the Distribution Companies as regulated monopoly distributors of electricity. The key strengths of the business of the WPD Group are based on:

- (a) a stable, well established transparent regulatory regime;
- (b) strong and predictable operating cash flow;
- (c) no volume risk;
- (d) inflation linked earnings and asset base;
- (e) positive cash flow generation before financing;
- (f) industry leading delivery of output targets set by the Office of Gas and Electricity Markets of Great Britain (**Ofgem**); and
- (g) accurate forecasting and efficient delivery of investment programmes.



## THE NOTES

The overview below describes the principal terms of the Notes and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus and, in particular, the "Terms and Conditions of the Notes". Potential purchasers of the Notes are urged to read this Prospectus in its entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in the Terms and Conditions of the Notes.

<b>Issuer</b>	Western Power Distribution plc
<b>Legal entity identifier</b>	549300HFCD0G1TPU4N09
<b>Notes to be Issued</b>	£350,000,000 aggregate principal amount of 3.500 per cent. Notes due October 2026 (the <b>Notes</b> ).
<b>Issue Date</b>	16 October 2018
<b>Maturity Date</b>	16 October 2026
<b>Issue Price</b>	99.164 per cent.
<b>Net proceeds</b>	£345,561,500
<b>Interest Rate</b>	The Notes will bear interest at a rate of 3.500 per cent. per annum, provided that if a Step-up Event has occurred and is continuing, the interest rate will be increased by 1.25 per cent. from and including the Interest Payment Date immediately following the occurrence of that Step-up Event until, and including the Interest Payment Date immediately following the date on which the relevant Step-up Event ceases to be continuing.
<b>Interest Payment Dates</b>	Interest will be payable annually in arrear on 16 October in each year, commencing on 16 October 2019.
<b>Form and Denomination</b>	The Notes will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. The Notes will initially be in the form of a Temporary Global Note, without interest coupons, which will be deposited on or around the Closing Date with a Common Safekeeper. The Temporary Global Note 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 Closing Date 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. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 and with interest coupons attached. Full information is set out in " <i>Summary of Provisions Relating to the Notes in Global Form</i> ".
<b>Status</b>	The Notes and the Coupons relating to them constitute direct, general, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer present and future.
<b>Redemption for Taxation Reasons</b>	The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest in the event of certain tax changes, as described under Condition 5(b) ( <i>Redemption for Taxation Reasons</i> ).
<b>Redemption at the Option of the Issuer</b>	The Issuer may, at its option, redeem all, or some only, of the Notes at any time after the Issue Date at the relevant redemption amount described under Condition 5(c) ( <i>Redemption at the Option of the Issuer</i> ).

***Redemption at the Option of the Noteholders***

The Noteholders may, at their option, require the Issuer to redeem all, or some only, of the Notes on the occurrence of certain specific events, and in accordance with Condition 5(d) (Redemption at the Option of Noteholders).

***Mandatory Redemption***

If a Disposal Event occurs (being certain disposals in relation to the Distribution Companies), the Issuer shall on giving not less than 15 nor more than 30 days' irrevocable notice to the Trustee and the Noteholders, redeem all of the Notes in accordance with Condition 5(e) (*Redemption on disposal of a Distribution Company*).

***Negative Pledge***

The Issuer shall not, so long as any Note remains outstanding, create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking without the prior written consent of the Trustee.

***Additional Amounts***

All payments of principal and interest in respect of the Notes and the Coupons 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 within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to customary exceptions. Full details are set out in Condition 7 (*Taxation*).

***Events of Default***

Events of Default under the Notes include: non-payment of principal, or interest under the Notes; breach of the covenants and other terms contained in the Conditions; cross-default of any indebtedness of the Issuer and cross-acceleration of any indebtedness of any Distribution Company; enforcement proceedings against the Issuer, insolvency events or winding-up relating to the Issuer, nationalisation of the assets of the Issuer, or an illegality making it unlawful for the Issuer to perform any of its obligations under the Notes or the Trust Deed; in each case, subject to the provisions described in Condition 9 (*Events of Default*).

***Risk Factors***

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Certain of these factors are set out under "Risk Factors" below and include, among others, risks relating to regulatory and legislative changes, market, liquidity and legal risks and the general economic situation. In addition, there are certain factors in relation to assessing the risks associated with holding the Notes.

***Modification, Waiver and Substitution***

The Trustee may, without the consent of the Noteholders or Couponholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed, the Coupons or the conditions of the Notes, which is of a formal, minor or technical nature or is made to correct a manifest error, or which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders (save in relation to a Reserved Matter) (ii) the substitution in place of the Issuer as principal debtor under the Notes, in each case in the circumstances and subject to the conditions described in Conditions 10(b) (*Modification of the Trust Deed*) and 10(c) (*Substitution*).

***Use of Proceeds***

The net proceeds of the issue of the Notes will be used by the Issuer and its subsidiaries (including the Distribution Companies) for general corporate purposes (including to refinance certain existing indebtedness).

***Principal Paying Agent***

HSBC Bank Plc

***Trustee***

HSBC Corporate Trustee Company (UK) Limited

***Joint Lead Managers***

Barclays Bank PLC, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc and NatWest Markets Plc

<b><i>Co-Managers</i></b>	Banco Santander, S.A., HSBC Bank plc, Merrill Lynch International, Mizuho International plc and RBC Europe Limited
<b><i>Listing and Trading</i></b>	Application has been made to the Financial Conduct Authority for the Notes to be admitted to listing on the Official List and to trading on the Market. There are no assurances that the Notes will be admitted to the Market.
<b><i>Governing Law</i></b>	The Notes, the Trust Deed and the Agency Agreement will be governed by the laws of England and Wales.
<b><i>Clearing Systems</i></b>	Euroclear and Clearstream, Luxembourg
<b><i>Credit Ratings</i></b>	The Notes are expected to be rated on issue BBB+ by Standard & Poor's and Baa3 by Moody's. A credit 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. Standard & Poor's and Moody's are established in the European Community and are registered under the CRA Regulation.
<b><i>Selling Restrictions</i></b>	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons. The Notes may be sold in other jurisdictions (including the United Kingdom) only in compliance with applicable laws and regulations. See " <i>Subscription and Sale</i> " below.
<b><i>United States Selling Restriction</i></b>	Regulation S, Category 2
<b><i>ISIN Code</i></b>	XS1893807120
<b><i>Common Code</i></b>	189380712
<b><i>CFI Code</i></b>	DYFXXB
<b><i>FISN</i></b>	WESTERN POWER D/EUR NT 22001231

## **RISK FACTORS**

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

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Noteholders may lose the value of their entire investment in certain circumstances.*

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

## **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH NOTES**

### ***Regulatory Risk***

Under current regulation by Ofgem the revenue of the Distribution Companies (which is available for distribution) is determined by the distribution price controls set out under the terms of their respective distribution licences by Ofgem every eight years, the current distribution price control is the first to reflect the new RIIO (Revenue = Incentive + Innovation + Output) model for electricity network regulation (**RIIO-ED1**). Pursuant to this, each Distribution Company has agreed the price control with Ofgem that covers the eight year period from 1 April 2015 to 31 March 2023. Therefore, unless Ofgem reopens the price control, which the Issuer considers unlikely, there is a high degree of certainty as to the level of revenue permitted by regulation until 31 March 2023.

However, there can be no assurance that future price controls will permit the generation of sufficient revenues to enable the Issuer to meet its payment obligations under the Notes. Any adverse price control in the future may negatively impact the net operating revenue of the Distribution Companies. This may adversely affect the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

### ***Macroeconomic and geopolitical risk***

While the longer-term impact of the "Brexit" vote on global debt and equity markets, exchange rates and on the political and macro-economic climate is still uncertain, it is likely that there will continue to be a period of volatility across international financial markets until the precise terms of the United Kingdom's exit from the European Union become clear. As such, no assurance can be given that such matters would not adversely affect the fiscal, monetary and regulatory landscape to which the WPD Group is subject, the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

### ***Distribution licence***

Failure by a Distribution Company to comply with the terms of its distribution licence may lead to Ofgem making an enforcement order or levying a fine on it. In respect of any of the Distribution Companies, Ofgem has the power to levy fines of up to 10 per cent. of turnover of that company for any breach of its distribution licence. While the distribution licence may be terminated immediately in exceptional circumstances, such as

in the event of insolvency proceedings, it otherwise continues indefinitely until revoked following no less than 25 years' written notice.

Any future termination by Ofgem of the distribution license of the Distribution Companies will result in the loss of business for such Distribution Companies, which may have an adverse effect on the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

#### ***Retail price index movements and cost-base variations***

The annual revenues of each Distribution Company are adjusted by the published retail price index (**RPI**) in the UK. There is therefore a risk that each Distribution Company's cost base may increase at a faster rate than the RPI due to inflation as measured by the RPI being less than the rate of inflation on components of such Distribution Company's cost base, even though Ofgem's price control does allow for some cost increases in excess of RPI. If that were to happen, each Distribution Company's profitability would be reduced and, if the differential between RPI-linked inflation and experienced operating cost inflation were sufficiently large, it could adversely affect the business, financial position and results of operations of such Distribution Company, and consequently, the revenues available to the Issuer. The effects of deflation would also be similar. The annual revenue of each Distribution Company may reduce at a greater degree to any deflationary impact on the component costs of the business. Again if this were to happen each Distribution Company's profitability would be reduced and, if the differential between RPI-linked deflation and experienced operating cost deflation was sufficiently large, it could adversely affect each Distribution Company's business, financial position and results of operations and ultimately that of the Issuer.

#### ***Change to measure of inflation***

On 8 January 2015, the UK Statistics Authority published a review recommending that the Office for National Statistics adopt the so-called "CPIH" measure of inflation (which, among other things, would include housing costs in its measure of inflation) as its main measure of inflation.

As at 31 March 2016, Ofgem had taken the decision to retain RPI as the inflation index until at least the end of RIIO-ED1. On 30 July 2018 Ofgem announced that in RIIO-ED2 the regulation will move away from RPI to CPIH for inflation adjustment in calculating regulatory asset value (**RAV**) and allowed returns. Ofgem stated that they will carry out further work on whether phasing is necessary for the transition and if so, what form it could take. Ofgem estimate that the move away from RPI will, if introduced without any transition period, result in network charges being about 5 per cent. higher (about £15 per domestic consumer) for the first five years before becoming lower (after about 20 years). They also state that overall, consumers and investors as a whole will be neither better nor worse off in net present value terms. This could have an impact on the Distribution Companies' revenue growth and, ultimately, on their respective businesses, financial positions and results of operations. In turn, this may impact the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

#### ***Supply Installation Regulations***

Failure to comply with current supply installation regulations could lead to prosecution by the Department of Energy and Climate Change. While each Distribution Company has robust inspection and maintenance programmes in place to mitigate this risk, no assurance can be given that any Distribution Company will not be subject to such action in the future. Any such action may impact the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

#### ***Health and Safety***

Failure to comply with legislation, or a health and safety incident, could lead to prosecution by the Health and Safety Executive (the **HSE**). Each Distribution Company places the highest priority on health and

safety, and invests in robust training and auditing of all its employees. No assurance can be given that any Distribution Company will not be subject to HSE action in the future. Any such action may impact the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

### ***Ofgem Requirements***

Each Distribution Company's activities are regulated by Ofgem. Failure to operate the network properly could lead to compensation payments or penalties or loss of incentive revenues under incentive arrangements. Failure to invest capital expenditure in line with agreed programmes could also lead to deterioration of the network and clawback of investment deferred if specified outputs are not met. While each Distribution Company's investment programme is targeted to maintain asset condition and meet the prescribed outputs over an eight-year period and reduce customer interruptions and customer minutes lost over the period, no guarantee can be given that these regulatory requirements will be met. If such regulatory requirements are not met, this may result in insufficient cash being available to the Distribution Companies for them to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

### ***IT Systems***

The Distribution Companies rely on a number of key IT systems for network operation. Failure to plan and execute suitable contingencies in the event of critical IT system breakdowns could result in poor customer service and/or an inability to operate the network effectively. Each Distribution Company has robust contingency plans in place to cover such eventualities and regularly tests these plans, but no assurance can be given as to their effectiveness going forward.

### ***Environment***

Failure to comply with legislation in the event of an environmental incident could lead to prosecution by the Environment Agency. While each Distribution Company has robust operating, inspection and maintenance procedures in place to mitigate this risk, ongoing compliance cannot be guaranteed.

### ***Storm Related Supply Interruptions***

Failure to manage storm related supply interruptions adequately could lead to negative customer perception, adverse publicity and a potential financial impact on the business. Each Distribution Company has developed robust operating procedures to manage storm related supply interruptions and has, through independent review, achieved benchmark performance in previous incidents. However, no assurance can be given that satisfactory performance can be delivered in the future.

### ***Combined Operating Activities of the Distribution Companies***

As required by Ofgem in its regulation of distribution network operators (**DNOs** and each a **DNO**), each Distribution Company is a separate legal entity, which is subject to financial ring-fencing and which holds a separate distribution licence. However, on a management and commercial level the Distribution Companies are operated on a combined basis under the commercial brand "Western Power Distribution". As a result, any event which has an adverse impact on the WPD Group may affect the management and delivery of operations for each Distribution Company. In turn, this may impact the Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes.

### ***Procurement Risk***

In order to support its core business activities, it is necessary for each Distribution Company to purchase significant quantities of resources and enter into contracts for the supply of other products and services. Although each Distribution Company routinely enters into long-term contracts to protect its commercial

position, significant price rises and/or failure to secure key materials could have a significant adverse effect on the operations and/or financial position of such Distribution Company. Whilst each Distribution Company receives protection from inflation through its price controls being linked to the retail price index, it will be exposed or benefit from any changes relative to inflation, either as a result of commodity prices or issues around supply and demand for plant and equipment or with its contractors. To the extent it purchases equipment from overseas, this exposure would also extend to exchange rate fluctuations.

#### ***Key management personnel and employees***

Each Distribution Company's business depends upon the efforts and dedication of its senior management team. Competition for highly qualified personnel is intense, and the loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on each Distribution Company's business, financial condition and results of operations.

Each Distribution Company's future business success depends in part on its ability to continue to recruit, train, motivate and retain employees and on its ability to continue to employ creative employees and consultants. The loss of service of any key personnel, or an inability to attract and retain qualified employees and consultants, could have a material adverse impact on each Distribution Company's business, financial condition and results of operations.

Each Distribution Company's workforce is covered by collective bargaining agreements, which impacts its labour costs. The current collective bargaining agreements are renewed on a rolling basis and no Distribution Company can ensure that the collective bargaining agreements will continue without required amendments or that it will reach new agreements with the unions on satisfactory terms if this event occurs. Furthermore, work stoppages, strikes or similar industrial actions could adversely impact each Distribution Company's business, financial position and results of operations.

#### **RISKS RELATING TO FINANCING STRUCTURE**

***The Issuer is a holding company and must rely on the Distribution Companies for payments on the Notes.***

As a holding company, the primary assets of the Issuer are its investments in the Distribution Companies. Substantially all of the Issuer's operations are conducted by the Distribution Companies. Consequently, the operating cash flow of the Issuer and its ability to service its indebtedness and fund its other obligations depends upon the operating cash flow and distributions from the Distribution Companies. The Distribution Companies are separate legal entities that have no obligation to pay any amounts due pursuant to the obligations of the Issuer or to make any funds available for that purpose, whether by dividends or otherwise. In addition, each Distribution Company's ability to pay dividends to the Issuer depends on any statutory, regulatory and/or contractual restrictions that may be applicable to each one, which may include without limitation, pensions liabilities and requirements to maintain minimum levels of equity ratios, working capital or other assets.

In particular, under their respective licences, unless Ofgem grants its consent, a Distribution Company is prohibited from paying any dividends to the Issuer if such Distribution Company loses its investment grade issuer rating from any rating agency or if it already has the lowest investment grade rating and its rating is on review for possible downgrade or on a negative credit or rating watch or its rating outlook becomes negative.

Ofgem have the following events as additional dividend stopper trigger events:

- any report by the licensee of adverse circumstances under the availability of resources condition that the licensee's board considers that it will not have sufficient financial/operational resources for the next twelve months or is not compliant with the stipulated license conditions or there has been a change in circumstances from a previously positive certificate; and
- any material breach of a formal financial covenant entered into by the licensee. This restriction would not apply where the breach was remedied, or the covenant renegotiated, to the satisfaction of the counter party and Ofgem is notified in writing, or Ofgem had given advance confirmation that a particular breach would not trigger the restriction.

If the Issuer ceases directly or indirectly to own or control a majority stake in any of the Distribution Companies, and consequently a Rating Downgrade (as defined in Condition 5(e) (*Redemption on disposal of a Distribution Company*)) occurs, then a Disposal Event (as defined in Condition 5(e) (*Redemption on disposal of a Distribution Company*)) will be triggered pursuant to Condition 5(e) (*Redemption on disposal of a Distribution Company*), which may adversely affect the remaining Distribution Companies' ability to pay sufficient dividends to the Issuer for the Issuer to be able to comply with its payment obligations under the Notes. If a Disposal Event occurs, then the Issuer shall redeem all of the Notes in accordance with Condition 5(e) (*Redemption on disposal of a Distribution Company*).

***The level of indebtedness of any Distribution Company could adversely affect the financial condition of the Issuer.***

As of 31 August 2018, the Distribution Companies had a consolidated total of £4,501,000,000 aggregate principal amount of debt outstanding. WPDW, WPDE and WPD South West (each as defined below) each have revolving credit facilities permitting WPDW and WPDE to borrow up to £300,000,000, respectively and WPD South West to borrow up to £245,000,000. Each of these facilities expires in July 2021. In addition, the Distribution Companies have issued and may from time to time issue further notes under a £3,000,000,000 euro medium term note programme.

The amount of indebtedness of the Distribution Companies could limit their ability to obtain additional financing for working capital, capital expenditures, debt service requirements or other purposes. It may also increase their vulnerability to adverse economic, market and industry conditions, and limit their flexibility in planning for, or reacting to, changes in our business operations or the industry overall.

If the results of operations and financial condition of the Distribution Companies are adversely affected by their level of indebtedness, their ability to make dividend payments or other distributions to the Issuer may be impaired. As a result, the financial condition and ability to meet the obligations of the Issuer, including under the Notes, would be adversely affected.

***Despite current indebtedness levels, the Issuer and the Distribution Companies may still be able to incur substantially more debt, which could further exacerbate the risks faced by the Issuer. In addition, the Issuer could be negatively affected by rising interest rates, downgrades to its credit ratings or other negative developments in its ability to access capital markets.***

Together with each of the Distribution Companies, the Issuer may incur substantially more debt in the future. The terms of the Notes do not restrict the ability of the Issuer to incur additional indebtedness. Any future debt agreement entered into by the Issuer may contain covenants and restrictions limiting the ability of the Issuer to finance its capital needs, or expand its business and pursue its business strategies. If further debt is added, the related restrictions and covenants could materially and adversely affect the ability of the Issuer to finance its future operations or capital needs. In order to finance its significant capital expenditures, debt service requirements and other operating needs, each Distribution Company expects to be reliant upon adequate long-term and short-term financing. Consequently, the Distribution Companies are likely to be sensitive to movements in interest rates, credit rating considerations, market liquidity and credit availability. Adverse changes in these conditions could result in increased costs and decreased liquidity to them and the Issuer.



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

### *Notes may not be a suitable investment for all investors*

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

- (i) have 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 in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **Risks related to Notes generally**

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

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

The Issuer has the option to redeem the Notes prior to their scheduled maturity date as described in Condition 5(c) (*Redemption at the Option of the Issuer*) of the conditions of the Notes. Such optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of the 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.

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

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, without the consent of Noteholders or Couponholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed, the Coupons or the conditions of the Notes which is of a formal, minor or technical nature or

to correct a manifest error or which in the opinion of the Trustee is not materially prejudicial to the Noteholders (save in relation to a Reserved Matter), or (ii) determine without the consent of the Noteholders or Couponholders that any Event of Default shall not be treated as such or (iii) the substitution the Issuer's successor in business as principal debtor under any Notes in place of the Issuer, and in case of such a substitution, to a change of the law governing the Notes and the Coupons, in the circumstances described in Condition 10 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

#### ***Eligibility of the Notes for Eurosystem Monetary Policy***

The Notes will be issued in new global note (NGN) form and are intended to be held in a manner which will allow Eurosystem eligibility. This means that such Notes are upon issue deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (**Eurosystem Eligible Collateral**) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the ECB from time to time. The Issuer does not give any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem Eligible Collateral.

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

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

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

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

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

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Although application has been made for the Notes to be admitted to listing on the Official List and to trading on the Market, there is no assurance that such application will be accepted or that an active trading market will develop. Illiquidity may have a severely adverse effect on the market value of Notes.

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

The Issuer will pay principal and interest on the Notes in Sterling (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.

***Interest rate risks***

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

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

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

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

***Legal investment considerations may restrict certain investments***

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

***Definitive Notes not having denominations in integral multiples of the minimum authorised denomination may have difficulty in trading in the secondary market***

The Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000 up to £199,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if Definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that its holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

*Notes in a book-entry form will be subject to the rules of Euroclear and Clearstream, Luxembourg, respectively, which may not be adequate to ensure the owners their timely exercise of rights under the Notes*

The Notes will initially only be issued in global form and deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Interests in the Global Notes will trade in book-entry form only. The Common Safekeeper, or its nominee, for Euroclear and Clearstream, Luxembourg, will be the sole holder of the Global Notes. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of the Notes.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Prospectus:

- (a) the directors' report, the independent auditor's report and the annual report and financial statements of the WPD Group for the year ended 31 March 2018 set out on pages 23 to 95 (inclusive) (the **2018 Audited Consolidated Accounts**); and
- (b) the directors' report, the independent auditor's report and the annual report and financial statements of the WPD Group for the year ended 31 March 2017 set out on pages 20 to 87 (inclusive) (the **2017 Audited Consolidated Accounts** and together with the 2018 Audited Consolidated Accounts, the **Audited Consolidated Accounts**).

If the documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference.

Copies of each document incorporated by reference in this Prospectus may be viewed electronically and free of charge at [www.westernpower.co.uk](http://www.westernpower.co.uk) and will be available for viewing 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>.

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

## **SELECTED FINANCIAL INFORMATION AND SUMMARY OF RESULTS**

### **Revenue**

Revenue for the WPD Group for the financial year ended 31 March 2018 was £1,620,900,000 compared to £1,664,600,000 for the previous financial year, a decrease of £43,700,000 (2.6 per cent.). This was principally due to an average tariff decrease of 3.0 per cent. in WPD South West, 0.6 per cent. in WPD South Wales, 4.5 per cent. in WPD West Midlands and 2.6 per cent. in WPD East Midlands, effective from 1 April 2017. £5 per residential end-user recovered in 2016/17 added an extra £37,700,000 to the 2016/17 revenue and was not observed in 2017/18. 2017/18 includes the true up (down) of inflation for 2015/16 which was £27,700,000 in 2012/13 prices. When the 2015/16 tariffs were set, inflation forecasts were 2.5 per cent. for 2014/15 and 2.6 per cent. for 2015/16. Actual inflation was 1.96 per cent. for 2014/15 and 1.08 per cent. for 2015/16. Incentive revenue received in 2017/18, which relates to the tougher new incentive revenue methodology introduced in 2015/16 under the RIIO-ED1 regime, has led to approximately £9m less incentive revenue in 2017/18 than in 2016/17 under the old regime.

### **Operating costs**

Operating costs for the WPD Group increased in comparison with the previous financial year by £40,200,000 (6.8 per cent.) from £592,600,000 in the financial year ended 31 March 2017 to £632,800,000 in the financial year ended 31 March 2018. This was due to an increase in direct costs of £15,100,000 and increases across pension charges, depreciation, indirect salaries and rates.

### **Other operating expenses**

Other operating expenses have reduced by £1,000,000 (50 per cent.) for the financial year ended 31 March 2018 which relates to the reduction in fair value of investment properties.

### **Net finance expense relating to pensions and other post-retirement benefits**

The net finance expense relating to pensions and other post-retirement benefits has decreased by £2,000,000 (31.2 per cent.) between 2017 and 2018. This is due to a larger reduction in the interest expense on plan liabilities compared to the reduction in the interest income on plan assets.

### **Finance costs**

Finance costs for the financial year ended 31 March 2018 were £290,600,000 compared to £271,300,000 for the financial year ended 31 March 2017. The increase of £19,300,000 (7.1 per cent) mainly arose due to increased accretion on index linked debt.

### **Tax expense**

Tax expenses incurred by the WPD Group increased from £109,200,000 for the financial year ended 31 March 2017 to £119,300,000 for the financial year ended 31 March 2018 (an increase of £10,100,000 (9.2 per cent.)). This was mainly due to lower profit before tax, offset by the reduction in future corporation tax rates processed in the prior year.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer and its subsidiaries (including the Distribution Companies) for general corporate purposes (including to refinance certain existing indebtedness).

## DESCRIPTION OF THE ISSUER AND ITS PRINCIPAL SUBSIDIARIES

Western Power Distribution plc (the **Issuer**) was incorporated under the Companies Act 2006 as PPL WPD 2 Limited on 17 September 2014 and registered as a private limited company with number 09223384. The Issuer was subsequently renamed Western Power Distribution Limited on 30 September 2014, and was re-registered as a public limited company on 24 June 2015. The Issuer is the holding company of four regulated monopoly distributors of electricity in the Midlands area of England, the South West of England and South Wales namely Western Power Distribution (East Midlands) plc (**WPDE**), Western Power Distribution (South Wales) plc (**WPD South Wales**), Western Power Distribution (South West) plc (**WPD South West**), and Western Power Distribution (West Midlands) plc (**WPDW**, and together with WPDE, WPD South Wales and WPD South West, the **Distribution Companies**). The Issuer is also the holding company of several other subsidiary companies that support the Distribution Companies, and such supporting companies including, *inter alios*, Surf Telecoms Limited, South Western Helicopters Limited and WPD Smart Metering Limited. The parent of Western Power Distribution plc is PPL WPD Limited, whose registered number is 09172857 and whose registered office is Avonbank, Feeder Road, Bristol, BS2 0TB. The ultimate parent of PPL WPD Limited is PPL Corporation (**PPL**), an energy and utility holding company based in Pennsylvania, USA.

### Description of WPD

WPDE, WPDW, WPD South West and WPD South Wales are all indirect subsidiaries of WPD which is an indirect subsidiary of PPL Corporation and operate together as a single commercial entity under the brand "Western Power Distribution". "Western Power Distribution", or "WPD" as used in this Prospectus, means the multiparty commercial operations of the Issuer, WPDE, WPDW, WPD South West, WPD South Wales and also the unregulated entities.

### Western Power Distribution – Service Area map





## **History**

In 1999 South Western Electricity divested its supply business and was renamed Western Power Distribution. The following year Western Power Distribution acquired South Wales Electricity. In 2011 Western Power Distribution acquired Central Networks, which comprised of the two distribution businesses operating in the Midlands.

Western Power Distribution also maintains a property portfolio, predominantly to meet the occupancy needs of the Distribution Companies. It has also developed a fibre optic telecoms network to predominantly provide data and voice infrastructure to the Distribution Companies. Spare capacity is however made available to third party users. WPD also maintains a fleet of five helicopters. These are principally used to provide fault location and surveying services to the Distribution Companies, but again are outsourced to third parties.

## **Description of the principal subsidiaries of the Issuer**

### ***Western Power Distribution (East Midlands) plc***

WPDE is the regulated monopoly distributor of electricity in the East Midlands area of England. WPDE was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPDE is at Avonbank, Feeder Road, Bristol, BS2 0TB and its telephone number is + 44-117-933-2000.

WPDE is an indirectly wholly-owned subsidiary of WPD. It was formerly known as Central Networks East plc and registered itself as Western Power Distribution (East Midlands) plc on 1 April 2011 when it became part of the WPD Group.

WPDE is one of the 14 regulated DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the East Midlands area of England and its principal activity being the distribution of electricity to industrial, commercial and domestic customers within its regulated area. It is regulated by the Ofgem of Great Britain.

Its network covers approximately 16,000 square kilometres, extending from the Lincolnshire coast to the outskirts of Coventry, and from Milton Keynes in the south to the Derbyshire Peak District in the north. As a result, it serves a diverse customer base including large urban areas such as Nottingham, Derby, Northampton and Leicester, as well as rural communities.

As at 31 March 2018, WPDE distributed electricity to over 2.6 million customers through approximately 73,000 kilometres of network.

At the date of this Prospectus WPDE has no subsidiary companies.

### ***Western Power Distribution (West Midlands) plc***

WPDW is the regulated monopoly distributor of electricity in the West Midlands area of England. WPDW was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPDW is at Avonbank, Feeder Road, Bristol, BS2 0TB and its telephone number is +44-117-933-2000.

WPDW is an indirectly wholly-owned subsidiary of WPD. It was formerly known as Central Networks West plc and registered itself as Western Power Distribution (West Midlands) plc on 1 April 2011 when it became part of the WPD Group.

WPDW is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the West Midlands area of England and its principal activity being the distribution of electricity to industrial, commercial and domestic customers. It is also regulated by Ofgem.

Its network covers approximately 13,300 square kilometres, extending from the outskirts of Bristol in the South to Staffordshire in the North and from approximately the M6 motorway to the Welsh border. As a result, WPDW serves a diverse customer base including England's second largest city, Birmingham, as well as rural communities.

As at 31 March 2018, WPDW distributed electricity to almost 2.5 million customers through approximately 65,000 kilometres of network.

At the date of this Prospectus WPDW has no subsidiary companies.

### ***Western Power Distribution (South West) plc***

WPD South West is the regulated monopoly distributor of electricity in the south-western area of England. WPD South West was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPD South West is Avonbank, Feeder Road, Bristol, BS2 0TB. Its telephone number is +44-117-933-2000.

WPD South West is an indirectly wholly-owned subsidiary of WPD. WPD South West was formerly known as South Western Electricity plc and changed its name to Western Power Distribution (South West) plc on 31 July 2001.

WPD South West is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the South West area of England and its principal activity is the distribution of electricity to industrial, commercial and domestic customers. It is also regulated by Ofgem.

Its network covers approximately 14,400 square kilometres, extending from Bristol and Bath in the northeast, southwest along the peninsula to Land's End and beyond to the Isles of Scilly. WPD South West serves a diverse customer base from the largest cities and towns in WPD South West's service area of Bath, Bristol, Exeter, Plymouth and Taunton to small rural communities.

As at 31 March 2018, WPD South West distributed electricity to almost 1.6 million customers through approximately 50,000 kilometres of network.

At the date of this Prospectus WPD South West has no subsidiary companies.

### *Western Power Distribution (South Wales) plc*

WPD South Wales is the regulated monopoly distributor of electricity in South Wales. WPD South Wales was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPD South Wales is Avonbank, Feeder Road, Bristol, BS2 0TB. Its telephone number is + 44-117-933-2000.

WPD South Wales is an indirectly wholly-owned subsidiary of WPD. WPD South Wales was formerly known as South Wales Electricity plc and changed its name to Western Power Distribution (South Wales) plc on 31 July 2001.

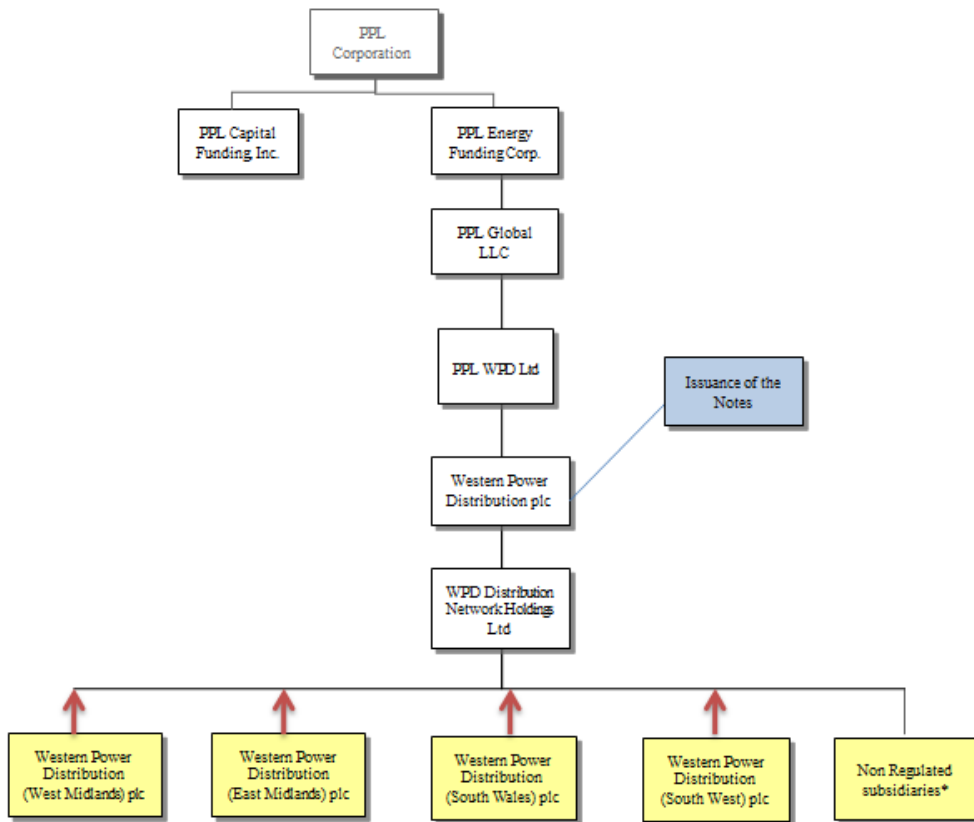
WPD South Wales is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in South Wales and its principal activity is the distribution of electricity to industrial, commercial and domestic customers. It is also regulated by Ofgem.

Its network covers approximately 11,800 square kilometres. The service area in Wales covers the south of the country. It covers an extremely diverse region including areas such as the Brecon Beacons National Park to the north, the Pembrokeshire Coast National Park in the West and city of Cardiff in the south. The largest cities and towns in WPD South Wales' service area are Cardiff, Swansea and Newport. Most of the population of South Wales is located in the coastal belt region between Newport and Llanelli, (to the east and west of Cardiff), or in the valleys region to the north of this coastal belt. The remainder of the area is sparsely populated.

As at 31 March 2018, WPD South Wales distributed electricity to over 1.1 million customers through approximately 36,000 kilometres of network.

At the date of this Prospectus WPD South Wales has no subsidiary companies.

# WPD Summary Group Structure Chart



*\*Includes: Western Power Distribution Investments Ltd, WPD Property Investments Ltd, Surf Telecoms Ltd, South Western Helicopters Ltd and WPD Smart Metering Ltd*

↑ Dividends from Distribution Companies to enable the Issuer to meet its payment obligations under the Notes

## Description of PPL Corporation

PPL Corporation, headquartered in Allentown, Pennsylvania, is an energy and utility holding company that was incorporated in 1994. Through its subsidiaries, PPL owns or controls nearly 8,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity and natural gas to over 10 million customers in the United States and the United Kingdom.

### *The Western Power Distribution Business*

As required by Ofgem in its regulation of DNOs, WPDE, WPDW, WPD South West and WPD South Wales, are separate legal entities, which are subject to financial ring-fencing and which hold separate distribution licences. As a result of this, all four entities are separately assessed by Ofgem and undergo a separate distribution price control review process (as further explained in the section entitled "*Regulation applying to the Distribution Companies*").

However, on a management and commercial level, WPDE, WPDW, WPD South West, WPD South Wales and the unregulated entities, are operated on a combined basis through shared divisional management (as further explained in the section entitled "*Description of the Western Power Distribution Business*"). Western Power Distribution is the second largest electricity network operator in the United Kingdom (by customer numbers) as at 31 March 2018, with more than 7.8 million customers.

As WPDE, WPDW, WPD South West and WPD South Wales are separate entities for legal and regulatory purposes they each produce accounts. The unregulated entities also produce separate financial accounts. The costs of shared services, employees and operations are allocated back to each entity (as appropriate) in order to produce such accounts.

As at 31 March 2018, WPDE and WPDW had a RAV of £2.3593 billion and £2.3651 billion respectively. In addition the WPD South West and WPD South Wales operations had a RAV of £1.5714 billion and £1.059 billion respectively. In total, the Distribution Companies have an aggregate RAV of £7.3548 billion (the **2018 Aggregate RAV**) making the WPD Group the largest electricity network operator in the United Kingdom by reference to RAV. RAV is an alternative performance measure. It has been determined by Ofgem in accordance with their required methodology and is a key component part of the calculation of the Distribution Companies' regulated income. It is included in this Prospectus to allow potential investors to better assess WPD Group's performance and business. It is not possible to perform a reconciliation between RAV and international financial reporting standards measures (**IFRS**) as RAV is a regulatory measure. For comparison, RAV as at 31 March 2017 was:

- (a) £2.2564 billion for WPDE;
- (b) £2.2611 billion for WPDW;
- (c) £1.4649 billion for WPD South West;
- (d) £0.9923 billion for WPD South Wales; and
- (e) in total, £6.9747 billion (the **2017 Aggregate RAV**), being the aggregate RAV of each of the Distribution Companies for that year.

The combined fixed asset values of the unregulated entities totalled £0.2 billion as at 31 March 2018 and consists predominantly of property assets.

As at 31 March 2018, the aggregate Net Debt/RAV Percentage (as defined below) of the four Distribution Companies was 77.6 per cent. For comparison, the aggregate Net Debt/RAV Percentage of the four Distribution Companies as at 31 March 2017 was 81.8 per cent.

**Net Debt/RAV Percentage** means the amount (expressed as a percentage) determined by the following formula:

$$\text{Net Debt/Applicable RAV}$$

where:

- (a) **Applicable RAV** means either the 2017 Aggregate RAV or the 2018 Aggregate RAV (as applicable); and
- (b) **Net Debt** means the relevant figure provided as the net debt line item as set out in the notes to the financial statements contained within the Audited Consolidated Accounts (being £5.7082 billion as provided at page 71 of the 2018 Audited Consolidated Accounts and £5.706 billion as provided at page 63 of the 2017 Audited Consolidated Accounts). Net Debt is not an alternative performance measure as it is from the Audited Consolidated Accounts prepared in accordance with IFRS.

Due to the RAV component of the calculation of the Net Debt/RAV Percentage, this figure is an alternative performance measure. The Net Debt/RAV Percentage is included in this Prospectus to allow potential investors to better assess WPD Group's performance and business.

Potential investors are also referred to the section entitled "*Combined Operating Activities of WPDE, WPDW, WPD South West and WPD South Wales*" within the section entitled "*Risk Factors*" above.

#### **Regulation applying to the Distribution Companies**

##### *Licences*

The distribution licences held by WPDE, WPDW, WPD South West and WPD South Wales authorise the licencees to distribute electricity for the purpose of providing a supply in Great Britain with additional obligations under Section B of the distribution licence for any premises in the distribution services area specified in the distribution licence. The licence exists in perpetuity, and can only be revoked by Ofgem (giving no less than 25 years' notice) or by breach of licence. A failure of a Distribution Company to comply with its licence could lead to an enforcement order being issued by Ofgem. Ofgem has the power to levy fines of up to 10 per cent. of turnover for any breach. In certain circumstances i.e. insolvency, the distribution licence itself may be revoked. The licences provide for a distribution services area, equating to the former authorised area of the former public electricity suppliers in the East Midlands and West Midlands areas the South West of England and South Wales, respectively, in which the respective licensee has certain specific distribution services obligations.

Under the Electricity Act 1989 (as amended), an electricity distributor has a duty, except in certain circumstances, to make a connection between its distribution system and any premises within the designated area for the purpose of enabling electricity to be conveyed to or from the premises and to make a connection between its distribution system and any distribution system of another authorised distributor, for the purpose of enabling electricity to be conveyed to or from that other system.

Each DNO benefits from a regional monopoly and its operations are regulated by its distribution licence. Each DNO is subject to annual limits on its regulated revenues and the quality of supply it must provide, and is provided with financial incentives to minimise its costs and improve the service it provides to its customers.

##### *Distribution Price Controls*

Distribution price controls (each a **Distribution Price Control**) are intended to provide companies with sufficient revenues to allow them to finance their efficient operating costs and capital investment. In addition to setting revenues, the price controls also include targets for the overall quality of network

performance based upon the average number and duration of supply outages experienced by customers. Companies can be either rewarded or penalised for exceeding or failing these targets.

The charges made for the use of the distribution network are regulated on the basis of annually profiled revenues adjusted for RPI. The RPI is a measure of inflation and in RIIO-ED1 prices are set using a forecast of RPI; subsequently reconciled 2 years later for the actual RPI observed.

It is then for DNOs to develop a charging regime in accordance with Ofgem's approved methodology in order to recover from suppliers an amount up to the allowed revenue. Historically, these tariffs have been a matter for each company individually but Ofgem has implemented licence conditions which compel distributors to work together and set tariffs based upon a common methodology.

The current Distribution Price Control was agreed with Ofgem in May 2014 for the period from 1 April 2015 to 31 March 2023. This resulted in a reduction in the price for the distribution of electricity in the first year of RIIO-ED1 (2015/16). The decreases, before taking into account inflation, were 9.1 per cent. for WPDE, 9.4 per cent. for WPDW and respective decreases of 17.5 per cent. and 23.8 per cent. for South West and South Wales. For the remaining seven years of RIIO-ED1 the revenues increase annually. All of these annual movements will have RPI inflation applied to them.

DNOs must also meet the standards of performance, which are set by Ofgem to ensure an appropriate level of quality of supply (the **Guaranteed Standards of Performance**). If a company fails to provide the level of service specified, it must make a fixed payment to the end user affected.

The objective of RIIO-ED1 is to drive real benefits for consumers; providing companies with strong incentives to meet the challenges of delivering a sustainable energy sector at a lower cost.

Key features of the regulation of electricity distribution businesses in RIIO-ED1 and beyond, include:

- (a) a move to eight year price controls with mid-point reviews restricted to outputs and whether they remain appropriate;
- (b) the RIIO-ED1 price control includes an annual iteration process. This allows base revenues to be updated during the price control for financial adjustments covering tax, pension deficit payments and the cost of debt allowed to be recovered in revenues, adjustments relating to actual and allowed total expenditure (**Totex**) and the "Totex Incentive Mechanism" and legacy price control adjustments from preceding price control periods. Under the annual iteration process, the financial model used to calculate base revenue is re-run using a series of revised input values. This process calculates an incremental change to base revenue, the "MOD" term, which is advised by 30th November preceding each regulatory year;
- (c) more closely aligned regulatory and physical asset lives for new assets purchased after 2015. This resulted in a decision to extend the regulatory depreciation lives for new expenditure on assets installed after 1 April 2015 from 20 years to 45 years over the course of RIIO-ED1;
- (d) the delivery of 76 different outputs to customers (both qualitative and quantitative) across the areas of safety, reliability, environment, connections, customer satisfaction and social obligations;
- (e) the introduction of a proportionate treatment concept where the degree of scrutiny of licence holders' business plans for any forthcoming price control period is related to the quality of the business plan and records of previous performance, with the possibility of some companies achieving limited scrutiny and an early settlement decision (to be known as a "Fast Track" decision); and
- (f) more clarity around the cost of capital and capitalisation policies at the beginning of the review period as well as recognising the role of equity in financing network businesses, together with a move to a rolling cost of debt allowance based on trailing averages of corporate bond indices. The cost of equity for each of the Distribution Companies is 6.4 per cent. As fast tracked companies, the

cost of debt for the Distribution Companies is calculated from a 10 year rolling average of real rates that will be determined from the arithmetical average of the iBoxx A-rated and BBB-rated non-financial indices (of eligible bonds greater than 10 years) less the implied 10-year gilt inflation break evens published daily by the Bank of England. For the year 2018/19, the cost of debt for the Distribution Companies is set at 1.91 per cent.

The WPD business plan, covering all four DNOs, can be found on the WPD website, [www.westernpower.co.uk](http://www.westernpower.co.uk). The comprehensive plan provides details of the level of investment, the improvements in customer service, the financing requirements, the 76 outputs, etc. that will occur within the RIIO-ED1 period.

### **Description of the WPD Group Business**

#### **Key Strengths**

The business of the WPD Group has a number of strengths, deriving both from the commercial strength of the business, and from the status of the Distribution Companies as regulated monopoly distributors of electricity. The key strengths of the business of the WPD Group are based on:

- (a) a stable, well established transparent regulatory regime;
- (b) strong and predictable operating cash flow;
- (c) no volume risk;
- (d) inflation linked earnings and asset base;
- (e) positive cash flow generation before financing;
- (f) industry leading delivery of Ofgem output targets; and
- (g) accurate forecasting and efficient delivery of investment programmes.



## Strategy

Monitoring the satisfaction of end users connected to the network with the quality of supply provided is a key element of the Western Power Distribution strategy. Each Western Power Distribution entity aims to meet or exceed all the performance criteria established by Ofgem. Network performance is measured by two key criteria:

- (a) *availability*: the number of customer minutes lost per connected customer (**CML**); and
- (b) *security*: the number of supply interruptions (if greater than 3 minutes) recorded per 100 connected customers (**CI**).

All licensees who operate a distribution system are required to report annually to Ofgem on their performance in maintaining system security and availability. The Innovation Incentive Scheme (**IIS**) financially incentivises all licensees including WPDE, WPDW, WPD South West and WPD South Wales with respect to both key measures of supply delivered to customers. Ofgem also incentivises the quality of telephone response the customer receives when they contact the licensees, which is assessed by a customer survey carried out on a monthly basis.

For the year 2017/18, the reported adjusted minutes lost per customer and the adjusted interruptions per 100 customers for each of the four companies was:

	WPD South West		WPD South Wales		WPD East Midlands		WPD West Midlands	
	CI	CML	CI	CML	CI	CML	CI	CML
OFGEM	58.5	43.5	53.3	33.4	51.4	38.8	85.4	53.0
IIS Target 2017/18								
IIS Outturn 2017/18	62.0	42.8	48.5	28.5	46.4	23.5	55.6	31.0
% Out Performance	-6.1%	1.6%	9.0%	14.8%	9.6%	39.4%	34.8%	41.5%

(Figures unaudited)

In addition to this in 2017/18, 85.6 per cent. of customers off supply in the South West as a result of a high voltage fault were restored within one hour of a fault occurring, with the figure being 87.2 per cent. for South Wales, 88.9 per cent. for WPDE and 90.7 per cent. for WPDW.

The Energy Ombudsman has the role of complaint handling and customer representation for the electricity sector in the United Kingdom and replaced energywatch in October 2008. Western Power Distribution's strategy has been and will be to position itself as number one for fewest complaints to either The Energy Ombudsman or its successor.

## **Customer Information**

WPDE's network, which consists of approximately 52,000 kilometres of underground cables and 21,000 kilometres of overhead line (as at 31 March 2018), distributed 26.0 terawatt hours of electricity in the year ended 31 March 2018 to approximately 2.6 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 59 per cent. of revenues and 51 per cent. of units distributed (for the year ended 31 March 2018). WPDE has approximately 19,000 larger customers as of 31 March 2018 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 41 per cent. of revenues and 49 per cent. of units distributed (for the year ended 31 March 2018).

WPDW's network, which consists of approximately 41,000 kilometres of underground cables and 23,500 kilometres of overhead line (as at 31 March 2018), distributed 23.2 terawatt hours of electricity in the year ended 31 March 2018 to approximately 2.5 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 59 per cent. of revenues and 52 per cent. of units distributed (for the year ended 31 March 2018). WPDW has approximately 19,200 larger customers as of 31 March 2018 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 41 per cent. of revenues and 48 per cent. of units distributed (for the year ended 31 March 2018).

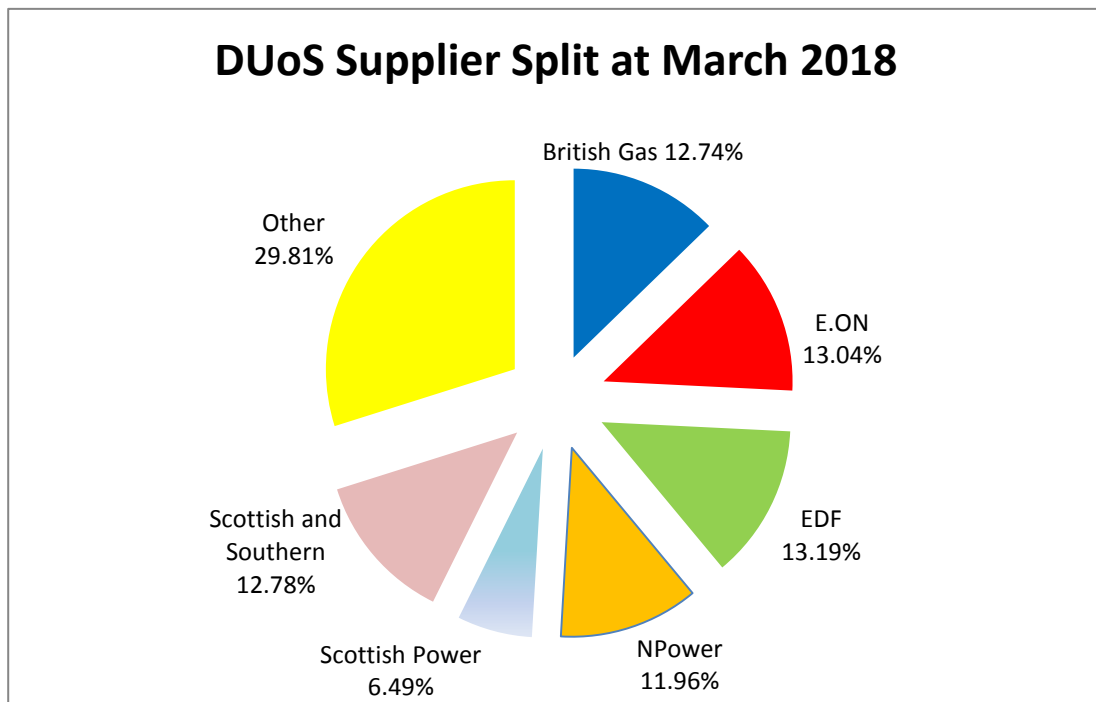
WPD South West's network, which consists of approximately 22,000 kilometres of underground cables and 28,000 kilometres of overhead line (as at 31 March 2018), distributed 13.4 terawatt hours of electricity in the year ended March 2018 to approximately 1.6 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 71 per cent. of revenues and 61 per cent. of units distributed (for the year ended 31 March 2018). WPD South West has approximately 10,500 larger customers as of 31 March 2018 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 29 per cent. of revenues and 39 per cent. of units distributed (for the year ended 31 March 2018).

WPD South Wales' network, which consists of approximately 18,000 kilometres of underground cables and 18,000 kilometres of overhead line (as at 31 March 2018), distributed 10.9 terawatt hours of electricity in the year ended 31 March 2018 to approximately 1.1 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 62 per cent. of revenues and only 45 per cent. of units distributed (for the year ended 31 March 2018). WPD South Wales has approximately 7,000 larger customers as of 31 March 2018 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 38 per cent. of revenues and 55 per cent. of units distributed (for the year ended 31 March 2018).

## **Distribution Facilities**

Electricity is transported across National Grid Electricity Transmission plc's transmission system at 400kV or 275kV to 14 Grid Supply Points (**GSPs**) connected to WPDE's distribution network, 16 GSPs connected to WPDW's network and 11 GSPs connected to both the WPD South West and WPD South Wales networks; where it is transformed to 132kV and enters Western Power Distribution's distribution systems. 85 per cent. of all electricity that enters Western Power Distribution's system is received at these 52 GSPs (as at 31 March 2018). Within the last few years there has been a substantial increase in distributed generation within the WPD area, which accounts for the remaining 15 per cent. that is distributed by WPD.

Whilst Western Power Distribution supplies some 7.8 million connected customers, revenue is derived via some 99 electricity suppliers operating in Western Power Distribution's area with the following market shares as of March 2018:



Operation and control of Western Power Distribution's distribution systems are continuously monitored and coordinated from three control centres located on the outskirts of Birmingham for the West Midlands, near Nottingham for the East Midlands and on the outskirts of Cardiff for the South West and South Wales. Electricity is received by end users at various voltages depending upon their requirements.

## DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

### Board of Directors of the Issuer

The Board of Directors of the Issuer determines the Issuer's long-term strategy, to ensure that the Issuer acts ethically and has the necessary resources to meet its objectives, to monitor performance, and to ensure the Issuer meets its responsibilities as a leading power distribution company.

The current directors and secretary of the Issuer are set out below.

<u>Name</u>	<u>Position</u>	<u>Principal non-Group activities</u>
R A Symons	Chief Executive Officer	None
I R Williams	Group Finance Director	None
A J Sleightholm	Resources and External Affairs Director	None
P Swift	Operations Director	None
V Sorgi	Non-Executive Director	Senior Vice President and Chief Financial Officer, PPL Corporation
G N Dudkin	Non-Executive Director	President, PPL Corporation, Electric Utilities Corporation
A J Torok	Non-Executive Director	Vice President, Tax, PPL Corporation
J H Raphael	Non-Executive Director	Senior Vice President, General Counsel and Corporate Secretary
Sally Jones	Company Secretary	None

The business address of each of the Directors is Avonbank, Feeder Road, Bristol BS2 0TB. No Director has any actual or potential conflict of interest between WPD and his private interests and/or other duties.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:*

The GBP 350,000,000 3.500 per cent. Notes due October 2026 (the **Notes**, which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith are constituted by, are subject to, and have the benefit of, a trust deed dated on or around 16 October 2018 (as amended or supplemented from time to time, the **Trust Deed**) between Western Power Distribution plc (the **Issuer**) and HSBC Corporate Trustee Company (UK) Limited (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An Agency Agreement dated on or around 16 October 2018 (as amended or supplemented from time to time) has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank Plc as principal paying agent and the other agents named in it. The principal paying agent and the other paying agents for the time being (if any) are referred to below respectively as the **Principal Paying Agent** and the **Paying Agents** (which expression shall include the Principal Paying Agent). These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and Coupons referred to below, and the Agency Agreement. Copies of the Trust Deed, the Agency Agreement and the Prospectus are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders and the holders of the interest coupons (the **Coupons**) (the **Couponholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### 1. Form, Denomination and Title

The Notes are issued in bearer form serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000, each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

Title to the Notes and the Coupons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note or Coupon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, **Noteholder** means the bearer of any Note, **holder** (in relation to a Note or Coupon) means the bearer of any Note or Coupon.

### 2. Status

The Notes and the Coupons relating to them constitute direct, general, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer present and future.

### 3. Negative Pledge

Save with the prior written consent of the Trustee, the Issuer shall not, so long as any Note remains outstanding, create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking.

### 4. Interest and other Calculations

Each Note bears interest on its outstanding principal amount from 16 October 2018 (the **Issue Date**) at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on 16 October in each year (each, an **Interest Payment Date**), subject as provided in Condition 6 (*Payments*).

#### (a) Accrual of Interest:

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 7 (*Taxation*)).

#### (b) Calculations:

The amount of interest (the **Interest Amount**) payable on each Interest Payment Date shall be GBP 35.00 per Calculation Amount in respect of any Note or GBP 47.50 per Calculation Amount in respect of any Note following a Step-Up Event and for an Interest Period to which the higher rate of interest applies. If interest is required to be paid in respect of a Note on any other date, it 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 penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.

#### (c) Definitions:

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

**Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

**Calculation Amount** means GBP 1,000.

**Day Count Fraction** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Interest Period in which the relevant period falls.

**Interest Period** means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

**Rate of Interest** means 3.500 per cent., *provided that* if a Step-up Event has occurred and is continuing, the Rate of Interest shall be calculated as the aggregate of 3.500 per cent. plus 1.25 per cent. from and including the Interest Payment Date immediately following the occurrence of that Step-up Event, *provided further that* the Rate of Interest shall revert to 3.500 per cent. from and including the Interest Payment Date immediately following the date on which the relevant Step-up

Event ceases to be continuing, and the Rate of Interest shall not be affected by any subsequent Step-up Event thereafter.

**Step-up Event** means that the then current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or by its own volition) is withdrawn or reduced to a non-investment grade rating (BB+/Bal, or their respective equivalents for the time being, or worse), for any reason other than as a result of an event falling within paragraph (A) of the definition of Restructuring Event set out in Condition 5(d) (*Redemption at the Option of Noteholders*).

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

### (a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date at its principal amount.

### (b) **Redemption for Taxation Reasons:**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date on giving not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 7 (*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, which change or amendment becomes effective on or after 12 October 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b) (*Redemption for Taxation Reasons*), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate (without any further investigation) as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

### (c) **Redemption at the Option of the Issuer:**

The Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Trustee and the Noteholders redeem all or some of the Notes on any Interest Payment Date. Any such redemption of Notes shall be at their Early Redemption Amount together with interest accrued up to (and including) the date fixed for redemption.

For the purposes of these Conditions, **Early Redemption Amount** means an amount equal to the principal amount of that Note then outstanding multiplied by the higher of: (A) 1; and (B) the price expressed as a percentage and determined by an internationally recognised investment bank based in London acting as financial adviser (selected by the Issuer and notified in writing to the Trustee) at which the Gross Redemption Yield (as defined below) on such Notes on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue.

For the purposes of this Condition, **Gross Redemption Yield** means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 16 March 2005, page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the Notes shall be the Maturity Date; **Reference Date** means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition; and **Reference Gilt** means the Treasury stock whose modified duration most closely matches that of the Notes on the Reference Date determined by agreement of three persons operating in the gilt-edged market (selected by the Issuer and notified in writing to the Trustee).

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Notes pursuant to this Condition, such Notes to be redeemed shall be drawn by lot in London, or identified in such other manner or in such other place as the Issuer deems appropriate and fair, subject always to compliance with all applicable laws and the requirements of each listing authority, stock exchange and/or quotation system (if any) by which the Notes may have been admitted to listing, trading and/or quotation.

(d) **Redemption at the Option of Noteholders:**

(i) If, at any time while any of the Notes remains outstanding, the Issuer becomes aware of the occurrence of a Restructuring Event (as defined below), the Issuer shall promptly (and, in any event within fourteen Business Days) notify the Trustee in writing.

(ii)

(a) If, at any time while any of the Notes remains outstanding, a Restructuring Event (as defined below) occurs and prior to the commencement of or during the Restructuring Period (as defined below):

(A) an independent financial adviser (as described below) shall have certified in writing to the Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders; or

(B) if there are Rated Securities (as defined below), each Rating Agency (as defined below) that at such time has assigned a current rating to the Rated Securities confirms in writing to the Issuer at its request (which it shall make as set out below) that it will not be withdrawing or reducing the then current rating assigned to the Rated Securities by it from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating will not be lowered by one full rating category or more, in each case as a result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event,

the following provisions of this Condition 5(d) (*Redemption at the Option of Noteholders*) shall cease to have any further effect in relation to such Restructuring Event.

(b) If, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and (subject to Condition 5(d)(ii)(a)):



- (A) within the Restructuring Period, either:
  - (i) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade (as defined below) in respect of such Restructuring Event also occurs; or
  - (ii) if at such time there are no Rated Securities, a Negative Rating Event (as defined below) in respect of such Restructuring Event also occurs; and
- (B) an independent financial adviser shall have certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a **Negative Certification**),

then, unless at any time the Issuer shall have given notice under Condition 5(c) (*Redemption at the Option of the Issuer*), the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the **Put Option**) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the Put Date (as defined below), at its principal amount outstanding together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

A Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Noteholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency (as defined below) is subsequently increased to, or, as the case may be, there is assigned to the Notes or other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3) or their respective equivalents for the time being) or better prior to any Negative Certification being issued.

Any Negative Certification shall be conclusive and binding on the Trustee, the Issuer and the Noteholders. The Issuer may, at any time, with the approval of the Trustee appoint an independent financial adviser for the purposes of this Condition 5(d) (*Redemption at the Option of Noteholders*). If, within five Business Days following the occurrence of a Rating Downgrade or a Negative Rating Event, as the case may be, in respect of a Restructuring Event, the Issuer shall not have appointed an independent financial adviser for the purposes of Condition 5(d)(ii)(b)(B) and (if so required by the Trustee) the Trustee is indemnified and/or prefunded and/or secured by the Issuer to its satisfaction against the costs of such adviser, the Trustee may appoint an independent financial adviser for such purpose following consultation with the Issuer.

- (iii) Promptly upon the Issuer becoming aware that a Put Event (as defined below) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Issuer shall, give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 15 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.
- (iv) To exercise the Put Option, the holder of a Note must comply with the provisions of Condition 5(d) (*Redemption at the Option of Noteholders*). The applicable notice period for the purposes of Condition 5(d) (*Redemption at the Option of Noteholders*) shall be the period (the **Put Period**) of 45 days after that on which a Put Event Notice is given. Subject to the relevant Noteholder having complied with Condition 5(d) (*Redemption at the Option of Noteholders*), the Issuer shall redeem or, at the option of the Issuer, purchase (or procure

the purchase of) the relevant Note on the fifteenth day after the date of expiry of the Put Period (the **Put Date**) unless previously redeemed or purchased.

- (v) For the purposes of these Conditions:
- (a) **Distribution Company** means any of Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, and Western Power Distribution (West Midlands) plc.
  - (b) **Distribution Licence** means an electricity distribution licence granted under section 6(1)(c) of the Electricity Act 1989 (as amended by section 30 of the Utilities Act 2000 and from time to time).
  - (c) **Distribution Services Area** means, in respect of any Distribution Company, the area specified as such in the relevant Distribution Licence granted to it on 1 October 2001, as of the date of such Distribution Licence.
  - (d) **Maturity Date** means 16 October 2026.
  - (e) A **Negative Rating Event** shall be deemed to have occurred if (1) the Issuer does not, either prior to or not later than 14 days after the date of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more from a Rating Agency or (2) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being).
  - (f) A **Put Event** occurs on the date of the last to occur of (1) a Restructuring Event, (2) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (3) the relevant Negative Certification.
  - (g) **Rating Agency** means S&P Global Ratings Europe Limited or any of its subsidiaries and their successors (**Standard & Poor's**) or Moody's Investors Service Ltd. or any of its subsidiaries and their successors (**Moody's**) or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee.
  - (h) A **Rating Downgrade** shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency (or any other rating provided by a rating agency at the invitation of the Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3), or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal), or their respective equivalents for the time being, or worse) or, if the rating agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category or more.
  - (i) **Rated Securities** means the Notes, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more which is rated by a rating agency;
  - (j) **Restructuring Event** means the occurrence of any one or more of the following events:

- (A)
- (i) the Secretary of State for Business, Innovation and Skills (or any successor) giving any of the Distribution Companies a written notice of any revocation of its Distribution Licence; or
  - (ii) any of the Distribution Companies agreeing in writing with the Secretary of State for Business, Innovation and Skills (or any successor) to any revocation or surrender of its Distribution Licence; or
  - (iii) any legislation (whether primary or subordinate) being enacted which terminates or revokes the Distribution Licence of any of the Distribution Companies;

except, in each such case, in circumstances where a licence or licences on substantially no less favourable terms is or are granted to the Issuer or a wholly-owned subsidiary of the Issuer; or

- (B) any modification (other than a modification which is of a formal, minor or technical nature or to correct a manifest error) being made to the terms and conditions upon which a Distribution Company is authorised and empowered under relevant legislation to distribute electricity in the Distribution Services Area unless two directors of such Distribution Company have certified to the Trustee that the modified terms and conditions are not materially less favourable to the business of that Distribution Company; or
- (C) any legislation (whether primary or subordinate) is enacted which removes, qualifies or amends (other than an amendment which is of a formal, minor or technical nature or to correct a manifest error) the duties of the Secretary of State for Business, Innovation and Skills (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under section 3A of the Electricity Act 1989 (as amended by the Utilities Act 2000) (as this may be amended from time to time) unless two directors of each Distribution Company have certified in good faith to the Trustee that such removal, qualification or amendment does not have a materially adverse effect on the financial condition of such Distribution Company; or
- (D) the Issuer ceases to be a direct or indirect subsidiary of PPL Corporation.

(k) **Restructuring Period** means:

- (A) if at the time a Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or
- (B) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (aa) the date (if any) on which the Issuer shall seek to obtain a rating as contemplated by the definition of Negative Rating Event; (bb) the expiry of the 14 days referred to in the definition of Negative Rating Event and (cc) the date on which a Negative Certification shall have been given to the Trustee in respect of that Restructuring Event.

- (l) A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, refusal to assign a rating of at least investment grade as provided in this Condition 5(d) (*Redemption at the Option of Noteholders*), does not announce or publicly confirm or inform the Issuer in writing at its request (which it shall make as set out in the following paragraph) that the reduction or, where applicable, declining to assign a rating of at least investment grade, was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

The Issuer undertakes to contact the relevant Rating Agency immediately following that reduction, or, where applicable the refusal to assign a rating of at least investment grade, to confirm whether that reduction or refusal to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event. The Issuer shall notify the Trustee immediately upon receipt of any such confirmation from the relevant Rating Agency.

(e) **Redemption on disposal of a Distribution Company:**

If a Disposal Event (as defined below) occurs, the Issuer shall, on giving not less than 15 nor more than 30 days' irrevocable notice to the Trustee and the Noteholders redeem all of the Notes. Any such redemption of the Notes shall be at the Early Redemption Amount together with interest accrued up to (and including) the date fixed for redemption.

For the purposes of these Conditions:

- (i) **Disposal** means the Issuer ceasing directly or indirectly to:
- (A) own more than 51 per cent. of the economic rights of any Distribution Company;
  - (B) have the right to cast more than 51 per cent. of the votes capable of being cast in general meetings of any Distribution Company; or
  - (C) have the ability to determine the composition of the majority of the board of directors or equivalent body of any Distribution Company.
- (ii) **Disposal Event** means the occurrence of (i) a Disposal and (ii) during the Disposal Period, a Rating Downgrade.
- (iii) **Disposal Period** means the period of 90 days starting from and including the day on which that Disposal occurs.
- (iv) A **Rating Downgrade** shall be deemed to have occurred in respect of a Disposal if the then current rating assigned to the Notes by any Rating Agency (or any other rating provided by a rating agency at the invitation of the Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3), or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal), or their respective equivalents for the time being, or worse) or, if the rating agency shall then have already rated the Notes below investment grade (as described above), the rating is lowered one full rating category or more.

(f) **Purchases:**

The Issuer or its subsidiaries may at any time purchase Notes (provided that all unmatured Coupons are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation:**

All Notes purchased by or on behalf of the Issuer or its subsidiaries may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons to the Principal Paying Agent and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

**6. Payments**

Payments of principal and interest in respect of the Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 6(c)(ii) (*Unmatured Coupons*)) or Coupons (in the case of interest, save as specified in Condition 6(c)(ii) (*Unmatured Coupons*)), as the case may be, at the specified office of any Paying Agent outside the United States by a transfer to an account denominated in such currency with, a bank in London.

(a) **Payments subject to Fiscal Laws:**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 (*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 (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 Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(b) **Appointment of Agents:**

The Principal Paying Agent and the Paying Agents initially appointed by the Issuer are listed in the Agency Agreement. The Principal Paying Agent and the Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent or any other Paying Agent and to appoint additional or other Paying Agents provided that the Issuer shall at all times maintain (i) a Principal Paying Agent and (ii) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(c) **Unmatured Coupons:**

(i) Upon the due date for redemption of the Notes, the Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the principal amount outstanding or Early Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8 (*Prescription*)).

- (ii) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding Interest Payment Date or the Issue Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note.

(d) **Non-Business Days:**

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **business day** means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in the relevant place of presentation in London.

**7. Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, and the Coupons 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 within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) **Other connection:**

to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

(b) **Lawful avoidance of withholding:**

to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any reasonable written request of the Issuer or the Principal Paying Agent or any other Paying Agent addressed to the Noteholders and made at least 30 days before any such deduction or withholding would be payable to comply with any statutory requirements or make or procure that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note or Coupon is presented for payment; or

(c) **Presentation more than 30 days after the Relevant Date:**

presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, **Relevant Date** in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Notes Early Redemption Amounts, and all other amounts in the nature of principal payable pursuant to Condition 5 (*Redemption, Purchase and Options*) or any

amendment or supplement to it, (ii) **interest** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 (*Interest and other Calculations*) or any amendment or supplement to it and (iii) **principal** and/or **interest** shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 9. Events of Default

If any of the following events (**Events of Default**) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution and if indemnified and/or prefunded and/or secured to its satisfaction shall, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their outstanding principal amount together (if applicable) with accrued interest:

(i) **Non-Payment:**

if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of principal and 21 days in the case of interest or, where relevant, the Issuer, having become obliged to redeem, purchase or procure the purchase of (as the case may be) any Notes pursuant to Condition 5 (*Redemption, Purchase and Options*) fails to do so within a period of 14 days of having become so obliged; or

(ii) **Breach of Other Obligations:**

the Issuer does not perform, observe or comply with any one or more of its other obligations, covenants, conditions or provisions under the Notes or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) **Cross-default and Cross-acceleration:**

if (A) any indebtedness of the Issuer or any Distribution Company becomes due and repayable prior to its stated maturity by reason of a default or (B) any such indebtedness of the Issuer is not paid when due or, as the case may be, within any applicable grace period (as originally provided) or (C) the Issuer fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness of any person, provided that the aggregate amount of the relevant indebtedness in respect of which any one or more of the events mentioned above in this paragraph (iii) has or have occurred equals or exceeds £20,000,000;

For the purposes of these Conditions:

"**indebtedness**" means (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private

placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

(iv) **Enforcement Proceedings:**

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or

(v) **Insolvency:**

the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of its debts generally or a material part of a particular type of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting its debts generally or any part of a particular type of the debts of the Issuer; or

(vi) **Winding-up:**

(A) an administrator or liquidator is appointed in relation to the Issuer (and, in each case, not discharged within 90 days) or (B) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or (C) the Issuer shall apply or petition for a winding-up or administration order in respect of itself or (D) the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case ((A) to (D) inclusive) except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

(vii) **Nationalisation:**

any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer; or

(viii) **Illegality:**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed,

provided that in the case of paragraph (ii) the Trustee shall have certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders.

## **10. Meetings of Noteholders, Modification, Waiver and Substitution**

(a) **Meetings of Noteholders:**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the aggregate



principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals:

- (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes;
- (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes;
- (iii) to reduce the rate or rates or amount of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes;
- (iv) to vary any method of, or basis for, calculating the Early Redemption Amount;
- (v) to vary the currency or currencies of payment or denomination of the Notes;
- (vi) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, whether or not those rights arise under the Trust Deed;
- (vii) to amend the definition of Reserved Matter; or
- (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution,

(each a **Reserved Matter**)

in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed:**

The Trustee may agree, without the consent of the Noteholders or Couponholders, (i) to any modification of any of the provisions of the Trust Deed or the Notes, or Coupons or these Conditions that is of a formal, minor or technical nature or is made to correct a manifest error, or (ii) if in the opinion of the Trustee the interests of the Noteholders will not be materially prejudiced thereby, to any other modification (except in relation to a Reserved Matter), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or the Notes, or Coupons or these Conditions, or determine that any Event of Default shall not be treated as such. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Substitution:**

The Trust Deed contains provisions for the substitution of the Issuer. The Trustee may agree, subject to the execution of a deed or undertaking supplemental to the Trust Deed in form and manner satisfactory to the Trustee and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:**

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

**11. Enforcement**

At any time after the occurrence of an Event of Default which is continuing, and, in the case of paragraph (ii) of Condition 9 (*Events of Default*) where the Trustee has certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

**12. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

**13. Replacement of Notes and Coupons**

If a Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent in London or such other Paying Agent as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs

incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note or Coupon is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes or Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **14. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects save for the Issue Date, interest commencement date and issue price) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such different terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further issues may be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

#### **15. Notices**

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

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

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

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

#### **17. Governing Law and Jurisdiction**

##### **(a) Governing Law:**

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

##### **(b) Jurisdiction:**

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes or Coupons and accordingly any legal action or proceedings arising out of or in connection with any Notes or Coupons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

## PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

### 1. Exchange

The Notes will initially be issued in the form of the Temporary Global Note which will be deposited on or around the Closing Date with the Common Safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in NGN form. 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.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of Euroclear and Clearstream, Luxembourg 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.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date 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.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (**Definitive Notes**) in denominations of GBP 100,000 and integral multiples of GBP 1,000 each in excess thereof, up to and including GBP 199,000 at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if (each, an **Exchange Event**) (a) Euroclear or Clearstream, Luxembourg 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 (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of GBP 100,000 and higher integral multiples of GBP 1,000, notwithstanding that no Definitive Notes will be issued with a denomination above GBP 199,000.

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 attached, in an aggregate principal amount equal to the principal amount of 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 occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

## **2. Payments**

All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global 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 Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

## **3. Payments on business days**

In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "business day" means any day which is a day on which dealings in foreign currencies may be carried on in the United Kingdom.

## **4. Exercise of put option**

In order to exercise the option contained in Condition 5(d) (*Redemption at the Option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Event 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.

## **5. Partial exercise of call option**

In connection with an exercise of the option contained in Condition 5(c) (*Redemption at the Option of the Issuer*) in relation to some only of the Notes, the Permanent Global 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 in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion), not more than 30 days prior to the date fixed for redemption.

## **6. Notices**

Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a Common Safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

## **7. Prescription**

Claims against the Issuer in respect of principal, premium and interest on the Notes represented by a Global Note will be prescribed after ten years from the appropriate payment date (in the case of principal and premium) and five years from the relevant Interest Payment Date (in the case of interest).

## **8. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf

of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

**9. Euroclear and Clearstream, Luxembourg**

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

## **TAX CONSIDERATIONS**

### **UK TAXATION**

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

#### **Interest on the Notes**

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax" provided the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange", within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", payments of interest on the Notes may be made without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to the availability of other exemptions or reliefs or to any direction to the contrary to make payments free of or at a reduced rate of withholding by HMRC under an applicable double taxation treaty.

#### **Further United Kingdom Income Tax Issues**

Interest on the Notes that constitutes United Kingdom source income for tax purposes may, as such, be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for Noteholders.

## **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (although Estonia has since stated that it will not participate) (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## **FATCA DISCLOSURE**

### Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. 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 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "Terms and Conditions of the Notes—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes



## SUBSCRIPTION AND SALE

Barclays Bank PLC, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc and NatWest Markets Plc (together, the **Joint Lead Managers**) and Banco Santander, S.A., Merrill Lynch International, HSBC Bank plc, Mizuho International plc and RBC Europe Limited (together, the **Co-Managers**, and together with the Joint Lead Managers, the **Managers**) have entered into a subscription agreement dated 12 October 2018 (the **Subscription Agreement**) and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.164 per cent. of their principal amount plus any accrued interest in respect thereof. The Issuer has agreed to pay a combined management and underwriting commission in respect of the Notes to the Managers. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### United States

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

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

Each Joint Lead Manager has represented and agreed, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons. Each Joint Lead Manager has further agreed, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

### United Kingdom

Each Manager has represented and agreed, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the 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; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **General**

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Managers shall have any responsibility therefor.

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

## **GENERAL INFORMATION**

### **Authorisation**

The creation and issuance of the Notes has been authorised by a resolution of the Issuer's Board of Directors, dated 21 September 2018.

### **Listing**

Application has been made to the UKLA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market. The Issuer estimates the expenses relating to the admission of the Notes to trading to be approximately £5,250.

### **Legal Entity Identifier**

The legal entity identifier for the Issuer is 549300HFCD0G1TPU4N09.

### **Clearing Information**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate ISIN for this issue is XS1893807120, the FISN is WESTERN POWER D/EUR NT 22001231, the CFI Code is DYFXXB and the Common Code is 189380712.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

### **Legal information**

The Issuer (registered number 09223384), with its registered office at Avonbank, Feeder Road, Bristol BS2 0TB, was incorporated in England on 17 September 2014. The Issuer can be contacted by calling +44 (0) 117 933 2000.

As of the date of this Prospectus, the Issuer's issued ordinary share capital is 1,657,592,372 ordinary shares of a par value of £1 each, held by PPL WPD Investments Limited.

The rights of the holders of the common shares in the Issuer are contained in the Articles of Association of the Issuer, and the Issuer will be managed by its directors in accordance with those articles and in accordance with the laws of England and Wales.

### **No Significant Change or Litigation**

There has been no material adverse change in the prospects of the Issuer and its subsidiaries since 31 March 2018, and no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 March 2018.

There are no governmental, legal or arbitration proceedings that may have or had in the 12 months before the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and its subsidiaries. The Issuer is not aware that any such proceedings are pending or threatened.

### **Auditors**

The consolidated financial statements as at and for the year ended 31 March 2018 have been audited by Deloitte LLP, 3 Rivergate, Temple Quay, Bristol BS1 6GD statutory auditors to the Issuer.

## **Documents Available**

For as long as the Notes are admitted to trading on a regulated market, copies of the documents referred to in the section "*Documents Incorporated by Reference*" and the following documents will, when published, be available for inspection at the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London:

- (a) the memorandum and Articles of Association of the Issuer;
- (b) the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form and the Coupons; and
- (c) a copy of this Prospectus.

In addition, this Prospectus is also available at 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>.

## **Yield**

The yield of the Notes is 3.622 per cent. per annum calculated on the basis of the Issue Price.

## **Third party information**

Third party information referred to in the section entitled "*Description of the Issuer and its Principal Subsidiaries*" has been accurately reproduced and as far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has not independently verified the information included herein from third parties and such information may not be up to date.

## **Managers transacting with the Issuer**

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, other members of the WPD Group and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers 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 its affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **THE ISSUER**

### **Western Power Distribution plc**

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United Kingdom

## **TRUSTEE**

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United Kingdom

## **PRINCIPAL PAYING AGENT**

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## **THE JOINT LEAD MANAGERS**

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### **Lloyds Bank Corporate Markets plc**

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### **MUFG Securities EMEA plc**

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25 Ropemaker Street  
London EC2Y 9AJ  
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### **NatWest Markets Plc**

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United Kingdom

## **THE CO-MANAGERS**

### **Banco Santander, S.A.**

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Edificio Encinar  
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### **HSBC**

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### **Merrill Lynch International**

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### **Mizuho International plc**

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