



# Rolls-Royce

## ROLLS-ROYCE plc

*(incorporated with limited liability in England and Wales under the Companies Acts 1948-1967)*

*Registered Number 1003142)*

unconditionally and irrevocably guaranteed by

**Rolls-Royce Group plc**

*(incorporated with limited liability in England and Wales under the Companies Act 1985 Registered Number 4706930)*

### **£1,250,000,000**

### **Euro Medium Term Note Programme**

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

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

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,250,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for Notes issued under the Programme during the period 12 months from the date of this Offering Circular 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 such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Official List and admitted to trading by the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Programme has been rated by Moody's Investors Service Limited ("Moody's") and by Standard & Poor's, a Division of the McGraw-Hill Companies Inc. ("Standard & Poor's"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer and JPMorgan Chase Bank (the "Trustee") that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes admitted to the Official List only) supplementary listing particulars or further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

#### **Arranger**

**Goldman Sachs International**

#### **Dealers**

**BNP PARIBAS  
Deutsche Bank  
JPMorgan**

**Citigroup  
Goldman Sachs International  
Morgan Stanley**

**The Royal Bank of Scotland**

The date of this Offering Circular is 8 August 2003



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

Any reference in this Offering Circular to Listing Particulars means this Offering Circular excluding all information incorporated by reference. Each of the Issuer and the Guarantor has confirmed that any information incorporated by reference, including any such information to which readers of this Offering Circular are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000 or the listing rules of the UK Listing Authority. Each of the Issuer and the Guarantor believes that none of the information incorporated in the Offering Circular by reference conflicts in any material respect with the information included in the Listing Particulars.

A copy of this Offering Circular, which comprises the listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000, as amended (the "Listing Particulars") in relation to Notes listed on the Official List and admitted to trading on the London Stock Exchange and issued during the period of 12 months from the date of this Offering Circular, has been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the specified office set out below of each of the Paying Agents (as defined below).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Offering Circular shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular but not part of the Listing Particulars.

None of the Arranger (as defined herein), the Dealers and the Trustee (as defined herein) 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 Arranger, the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer and/or the Guarantor in connection with the Programme. None of the Arranger, the Dealers and the Trustee accept any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer and/or the Guarantor in connection with the Programme.

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

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, the Dealers and the Trustee undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

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

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

All references in this Offering Circular to "U.S. dollars", "U.S.\$" and "\$" refer to United States dollars, all references to "Sterling", "£" and "pence" refer to pounds sterling and all references to "euro", "EUR" and "€" refer to the lawful currency of the Member States of the European Union that adopt or have adopted the single currency introduced in accordance with the treaty establishing the European Community, as amended.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular (provided, however, that such incorporated documents do not form a part of the Listing Particulars):

- (a) the most recently published audited consolidated annual financial statements and, if published later, the most recently published interim unaudited consolidated financial statements (if any) of the Issuer and its subsidiaries or, when prepared and published the most recently published audited consolidated annual financial statements and, if published later, the most recently published interim unaudited consolidated financial statements (if any) of the Guarantor and its subsidiaries including the Issuer. See "Description of the Issuer and the Guarantor – Recent Developments" for more detail on the scheme of arrangement. See "General Information" for a description of the financial statements currently published by the Group; and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer and/or the Guarantor from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular (but not the Listing Particulars) to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Each of the Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB.

## **SUPPLEMENTARY LISTING PARTICULARS**

If at any time the Issuer and/or the Guarantor shall be required to prepare supplementary listing particulars pursuant to section 81 of the Financial Services and Markets Act 2000, the Issuer and/or the Guarantor, as the case may be, will prepare and make available an appropriate amendment or supplement to this Offering Circular or a further offering circular which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading by the London Stock Exchange, shall constitute supplementary listing particulars as required by section 81 of the Financial Services and Markets Act 2000.

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**In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any authorised person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the stabilising manager or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

## SUMMARY OF THE PROGRAMME

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

<b>Issuer:</b>	Rolls-Royce plc
<b>Guarantor:</b>	Rolls-Royce Group plc
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Up to £1,250,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes. The Issuer may increase the size of the Programme amount in accordance with the terms of the Distribution Agreement.
<b>Arranger:</b>	Goldman Sachs International
<b>Dealers:</b>	BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG London Goldman Sachs International J.P. Morgan Securities Ltd Morgan Stanley & Co. International Limited The Royal Bank of Scotland plc
	<p>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.</p>
<b>Trustee:</b>	JPMorgan Chase Bank
<b>Issuing and Paying Agent:</b>	JPMorgan Chase Bank
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

Issues of Notes denominated in Swiss francs or carrying a Swiss franc-related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2 December 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the "Swiss Dealer"), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain

details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.

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

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

<b>Redenomination:</b>	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer form as described in "Form of the Notes".
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"><li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li><li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li><li>(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.</li></ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
<b>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</b>	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

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

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

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

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

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution. See "*Currencies – Notes with a maturity of less than one year*" above.

**Denomination of Notes:** Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Currencies – Notes with a maturity of less than one year*" above.

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

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

**Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 9. The threshold is £20,000,000 or if greater, 2 per cent. of Consolidated Net Worth (as defined in Condition 9). 2 per cent. of Consolidated Net Worth as at the date of this Offering Circular is approximately £40,000,000.

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



aforesaid and to certain statutory exceptions) and unsubordinated obligations of the Issuer from time to time outstanding.

**Guarantee:**

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

**Rating:**

The Programme has been rated by Moody's and by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme.

**Listing:**

Application has been made for Notes issued under the Programme to be admitted to the Official List and to trading on the London Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Governing Law:**

English.

**Selling Restrictions:**

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

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

The Notes will be issued in compliance with U.S. Treas. Reg. 31.163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. 31.163-5(c)(2)(i)(C) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a "Temporary Global Note") or a permanent global note (a "Permanent Global Note") as indicated in the applicable Pricing Supplement which will in either case be delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

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

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

In the case of a Tranche of Notes either initially represented by a Permanent Global Note or represented by a Permanent Global Note after exchange for a Temporary Global Note, the applicable Pricing Supplement will specify that the Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issuing and Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

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

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

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

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Rolls-Royce plc (the "Issuer") constituted by a Trust Deed dated 9 June 2000 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") made between the Issuer and JPMorgan Chase Bank (the "Trustee" which expression shall include any successor as Trustee). Rolls-Royce Group plc (the "Guarantor") has executed and delivered (i) a Second Supplemental Trust Deed dated 8 August 2003 made between the Issuer, the Guarantor and the Trustee and (ii) a guarantee by deed poll dated 30 July 2003 (the "Deed of Guarantee") under which it has unconditionally and irrevocably guaranteed all amounts payable by the Issuer in respect of the Notes and under or pursuant to the Trust Deed (the "Guarantee").

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

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 8 August 2003 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") and made between the Issuer, the Guarantor, JPMorgan Chase Bank (formerly The Chase Manhattan Bank) as issuing and paying agent and agent bank (the "Issuing and Paying Agent", which expression shall include any successor issuing and paying agent), the other paying agents named therein (together with the Issuing and Paying Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes have interest coupons ("Coupons") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "applicable Pricing Supplement" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "Noteholders" which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the holders of the Coupons (the

"Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons) in accordance with the provisions of the Trust Deed.

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

Copies of the Trust Deed, the Agency Agreement, the Deed of Guarantee and the applicable Pricing Supplement are available for inspection during normal business hours at the principal office for the time being of the Trustee (presently at Trinity Tower, 9 Thomas More Street, London E1W 1YT) and at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Deed of Guarantee.

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

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

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

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

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

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

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

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and

notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./ N.V., as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

## **2. Negative Pledge**

- (A) Subject to Condition 2(B), so long as any of the Notes remain outstanding (as defined in the Trust Deed) neither the Issuer nor the Guarantor will create or permit to subsist, and the Issuer and the Guarantor shall procure that no other member of the Group (as defined in Condition 2(C)) shall create or permit to subsist, any mortgage, lien, pledge or other charge ("Lien") upon, or with respect to, any of its present or future revenues or assets, except for such Liens as shall have been approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, to secure any of the Issuer's or the Guarantor's Relevant Indebtedness (as defined in Condition 2(C)) or any Relevant Indebtedness of any other member of the Group, unless the Issuer, the Guarantor or such other member of the Group, as the case may be, shall simultaneously with, or prior to, the creation of any such Lien, take any and all action necessary to procure that all amounts payable by the Issuer in respect of the Notes and Coupons and by the Guarantor under the Deed of Guarantee are secured equally and rateably by such Lien or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders.
- (B) The following exceptions apply to the Issuer's and the Guarantor's obligations under Condition 2(A):
- (i) any Lien arising by operation of law or any right of set-off;
  - (ii) a Lien which exists on any asset which secures any loan or other indebtedness existing as at the Issue Date of the first Tranche of the Notes, any Lien which exists on any asset which secures any loan or other indebtedness where such asset is acquired after the Issue Date of the first Tranche of the Notes provided that such Lien existed as at the date of such acquisition and was not granted in contemplation of the acquisition and any Lien over the same asset(s) which is given for the purpose of, and to the extent of, the refinancing of any such loan or other indebtedness;
  - (iii) any Lien on any asset securing any loan or other indebtedness or any guarantee of any loan or other indebtedness if the liability for the repayment of the principal of and interest

on such loan or indebtedness is restricted to, or by reference to, funds available from a particular source or sources (including, in particular, any project, projects or assets) for the undertaking or acquisition or development, as the case may be, of which the loan or indebtedness has been incurred;

- (iv) a Lien over any assets or revenue streams directly connected with or directly arising from projects which are supported by loan funding to a member of the Group from the European Investment Bank, the European Bank of Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank (or such other similar supranational organisation approved by the Trustee) and in respect of which the European Investment Bank, the European Bank of Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank (or such other similar supranational organisation approved by the Trustee) is required by its statutes and/or any rule or regulation to which it is subject and with which it is accustomed to comply to obtain security.

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

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

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

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

### 3. Substitution

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

### 4. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending (but excluding) on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "*Fixed Interest Period*" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date. If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

In these Terms and Conditions:

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

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



(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

In these Terms and Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in

foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "TARGET System") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuing and Paying Agent under an interest rate swap transaction if the Issuing and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

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

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

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

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

The Issuing and Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issuing and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes and the Calculation Agent will calculate the amount of interest (the "Interest Amount") payable on Index Linked Interest Notes, in each case in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

- (iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

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

(vi) Determination or Calculation by Trustee

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

(vii) *Certificates to be final*

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

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of interest*

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

**5. Payments**

(a) *Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) *Presentation of definitive Notes, Receipts and Coupons*

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

means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

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

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

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon.

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

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount

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

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

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

(e) *Payment Day*

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

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

(f) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;

- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

## **6. Redemption and Purchase**

### **(a) *Redemption at maturity***

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

### **(b) *Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Issuing and Paying Agent and the Trustee and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

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

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



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

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

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not greater than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first-mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

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

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

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

Euroclear or Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) *Early Redemption Amounts*

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

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (A) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^v \text{ where}$$

"RP" means the Reference Price;

"AY" means and the Accrual Yield; and

"v" is a fraction the numerator of which is equal to the number of days calculated on the basis of a 360-day year (consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) *Purchases*

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. The Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor may at its option retain such Notes for its own account and/or resell or cancel or otherwise deal with such Notes at its discretion.

(i) *Cancellation*

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

(j) *Late payment on Zero Coupon Notes*

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

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

**7. Taxation**

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

- (a) presented for payment by or on behalf of a holder who (i) is subject to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his being connected with the United Kingdom otherwise than merely by holding the Note or Coupon or (ii) would be able to avoid such withholding or deduction by making a declaration of non-residence or any other claim for exemption or any filing to the relevant tax authority, but fails to do so; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive (including Council Directive 2003/48/EC); or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

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

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

## 8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

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

## 9. Events of Default

- (a) The Trustee in its discretion may, and if so requested in writing by the holders of at least one-quarter in aggregate nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, after the occurrence of any of the following events (each an "Event of Default"):
  - (i) if default is made for a period of 10 Business Days or more in the payment of any principal or interest due in respect of the Notes or any of them; or
  - (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes, the Deed of Guarantee or the Trust Deed and (except where in any such case the Trustee considers such failure to be incapable of remedy when no such notice as is hereinafter mentioned will be required) such failure is not remedied by the Issuer or, as the case may be, the Guarantor within 60 days (or such longer period as the Trustee may permit) of the service by the Trustee on the Issuer or, as the case may be, the Guarantor of notice requiring the Issuer or, as the case may be, the Guarantor to remedy the same; or
  - (iii) if any other indebtedness for borrowed moneys (as defined below) of the Issuer or the Guarantor other than indebtedness for borrowed moneys which is of a limited recourse nature (being indebtedness for borrowed moneys the liability for repayment of which is restricted as referred to in Condition 2(B)(iii)) is not paid when due or within any applicable grace period relating thereto, or any indebtedness for borrowed moneys of the Issuer or the Guarantor is declared to be or otherwise becomes due and payable prior to its specified maturity by reason of default; provided that such occurrence is not being challenged in good faith by the Issuer or, as the case may be, the Guarantor in, or in the course of action prior to, appropriate proceedings and provided further that any such event shall only be capable of being an Event of Default if the aggregate amount of all such indebtedness for borrowed moneys exceeds the greater of £20,000,000 (or its equivalent in other currencies) or, if greater, 2 per cent. of **Consolidated Net Worth** (as defined below); or
- (iv) if:
  - (a) any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor or a Principal Subsidiary, or an administration order is made in relation to the Issuer or the Guarantor or a Principal Subsidiary, or if the Issuer or the Guarantor or a Principal Subsidiary ceases to carry on all or the majority of its business other than (i) (in each such case) for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby all or the majority of the undertaking and assets of the Principal Subsidiary are transferred to or

otherwise vested in the Issuer or the Guarantor or another of the Issuer's or Guarantor's Subsidiaries; or

- (b) an encumbrancer takes possession or an administrative or other receiver is appointed of the Issuer or the Guarantor or a Principal Subsidiary or of the whole or any material part of the assets of the Issuer or the Guarantor or a Principal Subsidiary, or if a distress or execution is levied or enforced upon or sued out against any material part of the assets of the Issuer or the Guarantor or a Principal Subsidiary and is not removed, discharged or paid out within 90 days unless any of the same is (in each such case) being contested in good faith by the Issuer or, as the case may be, the Guarantor or the relevant Principal Subsidiary in, or in the course of action prior to, appropriate proceedings; or
- (c) the Issuer or the Guarantor or a Principal Subsidiary is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986 of Great Britain or if the Issuer or the Guarantor or a Principal Subsidiary makes a general assignment for the benefit of or enters into a composition with its creditors,

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

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

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

- (i) any amount credited to the share premium account;
- (ii) any amount credited to the merger reserve;
- (iii) any revaluation reserves;
- (iv) any capital redemption reserve;
- (v) any balance standing to the credit of the consolidated profit and loss account of the Guarantor and its Subsidiaries; and
- (vi) goodwill arising in connection with acquisitions except to the extent amortised in accordance with FRS 10,

all as determined from the latest published audited consolidated balance sheet of the Group adjusted (if prepared on auditor accounting basis) as if it had been prepared under the historic cost convention modified to include the revaluation of land and buildings but adjusting as follows:

- (vii) by deducting any debit balance on the consolidated profit and loss account of the Group;
- (viii) by deducting any amounts shown in respect of the book values of goodwill (except as mentioned in (vi) above) (including goodwill arising only on consolidation) or other intangible assets of the Group, provided that there shall be excluded from the amount shown in respect of intangible assets such proportion of launching costs (which expression shall include development costs) of any product manufactured by the Group which has been previously incurred and which is carried forward in the latest published consolidated financial statements of the Group against deliveries of such product;

- (ix) in respect of any variation in interests in Subsidiaries and to take account of any Subsidiary which shall have become or ceased to be a Subsidiary since the date as at which such financial statements were prepared;
- (x) excluding all sums set aside for taxation (whether in respect of deferred taxation or otherwise);
- (xi) excluding any distribution declared, recommended or made to members of the Guarantor and outside shareholders in Subsidiaries out of profits accrued prior to the date such financial statements were drawn up and not provided for therein;
- (xii) deducting the amount paid up or credited as paid up on, and the amount of any premium payable on the redemption of, any preference share capital of the Guarantor which is repayable on or prior to the final maturity date of the Notes; and
- (xiii) deducting such amount as the Auditors (as defined in the Trust Deed) of the Issuer shall consider appropriate in respect of any contingent taxation liabilities on the net amount of which the fixed assets of the Issuer and its subsidiaries shall have been written up as a result of any revaluation, and for this purpose a transfer of any asset by the Guarantor to any of its Subsidiaries, or by any Subsidiary of the Guarantor to the Guarantor or another Subsidiary of the Guarantor, for a consideration in excess of the book value thereof shall be deemed to be a writing up of the book value of such asset as a result of a revaluation,

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

"FRS 10" means Financial Reporting Standard 10 issued by the UK Accounting Standards Board.

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

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

sheet are produced, to pro forma accounts and balance sheet, prepared for the purpose of such reports. If the latest published audited consolidated profit and loss account of the Group shows a loss before taxation and extraordinary items, then every Subsidiary whose turnover exceeds 25 per cent. of the consolidated turnover of the Group as aforesaid and whose latest audited profit and loss account (consolidated if appropriate) shows a profit before taxation and extraordinary items shall be a Principal Subsidiary.

References herein to the latest published audited consolidated profit and loss account and the latest published consolidated balance sheet (together, the "Financial Statements") shall be those of the Issuer and its subsidiaries prior to the publication of Financial Statements by the Guarantor and its subsidiaries including the Issuer and after such publication, shall be those of the Guarantor and its subsidiaries including the Issuer.

#### **10. Enforcement**

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

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

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **12. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

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

- (a) there will at all times be an Issuing and Paying Agent with its specified office in a place approved by the Trustee;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced (including Council Directive 2003/48/EC), the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of

immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

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

### **13. Exchange of Talons**

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

### **14. Notices**

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

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

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

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Deed of Guarantee and/or the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions and provisions of the Deed of Guarantee and/or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of



interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

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

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

Any such modification, waiver, authorisation, determination or substitution under Condition 3 will be binding on the Noteholders, Receiptholders and Couponholders and any such modification or substitution will (unless the Trustee agrees otherwise) be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

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

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

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

**17. Further Issues**

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

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

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

**19. Governing Law**

The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

### **USE OF PROCEEDS**

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

## **DESCRIPTION OF THE ISSUER AND GUARANTOR**

The origins of the business of Rolls-Royce go back to Sir Henry Royce and the Hon. CS Rolls, the compatibility of whose business interests at the turn of the century led to the formation of the original Rolls-Royce Limited in 1906.

Rolls-Royce's headquarters and technology base and 60 per cent of its personnel are in the United Kingdom. It has interests in overseas subsidiary companies which include manufacturing, repair and overhaul facilities in the USA, Canada, the Nordic countries and Germany, advanced engineering facilities in the USA and Sweden, and a global repair and overhaul network, plus a marketing and customer support organisation covering more than 30 countries.

Rolls-Royce keeps under review opportunities to strengthen and consolidate its core businesses through acquisitions, disposals of non-material businesses, joint ventures and co-operation with industrial partners.

Rolls-Royce is one of the world's foremost engineering companies, supplying power systems and services to customers in international growth markets of civil aerospace, defence, marine and energy. Rolls-Royce has established leading positions in each of these markets by developing a broad and competitive product range and a wide range of aftermarket services. In most sectors Rolls-Royce is one of only three companies in the world able to offer a full range of products and services and with routes to market on a world-wide basis.

Rolls-Royce generated sales of £5.8 billion in 2002, of which more than 80 per cent were to destinations outside the United Kingdom. Rolls-Royce is consistently in the top ten UK exporters with customers in 135 countries.

### **Civil Aerospace**

Civil aerospace is a long-term growth market, creating an opportunity worth US\$500 billion for engines and spares over the next 20 years. Rolls-Royce has captured an increasing share of this market by developing the broadest product range available from less than 2,000lb thrust to more than 100,000lb thrust addressing more than 30 different commercial aircraft applications from helicopters and business jets to the largest airliners. In 17 of these applications Rolls-Royce is the only engine available. Rolls-Royce won 30% of all orders for aircraft of 100 seats and above in the last three years. Engine deliveries have increased from less than 400 in 1990 to a record 1,362 in 2001, establishing Rolls-Royce as the second largest civil aero engine manufacturer in the world.

The civil aerospace industry has been significantly affected by the terrorist attacks of 9.11.01, the war in Iraq and the recent outbreak of Severe Acute Respiratory Syndrome (SARS). Whilst this has led to a decline in engine deliveries, Rolls-Royce has indicated that flying hours for its fleet of engines have continued to increase and, consequently, aftermarket revenues are growing.

### **Defence**

Defence offers a market opportunity currently expected to be worth US\$300 billion over the next 20 years. Rolls-Royce has a comprehensive product range which is relevant to the changing requirement of the world-wide defence market and covers aerospace and marine applications. Rolls-Royce has a strong position in all the key defence market sectors – combat, STOVL, light attack, trainer, transport, helicopters, maritime reconnaissance and aerial surveillance.

Production of the EJ200 has commenced for the Eurofighter Typhoon. The four-nation EUROJET consortium, in which Rolls-Royce is the major participant, has received firm orders for an initial 363 EJ200 engines. The United States Joint Strike Fighter (JSF) programme is one of the world's largest defence procurement programmes.

Rolls-Royce has unique experience of vertical take-off technology and is responsible for the short take-off and vertical landing (STOVL) capability for JSF. The company anticipates production revenue of approximately \$3 billion from a successful UK/US JSF STOVL production programme. In 2002, this programme took a major step forward when the UK Ministry of Defence announced it would take up to 150 STOVL F-35 JSF aircraft.

Rolls-Royce is also a 40 per cent partner in the alternate main propulsion engine, the F136. The JSF design embodies world-leading new technologies, including some of those originally developed for the Trent civil aero engine. This programme will keep Rolls-Royce at the forefront of advanced propulsion development and maintain its leadership in this market.

### **Marine Systems**

Rolls-Royce is a world leader in marine propulsion systems, with world-leading position in cruise, fast vessel, naval and offshore oil and gas markets. The ability of Rolls-Royce to offer fully integrated power systems across naval and commercial markets will open up significant opportunities. This comprehensive capability matches the needs of the changing marine market, as customers increasingly demand integrated propulsion system design and supply. The Company's extended range of marine capabilities includes project management, design and integration, ship control and instrumentation, procurement and equipment supply, installation and commissioning, integrated logistics and platform support.

In the naval market sector, Rolls-Royce is undertaking propulsion system development for all planned Royal Navy platforms, including the provision of WR-21 gas turbines, propellers and other equipment for the Type 45 frigate. The company is providing power systems for the Royal Navy's ASTUTE class of submarine with a contract to design, build and supply three sets of turbo generators with electrical power for sensors, services and weapon systems. All three ASTUTE submarines will be powered by Rolls-Royce nuclear steam raising plant.

The company is developing the 26 MW MT30 engine, a marine derivative of the successful Trent 800 aero-engine. The engine was recently chosen by the US Navy for the Engineering Development Model of its DD(X) destroyer programme. It is also nominated for the UK Carrier programme and generating interest in the commercial marine sector.

The navies of 50 countries use Rolls-Royce power.

### **Energy**

The addressable market in the energy sector is currently expected to be worth US\$200 billion over the next 20 years. Rolls-Royce participates in power generation and the oil and gas market. Rolls-Royce is developing a growing presence in power generation up to 75MW through a broad range of products from diesel engines and small gas turbines to the industrial Trent, the world's most powerful aero derivative industrial gas turbine, at 50MW. Rolls-Royce is a world leader in power for the oil and gas sector, with products from 3MW for pumping and compression and offshore power generation. Nearly 200 customers in more than 50 countries use Rolls-Royce gas turbines for power generation, oil and gas pumping and other industrial applications.

The Energy business has been affected by the cost of developing and introducing new products. Good progress has been made with the introduction of new low emission combustion systems for the industrial Trent and the energy business is expected to return to profitability in 2003.

The Company's oil and gas business had a strong year in 2002, generating £40 million of profit. The Company is a leader in the oil and gas industry for pumping and compression and offshore power generation. Customers in these markets increasingly require innovative package solutions and Rolls-Royce is providing customers with improved products and integrated aftermarket services.

### **Services**

Financial and aftermarket service activities currently account for around 50 per cent of the Company's sales.

#### *Financial Services*

Rolls-Royce & Partners Finance is the world's largest specialist aero-engine leasing company and is a 50/50 joint venture with GATX Capital. At the end of 2002 it owned 257 engines, which were on lease to 32 customers.

Pembroke Group is also a 50/50 joint venture with GATX, specialising in aircraft leasing and management. At the end of 2002 the company owned 58 aircraft on lease to 17 customers in 14

countries. 94 per cent, by value, of the owned aircraft fleet was on lease. Impairment adjustments of £12m were made in respect of the company's fleet of 29 Fokker aircraft.

Rolls-Royce Power Ventures, the company's power project developer, had 12 power generation projects in operation and six in construction or commissioning. The business is being restructured, reflecting the general weakness in power generation markets. Impairment adjustments of £30m were made against the company's portfolio of industrial Trent power projects, reflecting the current weakness in electricity prices.

#### **Aftermarket Services**

Rolls-Royce overhauls more than 1,500 aero engines and 4,500 modules each year. The Company repairs 47 different engine types for 400 customers through an international network of repair and overhaul operations based at 17 locations on four continents.

#### **Recent Developments**

On 4 March 2003 Rolls-Royce announced proposals to implement a technical change to its corporate structure by putting in place a new holding company called Rolls-Royce Group plc ("Rolls-Royce Group" or the "Guarantor"). On 11 April 2003 proposals for a scheme of arrangement ("Scheme") were put to Rolls-Royce's shareholders in a Circular convening (*inter alia*) a Court Meeting of shareholders of Rolls-Royce on 29 May 2003. The Scheme was approved by shareholders and became effective on 23 June 2003. References to "Group" herein mean for the period up to 23 June 2003, the Issuer and its subsidiaries and following such date, the Guarantor and its subsidiaries including the Issuer.

Under the Scheme:

- shares in Rolls-Royce were cancelled;
- Rolls-Royce issued new shares to Rolls-Royce Group so that Rolls-Royce Group owns all the shares in Rolls-Royce; and
- existing shareholders of Rolls-Royce received one share in Rolls-Royce Group for each share in Rolls-Royce cancelled.

As a result of the Scheme, Rolls-Royce became a wholly-owned subsidiary of Rolls-Royce Group which in turn is now the ultimate holding company of the Group with its shares being admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange.

On 25 June 2003, the capital of Rolls-Royce Group was reduced by decreasing the nominal value of each of its shares from 70 pence to 20 pence. The reduction of capital was implemented to create distributable reserves in Rolls-Royce Group.

The Listing Particulars of Rolls-Royce Group published on 11 April 2003, contained the following statement:

#### **Current trading and prospects**

On 22 August 2002, Rolls-Royce announced its interim results for the 2002 financial year which included the following statement:

"The operational performance of our business has been consistent with the market outlook first published by the company in October 2001 and positions the company for profit growth in 2003 compared to 2002. However, the final outcome in 2003 will be influenced by any increase that might be required in pension fund contributions."

On 4 March 2003, Rolls-Royce announced its preliminary results for the 2002 financial year which included the following statements and reiterated the guidance issued at the interim stage:

"Against a background of challenging market conditions we have delivered profit and cash flow in line with the guidance provided on 19 October 2001. With the help of our workforce we have successfully implemented the restructuring programme announced at that time and have

achieved a strong operational performance with significant improvements in working capital management.

This performance, together with our record year-end order book and growing aftermarket revenues, confirms our business model and our ability to manage uncertainty and deliver shareholder value.

We are consulting with our employees with the objective of limiting the financial impact of the current pension fund deficit within the guidance we provided last August. Subject to the continuing uncertainty caused over Iraq, we are reiterating our guidance for profit growth in 2003, with positive cash flow."

These statements form the Rolls-Royce Profit Forecast and were made in relation to the results of Rolls-Royce for the year ending 31 December 2003, in the absence of unforeseen circumstances and on the basis of preparation and assumptions set out below.

### **Basis of Preparation**

The Rolls-Royce Profit Forecast set out above was based upon management projections, taking into account the unaudited results for the six months ended 30 June 2002 and the audited accounts for the year ended 31 December 2002. The Rolls-Royce Profit Forecast as included in Rolls-Royce's interim statement released on 22 August 2002 and in Rolls-Royce's preliminary statement released on 4 March 2003 was made on the basis of underlying profit before taxation, that is profit before tax and excluding exceptional and non-trading items, and has been reported on as such.

### **Assumptions**

The Rolls-Royce Profit Forecast was prepared using the accounting policies as disclosed in the unaudited results for the six months ended 30 June 2002 and the audited accounts for the year ended 31 December 2002.

The assumptions on which the Rolls-Royce Profit Forecast was made and which the directors of Rolls-Royce Group plc in office at the date of this document consider to be reasonable in all the circumstances, are set out below:

1. Assumptions relating to factors outside the influence or control of Rolls-Royce:
  - (a) there will be no material changes in the bases or rate of taxation or in interest rates in the countries in which Rolls-Royce has operations;
  - (b) there will be no material change in regulations affecting Rolls-Royce;
  - (c) there will be no material change in economic conditions or exchange rates;
  - (d) there will be no material change in competitive conditions in the industries in which Rolls-Royce operates;
  - (e) there will be no material industrial disputes or other interruptions to business adversely affecting Rolls-Royce, its suppliers or customers;
  - (f) there will be no materially adverse legal rulings;
  - (g) there will be no material adverse change in pension fund contributions beyond the guidance given in August 2002 that the additional charge to the profit and loss account in 2003 could be around £35 million in relation to the Rolls-Royce Pension Fund. This charge will be derived from the tri-annual independent actuarial valuation, which commenced in March 2003. While the Company intends to continue to provide a defined benefit scheme, it has commenced consultations with employees over a number of other mitigating actions in connection with the provision of pension benefits.
2. Key assumptions relating to factors over which Rolls-Royce has some degree of control for the remaining period of the forecast period:

- (a) there will be no material agreements or contracts entered into which are outside the normal course of business;
- (b) there will be no material changes in accounting policies.

Given the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the projections contained in the Rolls-Royce Profit Forecast will be realised, and actual results may differ materially from those forecast. Under no circumstances should the inclusion of the Rolls-Royce Profit Forecast in this document be regarded as a representation, warranty or prediction that any particular result will be achieved.

This is the end of the statement contained in the Listing Particulars dated 11 April 2003.



## CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the consolidated capital and reserves and borrowings of the Group as at 31 December 2002. The table has not been adjusted for the issue of the Notes:

<b>Capital and reserves</b>										<b>31 December 2002 Audited</b>
										<b>(£ millions)</b>
Called-up share capital	..	..	..	..	..	..	..	..	..	323
Reserves including share premium account	..	..	..	..	..	..	..	..	..	1,712
Equity shareholders' funds	..	..	..	..	..	..	..	..	..	2,035
Equity minority interest in subsidiary undertakings	..	..	..	..	..	..	..	..	..	2
										<u>2,037</u>
<b>Borrowings</b>										<b>31 December 2002 Audited</b>
										<b>(£ millions)</b>
<b>Less than one year</b>										
<i>Unsecured</i>										
Overdraft	..	..	..	..	..	..	..	..	..	(13)
Bank Loans	..	..	..	..	..	..	..	..	..	(44)
Other Loans	..	..	..	..	..	..	..	..	..	(4)
7½% Notes 2003	..	..	..	..	..	..	..	..	..	(200)
<i>Secured</i>										
Obligations under finance leases	..	..	..	..	..	..	..	..	..	(14)
										<u>(275)</u>
<b>More than one year</b>										
<i>Unsecured</i>										
Bank Loans	..	..	..	..	..	..	..	..	..	(213)
4½% Notes 2005	..	..	..	..	..	..	..	..	..	(177)
6½% Notes 2007	..	..	..	..	..	..	..	..	..	(310)
7½% Notes 2016	..	..	..	..	..	..	..	..	..	(200)
Other Loan 2009 (interest rate nil)	..	..	..	..	..	..	..	..	..	(4)
<i>Secured</i>										
Zero Coupon Bonds 2005/2007 (including 9.0% interest accretion)	..								(4)	(43)
Bank Loans	..	..	..	..	..	..	..	..	..	(14)
Obligations under finance leases	..	..	..	..	..	..	..	..	(4)	(77)
										<u>(1,038)</u>
<b>Total Borrowings</b>	..	..	..	..	..	..	..	..	..	<u>(1,313)</u>

Notes:

(1) The following table sets out the consolidated borrowings of the Group as at 30 June 2003:

	30 June 2003 Unaudited (£ millions)
<b>Less than one year</b>	
<i>Unsecured</i>	
Overdraft	(74)
Bank Loans	(74)
Other Loans	(1)
7½% Notes 2003	(200)
<i>Secured</i>	
Obligations under finance leases	(16)
	(365)
<b>More than one year</b>	
<i>Unsecured</i>	
Bank Loans	(158)
4½% Notes 2005	(177)
6% Notes 2007	(310)
7% Notes 2016	(200)
Other Loans 2001 - 2009 (interest rates nil)	(2)
<i>Secured</i>	
Zero Coupon Bonds 2005/2007	(44)
Bank Loans	(13)
Obligations under finance leases	(76)
	(980)
<b>Total Borrowings</b>	<b>(1,345)</b>

The 7½% Notes 2003 matured on 29 July 2003. The repayment of these Notes was financed by bank loans. Save as disclosed above there has been no material change in the borrowings of the Group since 30 June 2003.

- (2) Except as disclosed herein, apart from intra-group indebtedness and guarantees as at 31 December 2002 and 30 June 2003 no member of the Group had any loan capital outstanding or created but unissued, and none of the Issuer, the Guarantor or any of its subsidiaries had any borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, mortgages or charges, commitments under finance leases, guarantees or other material contingent liabilities.
- (3) The nature of the Group's contingent liabilities is described in note 28 to the published audited consolidated accounts for the year to 31 December 2002, which is reproduced below:

## 28 Contingent liabilities

In connection with the sale of its products, on some occasions the Group and Company enter into individually and collectively significant long-term contingent obligations. These can involve, *inter alia*, guaranteeing financing for customers, guaranteeing a proportion of the values of both engine and airframe, entering into leasing transactions, commitments to purchase aircraft and in certain circumstances could involve the Group and Company assuming certain of its customers' entitlements and related borrowing or cash flow obligations until the value of the security can be realised.

At the date these accounts are approved, the directors regard the possibility that there will be any significant loss arising from these contingencies, which cover a number of customers over a long period of time, as remote. In determining this, and the values above, the directors have taken account of advice, principally from Airclaims Limited, professional aircraft appraisers, who base their calculations on a current and future fair market value basis assuming an arms-length transaction between a willing seller and a willing buyer.

At 31 December 2002, the total gross contingent liabilities relating to financing arrangements on all delivered aircraft less insurance arrangements and relevant provisions amounted to £1,093m (2001 £857m), of which £35m (2001 £78m) related to sales finance support to joint ventures. Taking into account the net realisable value of the relevant security, the net contingent liabilities in respect of financing arrangements on all delivered aircraft amounted to £186m (2001 £206m). Sensitivity calculations are complex, but, for example, if the value of the relevant security was reduced by 20%, a net contingent liability of approximately £251m (2001 £283m) would result. There are also net contingent liabilities in respect of undelivered aircraft but it is not considered practicable to estimate these as deliveries can be many years in the future and the related financing will only be put in place at the appropriate time.

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. The Company and some of its subsidiary undertakings have, in the normal course of business, entered into arrangements in respect of export finance, performance bonds, countertrade obligations and minor miscellaneous items. Various Group undertakings are parties to legal actions and claims which arise in the ordinary course of business, some of which are for substantial amounts. As a consequence of the insolvency of an insurer as previously reported, the Group is no longer fully insured against known and potential claims from employees who worked for certain of the Group's UK based businesses for a period prior to the acquisition of those businesses by the Group. While the outcome

of some of these matters cannot precisely be foreseen, the directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made, to result in significant loss to the Group or Company.

In addition to the guarantees referred to in note 20 and above at 31 December 2002, there were other Company guarantees in respect of financial obligations of subsidiary undertakings £125m (2001 £156m), and in respect of joint ventures £17m (2001 £51m).

- (4) Secured on aircraft financed by joint arrangements. Repayment of the zero-coupon bonds is also guaranteed by the Company.
- (5) Foreign currencies are translated at the exchange rates prevailing on 31 December 2002 and 30 June 2003 or, where applicable, at the sterling equivalent taking account of future foreign exchange contracts.
- (6) As at the date of this Offering Circular the authorised share capital of the Guarantor amounts to 2,499,999,998 ordinary shares of 20 pence each, 50,000 redeemable preference shares of £1 each and 1 special rights non-voting share of £1. As at 30 June 2003 the issued share capital consisted of 1,631,006,879 ordinary shares (fully paid) of 20 pence each and 1 special rights non-voting share of £1.
- (7) Save as disclosed above there has been no material change in the authorised and issued share capital and reserves and contingent liabilities of the Group and, save as disclosed above, no material change in the borrowings of the Group since 31 December 2002.
- (8) The Group had short-term deposits, investments, cash at bank and in-hand, as at 30 June 2003, amounting to £670m (£718m as at 31 December 2002).

## BOARD OF DIRECTORS OF THE ISSUER AND GUARANTOR

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

<b>Name</b>	<b>Position</b>	<b>Principal outside directorships</b>
Euan Baird MA,DSc	Non-executive Chairman	Director of Areva (France) and Societe Generale (France) Non-executive director of Scottish Power plc (UK)
Sir John Rose MA	Chief Executive	—
Lord Moore of Lower Marsh PC, BSc	Non-executive Deputy Chairman and Senior Independent non-executive director	European Chairman of Monitor Company Inc. and a director of Marvin & Palmer Inc. and Private Client Bank AG
Peter J Byrom BSc, FCA	Non-executive director	Chairman of Domino Printing Sciences plc and of Molins PLC Non-executive director of Wilson Bowden plc
John P Cheffins BSc, Ing, FREng, FRAeS	Chief Operating Officer	—
Colin H Green BSc, CEng, FREng, FIMechE, FRAeS	President – Defence Aerospace	Non-executive director of BAA plc
James M Guyette BSc	President and Chief Executive Officer of Rolls-Royce North America Inc.	Director of Private Bank and Trust Company of Chicago, Illinois
Dr Michael G JW Howse OBE, FREng, FIMechE, FInstP, FRAeS, CEng, PhD	Director – Engineering and Technology	—
Sir Robin Nicholson FREng, FRS	Non-executive director	Non-executive director of BP p.l.c.
Andrew B Shilston MA, ACA, MCT	Finance Director	Non-executive director of AEA Technology plc
Carl G Symon BSc, MSc	Non-executive director	Vice-Chairman of Cross Atlantic Capital Partners and Managing Director, Global Business Development and Alliances, DiamondCluster International Inc. Non-executive director of BT Group plc
Sir John Weston KCMG	Non-executive director	Non-executive director of Hakluyt Co Ltd
Charles Blundell MA	Company Secretary	—

The business address of the above directors is 65 Buckingham Gate, London SW1E 6AT.

## **TAXATION**

### **United Kingdom Taxation**

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. 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**

1. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the "Act") and carry the right to interest. The London Stock Exchange is a recognised stock exchange. According to an Inland Revenue Press Release, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the UK Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom and the Issuer reasonably believes that, at the time the payment is made, the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest or falls within one of the classes of tax-exempt person specified in section 349B of the Act, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely, at the time the payment is made, that the beneficial owner of the interest is not within the charge to United Kingdom corporation tax in respect of such payment of interest and is not within one of such classes of tax-exempt person) that the interest should be paid under deduction of tax.

In other cases (except in the case of a payment of interest by the Issuer which does not constitute "yearly interest" for the purposes of section 349 of the Act), an amount must generally be withheld on account of United Kingdom income tax at the lower rate (currently 20 per cent.) from payments of interest, subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. The Inland Revenue also have power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are relevant discounted securities for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

2. Interest on Notes in respect of which the Issuer is the principal debtor constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding or deduction.

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 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, and in relation to accounting periods commencing on or after 1 January 2003, 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 to such Noteholders.

#### **EU Savings Directive**

On 3 June 2003 the Council of the European Union adopted Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments. Under such Directive, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The Directive will, subject to certain conditions being satisfied take effect from 1 January 2005.

## **SUMMARY OF DISTRIBUTION AGREEMENT**

Subject to the terms and on the conditions contained in a Distribution Agreement dated 8 August 2003 (as amended from time to time the "Distribution Agreement") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

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

## **SELLING RESTRICTIONS**

### **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.

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

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

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

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### **United Kingdom**

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

- (i) in relation to Notes which have a maturity of one year or more and which are to be listed on the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (ii) in relation to Notes which have a maturity of one year or more and which are not to be listed on the Official List, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);



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

### **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

### **Germany**

Each Dealer has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (Wertpapier-Verkaufsprospektgesetz) of 13 December 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

### **France**

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree and each of the Issuer and the Guarantor has represented and agreed that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with Articles L.411-1 and L.411-2 of the *Code Monétaire et Financier* and decret no. 98-880 dated 1 October 1998.

### **The Netherlands**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large

enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in Article 3 of the Dutch Securities Transactions Supervision Act 1995 ("Wet toezicht effectenverkeer 1995") is applicable or a dispensation has been granted by the Securities Board of The Netherlands and the conditions attached to such exemption, exception or dispensation are complied with.

### **Singapore**

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act 2001 (Act 42 of 2001) of Singapore (the "Securities and Futures Act"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a sophisticated investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

### **General**

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

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

## FORM OF PRICING SUPPLEMENT

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

Pricing Supplement dated [ ]

### ROLLS-ROYCE plc

#### Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the £1,250,000,000 Euro Medium Term Note Programme Guaranteed by Rolls-Royce Group plc

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [ ]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*If the Notes have a maturity of less than one year, the minimum denomination must be £100,000 or its equivalent in any other currency.*

- |    |      |                                   |   |
|----|------|-----------------------------------|---|
| 1. | (i)  | Issuer:                           | Rolls-Royce plc   |
|    | (ii) | Guarantor:                        | Rolls-Royce Group plc   |
| 2. | (i)  | Series Number:                    | [ ]   |
|    | (ii) | Tranche Number:                   | [ ]<br><i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i>                    |
| 3. |      | Specified Currency or Currencies: | [ ]   |
| 4. |      | Aggregate Nominal Amount:         |   |
|    |      | — Series:                         | [ ]   |
|    |      | — Tranche:                        | [ ]   |
| 5. | (i)  | Issue Price:                      | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] <i>(in the case of fungible issues only, if applicable)</i> ] |
|    | (ii) | Net Proceeds:                     | [ ] <i>(Required only for listed issues)</i>  |
| 6. |      | Specified Denominations:          | [ ]<br>[ ]  |

7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
*[specify other]*  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
*[specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
(further particulars specified below)]
13. (i) Status of the Notes: [Senior/[Dated/Perpetual] Subordinated]
- (ii) [Status of the Guarantee: [Senior/[Dated/Perpetual] Subordinated]]
- (iii) [Date [Board] approval for issuance of Notes [and Guarantee] obtained [ ] [and [ ], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related guarantee)
14. Listing: [London/specify other/None]
15. Method of distribution: [Syndicated/Non-syndicated]

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

16. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually, consider amending Condition 4)*
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/*[specify other]*  
*(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): [ ] per [ ] in nominal amount

- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (v) Day Count Fraction: 30/360 or *[Actual/Actual (ISMA) or specify other]*
- (vi) Determination Date(s): ☐ in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration. NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA)]*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: *[None/Give details]*

**17. Floating Rate Note Provisions**

*[Applicable/Not Applicable]  
 (If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Specified Period(s)/Specified Interest Payment Dates: ☐
- (ii) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (iii) Additional Business Centre(s): ☐
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: *[Screen Rate Determination/ISDA Determination/specify other]*
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent): ☐
- (vi) Screen Rate Determination:
- Reference Rate: ☐  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
- Interest Determination Date(s): ☐  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: ☐  
*(In the case of EURIBOR, if not Telerate Page 248)*

ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

- (vii) ISDA Determination:
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (viii) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of interest: [ ] per cent. per annum
- (x) Maximum Rate of interest: [ ] per cent. per annum
- (xi) Day Count Fraction:
  - [Actual/365 (Actual/Actual)
  - Actual/365 (Fixed)
  - Actual/365 (Sterling)
  - Actual/360
  - 30/360
  - 30E/360
  - Other]
  - (See Condition 4 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
- 18. **Zero Coupon Note Provisions**
  - [Applicable/Not Applicable]
  - (If not applicable, delete the remaining subparagraphs of this paragraph)
  - (i) Accrual Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]
  - (iii) Any other formula/basis of determining amount payable: [ ]
  - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:
    - [Conditions 6(e)(iii) and 6(j) apply/specify other]
    - (Consider applicable day count fraction if not U.S. dollar denominated)
- 19. **Index Linked Interest Note Provisions**
  - [Applicable/Not Applicable]
  - (If not applicable, delete the remaining subparagraphs of this paragraph)
  - (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent responsible for calculating the interest due: [ ]
  - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]

- (iv) Specified Period(s)/Specified Interest Payment Dates: ☐
- (v) Business Day Convention: ☐ Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*
- (vi) Additional Business Centre(s): ☐
- (vii) Minimum Rate of Interest: ☐ per cent. per annum
- (viii) Maximum Rate of Interest: ☐ per cent. per annum
- (ix) Day Count Fraction: ☐

20. **Dual Currency Interest Note Provisions** ☐ [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: ☐ *[give details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: ☐
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: ☐
- (iv) Person at whose option Specified Currency(ies) is/are payable: ☐

**PROVISIONS RELATING TO REDEMPTION**

21. Issuer Call: ☐ [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): ☐
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): ☐ per Note of ☐ Specified Denomination
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: ☐
    - (b) Maximum Redemption Amount: ☐
  - (iv) Notice period (if other than as set out in the Conditions): ☐  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee])*

22. Investor Put: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions [ ]  
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee])
23. Final Redemption Amount of each Note: [[ ] per Note of [ ] Specified Denomination/specify other/see Appendix]
24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): [ ]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:
- (i) Temporary or Permanent Global Note: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given any time/only upon an Exchange Event]]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
(Note that this item relates to the place of payment and not Interest Period end dates to which items 15(iii) and 17(vi) relate)
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each



payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details. NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

29. Details relating to Instalment Notes:

(i) Instalment Amount(s): [Not Applicable/give details]

(ii) Instalment Date(s): [Not Applicable/give details]

30. Redenomination applicable:

Redenomination [not] applicable  
(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)

31. Other terms or special conditions:

[Not Applicable/give details]

**DISTRIBUTION**

32. (i) If syndicated, names of Managers: [Not Applicable/give names]

(ii) Stabilising Manager (if any): [Not Applicable/give name]

33. If non-syndicated, name of relevant Dealer:

[ ]

34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:

[TEFRA D/TEFRA C/TEFRA not applicable]

35. Additional selling restrictions:

[Not Applicable/give details]

**OPERATIONAL INFORMATION**

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

37. Delivery:

Delivery [against/free of] payment

38. Additional Paying Agent(s) (if any):

[ ]

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ISIN: [ ]

Common Code: [ ]

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**[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the £1,250,000,000 Euro Medium Term Note Programme of Rolls-Royce plc.]

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## RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: .....  
Duly authorised

By: .....  
Duly authorised

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 4, 5, 6, (except Condition 6(b)) 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of supplementary Listing Particulars. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, supplementary Listing Particulars will be prepared, if appropriate.

## GENERAL INFORMATION

1. The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 1 March 2000, 25 May 2000, 7 February 2002 and 30 July 2003. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 30 July 2003. The increase in the maximum aggregate nominal amount of the Notes that may from time to time be outstanding under the Programme from £600,000,000 to £1,250,000,000 was authorised by a resolution of the Board of Directors of the Issuer dated 7 February 2002.
2. The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme in respect of Notes is expected to be granted on or around 12 August 2003.
3. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:
  - (i) the Memorandum and Articles of Association of the Issuer and the Guarantor;
  - (ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2001 and 31 December 2002 and the consolidated audited financial statements of the Guarantor in respect of the financial year ended 2003 when available. The Guarantor currently prepares audited consolidated accounts on an annual basis but to date the Guarantor has not produced any audited consolidated accounts;
  - (iii) the most recently published consolidated audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer and the Guarantor. The Guarantor currently prepares unaudited consolidated interim accounts on a semi-annual basis;
  - (iv) the Distribution Agreement, the Agency Agreement, the Trust Deed, the Deed of Guarantee and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
  - (v) a copy of this Offering Circular;
  - (vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
  - (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.
5. (i) Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Issuer and its subsidiaries since 31 December 2002 and there has been no material adverse change in the financial position

or prospects of the Issuer or of the Issuer and its subsidiaries since 31 December 2002;  
and

- (ii) Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Guarantor or of the Guarantor and its subsidiaries since 21 March 2003 (the "date of incorporation of the Guarantor") and there has been no material adverse change in the financial position or prospects of the Guarantor or of the Guarantor and its subsidiaries since the date of incorporation of the Guarantor.
- 6. None of the Issuer, the Guarantor and any other subsidiary of the Issuer or the Guarantor is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer, the Guarantor or the Group.
  - 7. The auditors of the Issuer are KPMG Audit Plc, chartered accountants, who have audited the Issuer's accounts for each of the three financial years ended on 31 December 2002.

The auditors of the Guarantor are KPMG Audit Plc, chartered accountants. The auditors will audit the Guarantor's accounts for the financial year ending 31 December 2003.

Rolls-Royce Group plc was incorporated and registered in England and Wales on 21 March 2003 under the Companies Act 1985 as a public company limited by shares and with registered number 4706930. Its registered office is at 65 Buckingham Gate, London SW1 6AT.

- 8. The Trust Deed provides that the Trustee may rely on certificates or reports from Auditors (as defined therein) in accordance with the provisions of the Trust Deed whether or not addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit on the liability of the Auditors.

The audit report in respect of the financial year ended 31 December 2002 contains a statement that the report was made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and that the audit work had been undertaken so that the auditors might state to the Company's members those matters they were required to state to them in an auditor's report and for no other purpose. The statement said further that to the fullest extent permitted by law, the auditors did not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for their audit work, for the report, or for the opinions they have formed.

**REGISTERED OFFICE OF  
THE ISSUER**

**Rolls-Royce plc**  
65 Buckingham Gate  
London SW1E 6AT

**REGISTERED OFFICE OF  
THE GUARANTOR**

**Rolls-Royce Group plc**  
65 Buckingham Gate  
London SW1E 6AT

**ARRANGER**

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

**DEALERS**

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Deutsche Bank AG London**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ

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

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**THE TRUSTEE**

**JPMorgan Chase Bank**  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT

#### **ISSUING AND PAYING AGENT**

**JPMorgan Chase Bank**

Trinity Tower  
9 Thomas More Street  
London E1W 1YT

#### **AUTHORISED ADVISER**

**Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB

#### **AUDITORS**

*To the Guarantor*  
**KPMG Audit Plc**  
8 Salisbury Square  
Blackfriars  
London EC4Y 8BB

*To the Issuer*  
**KPMG Audit Plc**  
8 Salisbury Square  
Blackfriars  
London EC4Y 8BB

#### **LEGAL ADVISERS**

*To the Dealers and the Trustee*  
**Allen & Overy**  
One New Change  
London EC4M 9QQ

*To the Issuer and the Guarantor*  
**Freshfields Bruckhaus Deringer**  
65 Fleet Street  
London EC4Y 1HS