

## LISTING PARTICULARS DATED 10 MAY 2017



SAGA PLC

*(incorporated with limited liability under  
the laws of England and Wales)*

**£250,000,000 3.375 per cent.**

**Guaranteed Bonds due 2024**

The issue price of the £250,000,000 3.375 per cent Guaranteed Bonds due 2024 (the “**Bonds**”) of Saga plc (“**Saga**” or the “**Issuer**”) is 100 per cent. of their principal amount. The Bonds will initially be fully, unconditionally and irrevocably guaranteed on a joint and several basis by Saga Mid Co Limited and Saga Services Limited (each a “**Guarantor**”, and together the “**Guarantors**”).

Unless previously redeemed or cancelled, the Bonds will be redeemed at their principal amount on 12 May 2024 (the “**Maturity Date**”). Subject to certain conditions, the Bonds may be redeemed at the option of the Issuer in whole but not in part at any time after the Issue Date at the relevant redemption price described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer*”. Subject to certain conditions set out in “*Terms and Conditions of the Bonds – Redemption and Purchase*”, the Bonds may also be redeemed at any time upon the occurrence of certain changes affecting taxes in the United Kingdom. In addition, upon the occurrence of certain change of control events which result in a negative ratings action being taken by a relevant credit rating agency, each holder of Bonds (a “**Bondholder**”) shall have the option to require the Issuer to redeem or, at the Issuer’s option, purchase the Bonds of such Bondholder at 101 per cent. of the principal amount together with accrued interest. See further “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of Bondholders following a Change of Control*”.

The Bonds will bear interest from 12 May 2017 (the “**Issue Date**”) at the rate of 3.375 per cent. per annum payable semi-annually in arrear on 12 May and 12 November of each year commencing on 12 November 2017. Payments on the Bonds will be made in pound sterling without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under “*Terms and Conditions of the Bonds—Taxation*”. The Guarantors will unconditionally and irrevocably guarantee, jointly and severally, the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds (the “**Guarantees**”).

This document (and all documents incorporated by reference herein) (the “**Listing Particulars**”) has been prepared for the purpose of providing disclosure information with regard to the Bonds which are to be admitted to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Irish Stock Exchange’s Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC) (“**MiFID**”). **These Listing Particulars constitute listing particulars for the purposes of listing on the Irish Stock Exchange’s Official List and to trading on its Global Exchange Market.** Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange and for the Bonds to be admitted to the Irish Stock Exchange’s Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. **Investors should note that securities to be admitted to the Irish Stock Exchange’s Official List and to trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.**

**These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the “Prospectus Directive”). These Listing Particulars have been prepared solely with regard to the Bonds which are (i) not to be admitted to listing or**

**trading on any regulated market for the purposes of MiFID and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive.**

The Bonds and the guarantees thereof have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and the Bonds are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Bonds will initially be in the form of a temporary global Bond (the “**Temporary Global Bond**”), without interest coupons, which will be deposited on or around 12 May 2017 (the “**Closing Date**”) with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A., Luxembourg (“**Clearstream, Luxembourg**”). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global Bond (the “**Permanent Global Bond**”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form (“**Definitive Bonds**”) in the denomination of £100,000 each and integral multiples of £1,000 in excess thereof, up to and including £199,000 and with interest coupons attached. See “*Summary of Provisions Relating to the Bonds in Global Form*”.

**An investment in the Bonds involves risk. Prospective investors in the Bonds are recommended to read these Listing Particulars, including the section entitled “Risk Factors” carefully. Investors should reach their own investment decision about the Bonds only after consultation with their own financial and legal advisers about the risks associated with an investment in the Bonds and the suitability of investing in the Bonds in light of the particular characteristics and terms of the Bonds in light of each investor’s particular financial circumstances.**

The Bonds are expected to be rated Ba1 by Moody’s Investors Service Ltd (“**Moody’s**”) and BB+ by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). Moody’s and S&P are established in the European Union (the “**EU**”) and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). Moody’s and S&P appear on the latest update of the list of registered credit rating agencies (as of 29 March 2017) on the European Securities and Markets Authority (the “**ESMA**”) website <http://www.esma.europa.eu>.

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

**Joint Active Lead Managers**

**HSBC**

**MIZUHO SECURITIES**

**NATWEST MARKETS**

**Joint Lead Managers**

**HSBC**

**MIZUHO SECURITIES**

**NATWEST MARKETS**

**BARCLAYS**

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## IMPORTANT NOTICES

The Issuer and each of the Guarantors accepts responsibility for the information contained in these Listing Particulars and declares that, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars to the best of its knowledge is in accordance with the facts and contains no omission likely to affect the import of such information.

The information set out in “*Description of the Issuer – Strengths*” below includes extracts from information and data, including industry and market data, released by publicly available third party sources in Europe and elsewhere. Where information in these Listing Particulars has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer and the Guarantors are aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where it is used.

These Listing Particulars are to be read in conjunction with all information which is incorporated by reference herein – see “*Information Incorporated by Reference*”.

The Issuer and each of the Guarantors has confirmed to the Joint Lead Managers named under “*Subscription and Sale*” below (the “**Joint Lead Managers**”) that these Listing Particulars contain all information regarding the Issuer, the Guarantors and the Bonds which is (in the context of the issue of the Bonds) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in these Listing Particulars on the part of the Issuer or (as the case may be) any of the Guarantors are honestly held or made and are not misleading in any material respect; these Listing Particulars do not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor any of the Guarantors have authorised the making or provision of any representation or information regarding the Issuer, any of the Guarantors or the Bonds and the Guarantees other than as contained in these Listing Particulars or as approved for such purpose by the Issuer and the Guarantors. Any such representation or information should not be relied upon as having been authorised by the Issuer, any of the Guarantors, the Joint Lead Managers or HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”).

Neither the Joint Lead Managers, the Trustee nor any of their respective affiliates have authorised the whole or any part of these Listing Particulars and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in these Listing Particulars. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or any of the Guarantors since the date of these Listing Particulars. Neither the Joint Lead Managers nor the Trustee accept any liability in relation to the information contained in these Listing Particulars or any other information provided by the Issuer or any of the Guarantors in connection with the distribution of the Bonds. Neither these Listing Particulars nor any other information supplied in connection with the distribution of the Bonds is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, any of the Guarantors, any member of the Group (as defined below), the Joint Lead Managers or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the distribution of the Bonds should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in these Listing Particulars and its purchase of Bonds should be based upon such investigation as it deems necessary. Neither the Joint Lead Managers nor the Trustee undertake to review the financial condition or affairs of the Issuer or any of the Guarantors during the life of the arrangements contemplated by these Listing Particulars or to advise any investor or potential investor in the Bonds of any information coming to their attention.

These Listing Particulars do not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

The distribution of these Listing Particulars and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Guarantors and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of these Listing Particulars and other offering material relating to the Bonds, see “*Subscription and Sale*”.

Unless the context otherwise requires, all references in this document to “the **Group**” refer to Saga and its subsidiaries, joint ventures and associates taken as a whole.

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in these Listing Particulars;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Bonds and the Guarantees;
- (iv) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the potential investor’s currency is not pound sterling; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In particular, the Bonds and the Guarantees have not been and will not be registered under the Securities Act and the Bonds are subject to United States tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In these Listing Particulars, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**£**”, “**pound sterling**” or “**Sterling**” are to the lawful currency of the United Kingdom and references to “**€**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

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

The Group uses certain adjusted figures and underlying growth rates which are not defined by generally accepted accounting principles such as the International Financial Reporting Standards (“**IFRS**”). Adjusted figures and underlying growth rates are presented as additional performance measures used by management, as they provide relevant information in assessing the Group’s performance, position and cash flows. The Group believes that these measures enable investors to more clearly track the core operational performance of the Group, by separating out items of income or expenditure relating to acquisitions, disposals, capital items and excluding currency translation effects, while providing investors with a clear basis for assessing the Group’s ability to raise debt and invest in new business opportunities. The Group’s management uses these financial measures in evaluating the operating performance of the Group as a whole and the individual business segments. Adjusted and underlying financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Such measures may not be directly comparable to similarly reported measures by other companies.

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

## **INFORMATION INCORPORATED BY REFERENCE**

The following information shall be deemed to be incorporated in, and to form part of, these Listing Particulars:

1. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 January 2016 (set out on pages 106 to 182 of the 2016 annual report and accounts of the Issuer); and
2. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 January 2017 (set out on pages 95 to 170 of the 2017 annual report and accounts of the Issuer),

each of which have been filed with the Irish Stock Exchange. The consolidated financial statements set out above include both Guarantor subsidiaries and non-Guarantor subsidiaries. Such information shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in the information which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars.

Any information contained in any of the documents specified above which is not specifically incorporated by reference in these Listing Particulars is either not relevant for prospective investors in the Bonds or the relevant information is included elsewhere in these Listing Particulars. Any information or documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars. Copies of the documents specified above may be inspected (without charge) during usual business hours at the registered office of the Issuer.

## OVERVIEW

This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Bonds should be based on a consideration of the Listing Particulars as a whole, including the documents incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in these Listing Particulars have the same meanings in this overview.

<b>Issuer:</b>	Saga plc
<b>Guarantors:</b>	Saga Mid Co Limited and Saga Services Limited
<b>Joint Active Lead Managers:</b>	HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc (trading as NatWest Markets)
<b>Joint Lead Managers:</b>	The Joint Active Lead Managers and Barclays Bank PLC
<b>Trustee:</b>	HSBC Corporate Trustee Company (UK) Limited
<b>Principal Paying Agent:</b>	HSBC Bank plc
<b>Listing Agent:</b>	Arthur Cox Listing Services Limited
<b>Bonds:</b>	£250,000,000 3.375 per cent. Guaranteed Bonds due 12 May 2024
<b>Issue Price:</b>	100 per cent. of the principal amount of the Bonds.
<b>Issue Date:</b>	12 May 2017
<b>Use of Proceeds:</b>	General corporate purposes including the refinancing of existing bank debt including the refunding of indebtedness (which may include the repayment of debt to one or more of the Joint Lead Managers and/or their affiliates).
<b>Interest:</b>	The Bonds will bear interest from (and including) the Issue Date at a rate of 3.375 per cent. per annum payable semi-annually in arrear on 12 May and 12 November in each year commencing on 12 November 2017.
<b>Status and Guarantee:</b>	<p>The Bonds constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p> <p>The due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds will initially be unconditionally and (subject to the provisions of Condition 2(d) (<i>Release of Guarantors</i>)) irrevocably guaranteed on a joint and several basis by the initial Guarantors. Each such guarantee will constitute the direct, general and unconditional obligations of the relevant Guarantor and shall at all times rank at least <i>pari passu</i> with all other present and future unsecured obligations of such Guarantor. See “<i>Guarantors</i>” above. The circumstances in which the Guarantors may be released from their obligations in relation to the Guarantee, or in which additional companies may provide a guarantee of the Bonds are set out in Conditions 2(c) (<i>Addition of Guarantors</i>) and 2(d) (<i>Release of Guarantors</i>).</p>
<b>Form and Denomination:</b>	The Bonds will be issued in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, each with interest coupons attached.



The Bonds will initially be in the form of a Temporary Global Bond, without interest coupons, which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denomination of £100,000 each and integral multiples of £1,000 in excess thereof, up to and including £199,000 and with interest coupons attached.

<b>Maturity Date:</b>	12 May 2024
<b>Optional Redemption:</b>	The Issuer may, at its option, redeem or purchase, or procure that any of its Subsidiaries shall purchase, all, but not some only, of the Bonds at a redemption price per Bond equal to (a) if the Optional Redemption Date (as defined in Condition 5(c) ( <i>Redemption at the option of the Issuer</i> )) is on or after 12 February 2024, the principal amount of the Bond; or (b) otherwise, the higher of the principal amount of the Bond and an amount calculated by reference to the then yield of the 2.75 per cent. United Kingdom Treasury Stock due 7 September 2024 plus a margin of 0.50 per cent., in all cases together with accrued interest, as described under “ <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer</i> ”.
<b>Change of Control Put Event:</b>	Upon the occurrence of a Change of Control (as defined in Condition 5(d) ( <i>Redemption at the option of Bondholders following a Change of Control</i> )) leading to certain contemporaneous negative ratings action being taken by any relevant credit rating agency or agencies, each Bondholder shall have the option to require the Issuer to redeem or, at the option of the Issuer, purchase the Bonds of such holder at a cash purchase price equal to 101 per cent. of the principal amount thereof plus accrued interest, as described under “ <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer</i> ”.
<b>Tax Redemption:</b>	In the event of certain tax changes, the Issuer may redeem the Bonds in whole, but not in part, at any time at an amount equal to their principal amount, together with unpaid interest accrued to (but excluding) the date fixed for redemption, as more fully provided in Condition 5 ( <i>Redemption and Purchase</i> ).
<b>Negative Pledge:</b>	The Bonds will have the benefit of a negative pledge as described in Condition 3 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Bonds will have the benefit of a cross default provision as described in Condition 8 ( <i>Events of Default</i> ).
<b>Rating:</b>	The Bonds are expected to be rated Ba1 by Moody’s and BB+ by S&P.  Moody’s and S&P are established in the EU and registered under the CRA Regulation. Moody’s and S&P appear on the latest update of the list of registered credit rating agencies (as of 29 March 2017) on the ESMA website <a href="http://www.esma.europa.eu">http://www.esma.europa.eu</a> .

<b>Taxation:</b>	All payments of principal and interest in respect of the Bonds and the Coupons made by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. See further “ <i>Terms and Conditions of the Bonds – Taxation</i> ”.
<b>Governing Law:</b>	The Bonds, the Trust Deed, the Agency Agreement and the Subscription Agreement and any non-contractual obligations arising out of or in connection with them will be governed by English law.
<b>Listing and Trading:</b>	Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange and the Bonds to be admitted to the Irish Stock Exchange’s Official List and to trading on its Global Exchange Market.
<b>Clearing Systems:</b>	Euroclear and Clearstream, Luxembourg.
<b>Selling Restrictions:</b>	See “ <i>Subscription and Sale</i> ”.
<b>Risk Factors:</b>	Investing in the Bonds involves risks. See “ <i>Risk Factors</i> ” below.
<b>ISIN:</b>	XS1610655950
<b>Common Code:</b>	161065595

## RISK FACTORS

*Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer and the Guarantors and the industries in which each of them operates together with all other information contained in these Listing Particulars, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in these Listing Particulars have the same meanings in this section.*

*Prospective investors should note that the risks relating to the Issuer and the Guarantors, the industries in which each of them operates and the Bonds are the risks that the Issuer and the Guarantors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Bonds. However, as the risks which the Issuer and the Guarantors face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantors that are not currently known to the Issuer and the Guarantors, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantors and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in these Listing Particulars and their personal circumstances.*

### **Factors that may affect the Group’s ability to fulfil its obligations under the Bonds**

#### ***As a holding company, Saga is dependent over the medium to long-term on its operating subsidiaries to cover operating expenses and dividend payments***

As a holding company, Saga has no substantial operations of its own. Its principal sources of funding are dividends from subsidiaries and any amounts that may be raised through the issuance of equity, debt and commercial paper. Saga’s business divisions are generally conducted through direct and indirect subsidiaries.

Certain subsidiaries have regulatory restrictions that may limit the payment of dividends and could prompt a decision to inject capital, which in some more adverse circumstances and over the longer-term could limit Saga’s ability to pay dividends to shareholders or to make available funds held in certain subsidiaries to cover the Group’s operating expenses. This could have a material adverse impact on the Group’s business.

#### ***The Group may fail to maintain favourable brand recognition or may be adversely impacted by negative publicity***

The Group’s business depends on the integrity of its brand and its reputation for quality of service, and favourable recognition of the ‘Saga’ brand is particularly important in the sectors in which the Group operates, including, for example, the brand ‘Saga Homecare’ in the Group’s healthcare business. Any actual or perceived quality deficiency could adversely impact the Group’s sales and marketing activities, as well as demand for its services. A number of factors may affect brand recognition including employee misconduct, operational failures and other external factors outside of the Group’s control. The Group’s organisational and operational structures are dependent on outsourced and offshored functions. Poor performance or failure of third parties to whom the Group has outsourced activities could also adversely affect its brand. The Group’s business, financial condition and results of operations (including its ability to attract more first-time customers and convert additional revenue streams) may be adversely impacted by any negative publicity surrounding its, or its third party suppliers’, actions, operations or omissions.

***Failure to comply with extensive regulatory supervision and legislation, including requirements to maintain certain licences, permissions and authorisations could adversely affect the Group's business and operations***

The Group is subject to detailed and comprehensive government and other regulation and legislation. Regulatory authorities have broad powers over many aspects of the business, including marketing and selling practices, data and records management (including customer financial and personal data), health and safety, capital requirements, permitted investments and the ability to impose restrictions on the future growth of business, particularly in respect of the Group's insurance and financial services products. The Group may also be negatively impacted by any national or EU regulation prohibiting distinctions between customers on the basis of age.

Government policy, legislative and regulatory requirements and interpretations thereof may change and become more onerous or constraining, and may weaken or eliminate markets in which the Group operates. The Group cannot predict any such changes with certainty and may have to respond to changes in government policy, legislation or regulation. This may require the Group to change its strategy, marketing, business or operational practices or otherwise make adaptations to its products or services in the relevant market, which may further increase its costs or result in reduced revenues. The Group may not be able to respond effectively to any such changes and this may have a material adverse effect upon its business, financial condition and results of operation.

***The Group operates in a highly competitive environment that is subject to rapid change***

The Group's businesses operate in highly competitive markets, and the means of delivering its products and services, and the products and services themselves, continue to change in response to rapid technological innovations, legislative and regulatory changes, the entrance of new competitors and other factors, including, for example, driverless vehicles, driver automation tools, customer preferences for bespoke insurance products and the increased inter-connectivity of smart devices. Failure to anticipate and quickly adapt to these changes could impact the competitiveness of the Group's products and services and consequently adversely affect the Group's revenue.

***Metasearch companies, online portals and search engines enable increased competition***

The activities of online metasearch and price comparison websites which utilise search technology to aggregate travel and insurance product search results across websites, as well as similar services offered by large online portal and search companies, affect the markets in which the Group operates.

Metasearch companies, price comparison websites and search engines enable increased competition, thereby increasing downward pricing pressure on the products offered by the Group, and may redirect the Group's potential customers to competitors' websites. This could have a material adverse effect on the Group's business, results of operations and financial position.

***Current and future economic, political and market conditions, terrorism, war, the spread of contagious diseases, adverse weather conditions, natural disasters and other incidents or threats thereof beyond the Group's control affecting the health, safety, security and satisfaction of customers and employees may adversely affect demand for and the supply of the Group's products and services***

Demand for, and the supply of, the Group's products and services may be adversely impacted by factors beyond its control, such as downturns in the international financial markets and political uncertainties (including the United Kingdom leaving the EU and the result of the United Kingdom's general election to take place on 8 June 2017), and ineffective handling of such incidents (including shipping technical failures or maritime incidents).

The Group's travel business, in particular, may be affected by the above factors. The use and operation of hotels, land tours, cruise ships, port facilities and shore excursions involve the risk of incidents, including accidents caused by the improper operation of aircraft, ships, motor-coaches and trains; political instability, war or terrorism in travel destinations; employee and crew illnesses; the spread of contagious diseases; mechanical failures; fires; repair delays; groundings; navigational errors; environmental mishaps; missing passengers; piracy; and other incidents, which may cause injury and

death, or the alteration of itineraries or cancellation of tours or cruises. Although the Group places customer and employee safety as its highest priority, its tours and ships have been involved in accidents and other incidents in the past.

In addition, the Group's ability to effectively and efficiently operate its tours and cruises may be impacted by widespread public health issues or health warnings, which could result in, among other things, reduced demand for the Group's tours and cruises, cancellations or employee absenteeism. Cruise ships and hotels are particularly susceptible to the spread of infectious disease and waterborne bacterial infections. The Group's doctors and other staff may not be able to adequately diagnose or prescribe adequate medication to treat such conditions, which could increase the Group's liability and any resulting negative publicity. Likewise, natural disasters such as volcanic ash and tsunamis may result in a significant amount of additional costs, including costs relating to providing accommodation for stranded customers, the cancellation and delay of a number of flights and associated compensation payments and medical treatment payments for affected customers. The occurrence and timing of such events cannot be predicted or controlled by the Group, and such occurrences could also adversely impact demand for holidays even in areas unaffected by such incidents. As a package holiday provider, the Group is exposed to potential liability arising from such health and safety incidents that occur during the holiday, involving injury or illness to customers and employees.

The Group is also exposed to potentially significant losses or potential criminal liability if any aircraft included in one of its travel packages is lost or subject to an accident, terrorist incident or other disaster. Any aircraft, ground transportation, ship accident or other health and safety incident could potentially result in the exposure of the Group to significant losses or liabilities, even if fully insured. Such incidents could also create a perception that the Group's cruise ships or the airlines and ground transportation that the Group uses are less safe or reliable than those provided by its competitors and could cause customers to lose confidence and switch to other package holiday or cruise providers. Such accidents and incidents, the occurrence and timing of which cannot be predicted or controlled by the Group, could have a material adverse effect on the Group's business, financial condition and results of operations, particularly if the Group were perceived to be acting inappropriately following any such event.

***The Group's business is concentrated in the United Kingdom and therefore changes in the state of the United Kingdom economy may cause fluctuations in the Group's results***

Almost all of the Group's revenue is generated in the United Kingdom and the Group is therefore particularly exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the United Kingdom.

The Group's core businesses of insurance and travel are exposed to changes in United Kingdom economic and market conditions and are linked to the economic cycle (including changes in sales and premium levels). There is a possibility for altered behaviour amongst the Group's customers depending on the stage of the cycle. In an economic downturn, the demand for the Group's travel and insurance products could be adversely affected. Specifically, the Group may experience a decrease in the number of holidays booked and customers opting to downgrade or withdraw from insurance products.

The United Kingdom's decision to leave the EU has created significant uncertainty about the future relationship between the United Kingdom and the EU, including with respect to the laws and regulations that will apply as the United Kingdom determines which EU-derived laws to replace or replicate in the event of a withdrawal. Depending on the terms of the withdrawal, the United Kingdom could lose access to the single EU market and the global trade deals negotiated by the EU on behalf of its members which could affect the attractiveness of the United Kingdom as a global investment centre and detrimentally impact growth in the United Kingdom.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. In addition, Brexit may lead to a downturn in the United Kingdom or other European economies and could restrict the ability of British companies to access European markets. Any reduction in our customers' willingness or ability to travel

due to Brexit related changes (including changes to visa requirements) could materially affect the Group's revenue.

If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU Member States pursue withdrawal, barrier-free access between the United Kingdom and other EU Member States (including Gibraltar, where the Group's underwriting company is incorporated) or among the European Economic Area overall could be diminished or eliminated. To the extent that such changes increase the costs or difficulties associated with operating in both the United Kingdom and EU (including, for example, if there are changes to the way the Group can employ local representatives in the EU or in the event the Group no longer has access to the European Single Aviation Market), they could adversely affect our business, operating results, financial condition or prospects.

***A significant failure or interruption, or failure to invest adequately, in the Group's IT and communication systems could adversely affect the Group's businesses and operations***

The Group relies heavily on its IT and communication systems to conduct its business, including for the purposes of maintaining the Group Marketing Database (as defined in the "Description of the Issuer" below), its payment processing systems, its reservation system, its insurance systems and other operational systems. Additionally, the Group relies on third parties to provide key IT functions, such as operation of the general ledger, corporate domain services and payroll services. A loss of such systems, access to such facilities, including access to the Group's website, or expiration of any such contracts could lead to significant disruption. Any such disruption or loss of access to the key IT systems, or any failure to adapt to technological developments or negotiate replacement contracts with alternative IT service providers at comparable rates, could have a material adverse effect on the Group's results of operations and financial condition and therefore on Saga's ability to fulfil its obligations under the Bonds.

***Compromises of the Group's cyber security systems or other unauthorised access to the Group's databases, including the Group Marketing Database, could adversely affect the Group's business and operations***

The Group Marketing Database contains non-public data collected from its customers, business contacts and employees (the "participants"). As part of maintaining this information, and delivering its products and services, the Group relies on, and provides data to, third party service providers. These databases and information are susceptible to cyber-attacks where external parties seek unauthorised access to the Group's, or its participants', data.

The Group's cyber security measures, and the measures used by its third party service providers, may not detect or prevent all attempts to compromise its systems, which may jeopardise the security of the data the Group maintains or may disrupt the Group's systems. Failures of the Group's cyber security measures could result in unauthorised access to its systems, misappropriation of the Group's or its participants' data, deletion or modification of stored information or other interruption to the Group's business operations. As techniques used to obtain unauthorised access to or to sabotage systems change frequently, and may not be known until launched against the Group or its third party service providers, the Group may be unable to anticipate, or implement adequate measures to protect against these attacks.

Compromises of the Group's or its third party service providers' systems could adversely affect the Group's financial performance, damage its reputation and expose it to risk of loss, litigation and increased regulation.

***The Group collects non-public data from customers, business contacts and employees and is subject to data protection regulations, which may result in regulatory action or reputational damage***

The Group regularly collects and processes non-public data from its customers, business contacts and employees as part of the operation of its business and in connection with developing and maintaining its Group Marketing Database. As a result, the Group must comply with data protection and privacy laws in the United Kingdom, the EU and other relevant jurisdictions. Those laws impose certain requirements on the Group in respect of the collection and use of such personal information. Failure to comply with data protection laws could potentially lead to regulatory censure, fines, civil and criminal

liability and reputational and financial costs. The EU General Data Protection Regulation, which will come into force in May 2018, will require the Group to change its customer profiling, reconfirm regulatory compliance of the Group Marketing Database, prevent the Group from using certain data that it currently collects or require the Group to delete customer data it currently has in the Group Marketing Database. Compliance with any such regulations could have a material adverse effect on the Group's business, financial condition and results of operations.

***Failure to deliver operational efficiencies and strategic change may adversely impact the Group's business and operations***

The Group is undertaking a number of key projects and programmes to deliver key elements of its strategy, including the new retail insurance platform and the new claims platform. If any of these projects or programmes fail to deliver the anticipated operational efficiencies or anticipated strategic change and/or these projects and programmes are delayed or encounter difficulties (including during migration), this could have a material adverse effect on the Group's financial condition and results of operations. Additionally, because the Group has factored the expected benefits of these projects and programmes into its business plan, the Group's inability to successfully execute these plans and/or its failure to realise the expected economic benefits of its plans could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is dependent on third party service and facility providers***

The Group is dependent on the provision of services and facilities by third parties, such as re-insurers, coinsurers, solus providers (in relation to travel and private medical insurance), hotel operators, transport providers and other third party tour operators. There can be no assurance that the services rendered by such third-parties will be satisfactory and meet the required quality levels, or that such third party contractors will perform services in accordance with the terms of their contracts and applicable law. If any third party services or facilities on which the Group relies in conducting its business are restricted, temporarily halted (for example, as a result of financial difficulties, technical problems or strikes), permanently ceased or are not available on commercially acceptable terms, this could have a material adverse effect on the Group's business, results of operations and financial condition, including a deterioration in customers' confidence in the Group's ability to offer reliable services. The Group may not be successful in recovering any losses which result from the failure of third party providers to comply with their contractual obligations to the Group and other third party operators may seek to recover losses from the Group under indemnities or in respect of breaches of obligations or warranties under their agreements with the Group.

Loss or expiration of the Group's contracts with third party providers and the inability to negotiate replacement contracts with other service providers at comparable rates or to enter into such contracts in any new markets may have a material adverse effect on the Group's business, results of operations and financial condition. The Group's arrangements with outsource partners and third party providers may not remain in effect on current or similar terms, and the net impact of future pricing options may adversely impact the Group's business, financial condition and results of operations.

The Group derives part of its turnover from third party providers, such as hotel operators, transport providers and other third party tour operators. The Group could experience attempts by such third party providers to reduce commissions paid to the Group which would negatively impact turnover. The Group may not be able to offset such reductions by increasing customer turnover, which could harm its turnover and results of operations.

***The Group is exposed to transactional risks due to volatility in foreign exchange rates and fuel prices***

The Group is exposed to transactional risks in respect of costs denominated in foreign currencies, particularly euros and U.S. dollars, as the Group purchases holiday package components denominated in currencies other than pound sterling, its functional and reporting currency. As has already been experienced as a result of the United Kingdom's decision to leave the EU, a fall in the pound sterling relative to other currencies would lead to a corresponding increase in costs denominated in foreign currencies. The Group uses foreign exchange forward contracts, but its exposure may not always be hedged, in full or in part, and foreign exchange volatility (including further fluctuations in the pound

sterling exchange rate as a result of the United Kingdom's decision to leave the EU) may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group uses fuel oil swap agreements to reduce its exposure to fluctuations in the oil price based on estimated monthly fuel consumption. The Group may not be able to fully forecast all of its fuel needs in order to hedge them through swap contracts, and therefore fuel price volatility may have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is exposed to risks in connection with the acquisitions or disposals it may undertake***

The Group has in the past and may in the future make acquisitions and disposals of businesses, and enter into joint ventures with third parties, that are consistent with its core strategic priorities. While the Group will undertake due diligence and consider potential costs, risks and issues in relation to the integration of any proposed acquisition, joint venture or the disaggregation of any disposal, there can be no assurance that such procedures will be accurate or complete, and they may not identify or mitigate all material risks to which the entity being acquired is exposed. In addition, the integration of any proposed acquisition may not be successful or in line with the Group's expectations. In 2015, the Group disposed of Allied Healthcare. This disposal contained an element of deferred consideration by way of loan notes (valued at £7 million), and there can be no guarantee that the outstanding loan notes will be repaid.

The Group will seek, where appropriate, contractual representations and warranties in connection with any acquisition, joint venture or disposal and, where necessary, additional indemnifications in relation to specific risks. However, there can be no guarantee that such protection will be obtained or be adequate in all circumstances. The Group may also provide relevant representations, warranties and indemnities to counterparties. While most such clauses are likely to be customary in such contracts, they may result in the Group receiving claims from counterparties. Even if the Group identifies an attractive opportunity, it may not be able to successfully complete the acquisition or disposal. Failure to adequately protect the Group from losses resulting from acquisitions, joint ventures or disposals, including losses resulting from the unsuccessful integration of future acquisitions, could damage the Group's reputation and brands, and could have an adverse effect on the Group's business, financial condition and results of operations.

***The Group may be unable to implement and execute its strategic and business plans if it cannot retain high-quality management and skilled individuals***

The implementation and execution of the Group's strategies and business plans depend on its ability to recruit, motivate and retain skilled employees and management. The Group competes globally and across business sectors for talented management and skilled individuals, particularly those with insurance, travel and financial services capabilities. An inability to recruit, motivate or retain such people could adversely affect the Group's business performance.

***Litigation, disputes and regulatory investigations may adversely affect the Group's profitability and financial condition***

The Group is, and may be in the future, subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, travel and other business operations. These legal actions, disputes and investigations may relate to aspects of the Group's businesses and operations that are specific to the Group, or that are common to companies that operate in its markets. Legal actions and disputes may arise under contracts, regulations (including tax) or from a course of conduct taken by the Group, and may be class actions. Although the Group believes that it has adequately provided in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, other sanctions that might be applicable and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Group's business, financial condition and results of operations.



*The Group is exposed to various risks in connection with its pension commitments*

The Group operates a funded defined benefit scheme, the Saga Pension Scheme, which is open to new members who accrue benefits on a career average salary basis. Valuations of United Kingdom defined benefit plans are required to be conducted on at least a triennial basis in accordance with legislative requirements. The Group is currently in compliance with its funding obligations in relation to the Saga Pension Scheme, with recovery plans in place to eliminate deficits over time. If a funding deficit is disclosed in the context of future triennial valuations of the Saga Pension Scheme, the trustees and employers under the applicable plan will be required to agree a recovery plan for the Saga Pension Scheme, or could be determined by the statutory regulator for occupational pension schemes in the United Kingdom (the “**Pensions Regulator**”), to be in default. Any such “funding deficit” will be the estimated shortfall in the amount required, on an actuarial calculation based on assumptions agreed between the employer and trustees in the context of the relevant valuation, to make provision for the scheme’s liabilities. Accordingly, the Group is exposed to the risk that its pension funding commitments may increase over time in the context of subsequent valuations of the Saga Pension Scheme, which could have a material adverse effect on the Group’s business, financial condition and results of operations. In addition, a funding obligation can arise if a relevant trigger occurs, such as a scheme wind-up, employer insolvency or the last active member of the scheme ceases to be employed, and the Pensions Regulator has the power to require the Group to make additional contributions or put in place other financial support.

The assets of the Saga Pension Scheme are held separately from those of the Group in independently administered funds. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets. Unfavourable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in the Group’s net pension obligations. In addition, deterioration in the Group’s financial condition could lead to an increased funding commitment by the Group to the trustees, which could further exacerbate any financial difficulties the Group could face at such time. Any such increases in its net pension obligations could adversely affect its financial condition. The Group is also exposed to risks associated with interest rate and inflation rate changes in connection with its pension commitments. A decrease in interest rates and/or increase in longevity or inflation could result in an increase to the Group’s liabilities, and therefore its contribution requirements in respect of the Saga Pension Scheme.

The Pensions Regulator has powers under the Pensions Act 2004 which, if various conditions are met and the power is exercised, could require the Group to make additional contributions or put in place other financial support for liabilities of a United Kingdom tax registered occupational pension scheme outside the Group. One condition is that a member of the Group is (or was within the previous six years) “connected” or “associated” with an employer in that scheme. The Group is currently “associated” with the AA Group and Allied Healthcare, which respectively operate the defined benefit pension schemes: the AA UK Pension Scheme, and Nestor Healthcare Group Retirement Benefits Scheme and Healthcall Group Limited Pension Scheme. The Group may be exposed to the risk that its pension funding commitments may increase if liability for such non-Group pension schemes is extended to the Group by the Pensions Regulator. An order made by the Pensions Regulator could have a material adverse effect on the Group’s operating results, business prospects and financial condition.

*The Group’s own insurance may be inadequate, premiums may increase and, if there is a significant deterioration in its claims experience, insurance may not be available on acceptable terms*

The Group maintains medical malpractice, public liability, employer’s liability, directors’ and officers’ liability, motor fleet, marine and property insurance, as well as insurance for certain other claims. However, claims not covered by the Group’s insurance or in excess of its insurance coverage may arise, such as losses resulting from fire, natural disaster or other causes outside its control. Furthermore, the Group may be unable to obtain insurance cover in the future on acceptable terms, or without substantial premium increases or at all, particularly if there is deterioration in its claims experience history. For example, there are a limited number of providers of shipping insurance and the Group has in the past had difficulty securing appropriate or reasonably priced insurance cover for its shipping operations. A successful claim against the Group not covered by or in excess of its insurance cover could have a material adverse effect on the Group’s business, financial condition and results of operations.

***The Group's results depend on the performance of its investment portfolio, and changes in the financial markets may have a significant adverse effect on the value of the Group's investment portfolio***

The Group's investment returns, which are a significant contributor to its profitability, are highly susceptible to changes in interest rates and credit spreads. The Group's investment returns are subject to a variety of risks, including risks related to general global economic conditions, market volatility and interest rate fluctuations, liquidity risk and credit risk. Changes in these factors can be difficult to predict and could result in decreased returns from those expected. This could have a material adverse impact on the Group's financial condition.

Generally, investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed-income securities are called, mature or are sold and the proceeds reinvested at lower rates, even though prices of fixed-income securities tend to be higher and gains realised upon their sale tend to increase under such circumstances. During periods of rising interest rates, prices of fixed income securities tend to fall and realised gains upon their sale are reduced or realised losses are increased, but reinvestments take place at a higher yield. When the credit rating of the issuer of the debt securities falls, or the credit spread with respect to the issuer increases, the value of the fixed income securities may also decline.

The Group's investment portfolio also contains interest-rate-sensitive instruments that may be adversely affected by changes in interest rates, particularly its cash holdings. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions, and other factors beyond the Group's control. The Group may not be able to appropriately or effectively mitigate interest rate sensitivity in a changing interest rate environment. In particular, a significant increase in interest rates could result in significant losses, realised or unrealised, in the fair value of the Group's current investment portfolio and, consequently, could have an adverse effect on its results of operations and capital position. Lower interest rates could also affect income derived from fixed income investments as borrowers seek to refinance at lower interest rates, redeeming current debt instruments and requiring the Group to reinvest the proceeds in securities with lower interest yields. A changing interest rate environment will also impact the Group's returns on its large cash holdings.

***Risks relating to providing consolidated accounts only***

The accounts of the Guarantors have been included in the consolidated accounts of the Group, which are incorporated by reference herein, and have not been presented separately herein. However, as the non-Guarantor subsidiaries represent more than 25 per cent. of the consolidated **EBITDA** (earnings before interest payable, tax, depreciation and amortisation) and net assets of the Group, the consolidated financial statements of the Group may be of limited use in assessing the financial position of the Guarantors.

***Changes in tax legislation or uncertainty over their application and interpretation may adversely affect the Group's reported results***

Changes in tax law (including tax law in relation to corporation tax, insurance premium tax and VAT), whether determined by legislation, regulation, case law or otherwise, or increases in the direct or indirect tax rates applicable to the Group, could adversely affect the returns that can be achieved by the Group and may result in a decline in profits. In addition, the interpretation of guidelines, rules and legislation by governmental tax authorities may change from time to time and the Group may need to change aspects of its operations in response to any such change, which may correspondingly lead to a decline in revenue and profits. Such changes in tax rules or guidance or in their interpretation may have retrospective effect. Any of the above may have a material adverse effect on the business, financial position and results of operations of the Group.

## **Risks specific to the Group's insurance business**

### ***The Group is required to ensure compliance with capital adequacy requirements and other regulations relating to its operations, solvency and reporting bases***

Certain of Saga's subsidiaries in its insurance and personal finance business are required to maintain a minimum margin of solvency capital in excess of the value of their liabilities in order to comply with a number of regulatory requirements relating to capital adequacy. The amount of regulatory and economic capital required depends on the level of risk facing each of these subsidiaries.

The capital position of Saga's regulated subsidiaries can be adversely affected by a number of factors, in particular, factors that erode their capital resources or impact the quantum of risk to which they are exposed. In the event that regulatory capital requirements are, or may be, breached, the supervisory authorities are likely to require Saga or its regulated subsidiaries to take remedial action, which could include measures to restore the individual subsidiary's capital and solvency positions to levels acceptable to such authorities. In addition, the supervisory authorities could decide to increase the regulatory capital requirements of any of Saga's regulated subsidiaries. Any event which causes Saga's regulated subsidiaries to hold additional regulatory capital could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, as a result of the solvency capital the Group is required to maintain, the Group has significant cash holdings which may place the Group at risk were there to be any structural failures in the banking industry.

The EU Solvency II Directive (2009/138/EC), which took effect from 1 January 2016, introduced a new capital adequacy regime in the EU affecting the financial strength of insurers and reinsurers within each Member State ("**Solvency II**"). Solvency II has codified and harmonised prudential regulation for insurers and reinsurers and applied more consistent risk sensitive standards to capital requirements, covering areas such as regulatory capital, the valuation of assets and liabilities, calculating technical provisions and regulatory reporting. Regulators may continue to issue guidance and other interpretations of the applicable requirements under Solvency II, which could require further adjustments to the Group's capital requirements in the future.

If the Group is unable to meet applicable or new regulatory capital requirements in any of its regulated subsidiaries, the Group would have to take other measures to protect its capital and solvency position which may be difficult or costly, including raising additional capital through equity or debt issuances. In addition, if the regulatory capital requirements are not met, the Group could be subject to a range of regulatory actions, including losing key licences, and hence may be forced to cease some of its insurance operations.

There has been an increased focus in the EU on the fair treatment of customers, in particular on the way in which the insurance industry sells and administers insurance policies or other products. The European Commission is currently in the process of preparing delegated regulations under the Insurance Distribution Directive ("**IDD**") with the aim of harmonising pre-contractual disclosures and selling practices for such products. There is a risk that any new rules required in due course to implement the IDD will lead to restrictions on the Group's ability to distribute its products within the EU and additional distribution and compliance costs, which could have a material adverse effect on its results, operations and/or costs, or otherwise negatively impact its distribution arrangements.

Where larger groups or matters of public policy are concerned, the Financial Conduct Authority ("**FCA**") may intervene directly to provide redress to customers. There have been several industry-wide issues in recent years in which the FCA (or previously the Financial Services Authority) has intervened directly, including sale of payment protection insurance. The exercise of these powers could have a negative impact on perceptions of the Group's businesses or have a material adverse effect on its business.

Further, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation.

***The Group's technical reserves may not adequately cover actual insurance claims due to the uncertain nature and timing of the risks that the Group incurs in underwriting insurance products***

The Group maintains technical reserves to cover the estimated cost of future claims payments and related administrative expenses, with respect to losses or injuries which have been incurred but have not been fully settled at the balance sheet date or which may occur in the future against insurance policies which have already been written prior to the balance sheet date. Due to the uncertain nature and timing of the risks that the Group incurs in underwriting insurance products, the Group cannot precisely determine the amounts that it will ultimately pay to meet the liabilities covered by the insurance policies it underwrites or the timing of payment and settlement of those liabilities. As such, the Group's technical reserves may prove to be inadequate to cover actual claims, particularly when the settlement of liability or payments of claims may not occur until well into the future.

***The Group's underwriting assumptions and risk pricing models may not accurately reflect its overall risk exposure***

The Group's insurance business depends significantly on whether its actual claims experience is consistent with the assumptions the Group uses in underwriting and setting prices for its products. The Group's pricing assumptions are based on a variety of factors, which may include historical data, estimates, assumptions and individual expert judgements. Statistical methods, models and individual expert judgements may not accurately quantify the Group's risk exposure. In addition, the statistical methods, models and individual judgements themselves may be flawed, leading to inaccurate pricing of risk despite access to accurate data and accurate assessment of other risks. The Group's ability to properly quantify risk exposure and, as a result, price its insurance products successfully is subject to various risks and uncertainties, including exposure to claims inflation, changes in claims frequency, unanticipated legal and regulatory changes and costs, changes in mortality or rehabilitation trends, assumptions on weather trends, unexpected or new types of claims, changes in social or market trends, including customer and claimant behaviour, changes in economic conditions, potential inaccuracies in the data collected from internal or external parties or used within the modelling and pricing processes, incorrect or incomplete analysis of data, potentially inaccurate or inappropriate policy terms and conditions, inappropriate or incomplete purchase of reinsurance or receipt of recoveries therefrom, changes in its internal operating environment, the selection of inappropriate pricing methodologies, assumptions for future investment income and the uncertainties inherent in estimates and assumptions.

If the Group's actual claims and expense experience or investment income differ from the underlying assumptions and estimates the Group uses in pricing its business, or if its pricing is different to the market price for similar insurance products, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may not be able to manage its underwriting risk successfully through reinsurance or coinsurance arrangements***

An important part of the Group's risk management strategy is to purchase reinsurance from third parties, thereby transferring exposure to certain risks to others through reinsurance arrangements. The Group has also entered into coinsurance arrangements to further decrease its risk. The Group currently uses the reinsurance and coinsurance markets primarily to limit risk, support growth and manage capital more efficiently. The Group has historically relied on excess of loss reinsurance agreements to maintain its exposure to loss at or below a level that is within the capacity of its capital resources. The Group also entered into a quota share arrangement last year. If reinsurers do not offer to renew their products and services, in whole or in part, for any reason, or if coinsurers do not comply with their obligations to cover their quota, there is a risk that the Group may be unable to procure replacement cover for any reinsurance or coinsurance agreements at rates equivalent to those of the terminated cover and that the Group may be exposed to un-reinsured or un-coinsured losses during any interim period between termination of the existing agreements and the start of any replacement cover. The Group may also have to increase its capital reserves in the event that it cannot find replacement reinsurance or coinsurance arrangements. Further, changes in reinsurers' levels of risk tolerance may result in changes in price or willingness to reinsure certain risks.

While the Group's reinsurance and coinsurance reduces the liability of the Group to the extent of the risk ceded, it does not discharge the Group's primary obligation to pay under an insurance policy for

losses incurred. As a result, the Group is subject to credit risk with respect to its current and future reinsurers and coinsurers, as the Group is liable to customers regarding the portion of the risk that has been reinsured or coinsured in the event that the reinsurers or coinsurers fail to meet their payment obligations for any reason, including insolvency. The insolvency of any reinsurers or coinsurers, or their inability or refusal to pay claims under the terms of any agreements could therefore have a material adverse effect on the Group's business, financial condition and results of operations.

***Failure to optimise the pricing of the Group's insurance products could lead to either immediate or future reductions in the Group's profitability***

The Group needs to balance the anticipated impact its pricing will have on its insurance portfolio volume (measured by conversion and retention rates) with its insurance portfolio margin (measured as the average revenue per policy). Increasing the Group's insurance prices in relation to market prices tends to have the effect of increasing the Group's margins, but tends to result in a corresponding decline in insurance portfolio volume with respect to new and renewal business. Such increases in insurance prices tend to result in increased insurance profits in the immediate year, but can be detrimental to the Group's insurance business in subsequent years, as there are fewer policies that can be renewed for the following year. Conversely, decreasing prices in relation to the market has the effect of decreasing the Group's insurance portfolio margins; however, the Group experiences a corresponding increase in its insurance portfolio volume. This results in more policies that can be renewed in subsequent years and has the effect of increasing profits in subsequent years. While the Group attempts to optimise the balance between margin and volume, there is a possibility that it may not be able to set its pricing correctly in order to achieve the desired balance. Any such inability to correctly optimise the Group's pricing could therefore have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is exposed to risks associated with internal and external fraudulent claims in connection with its insurance business***

The Group is vulnerable to internal and external fraud from a variety of sources such as employees, suppliers, intermediaries, customers and other third parties. The Group is at risk from customers who misrepresent or fail to provide full disclosure of the risks covered before such cover is purchased, from policyholders who file fraudulent or exaggerated claims, and from a range of other fraud-related exposures, such as the fraudulent use of its confidential information. The Group's fraud protection processes may fail to effectively identify and combat these risks.

Additionally, the Group experiences risk from employees and staff members who fail to follow or who circumvent procedures designed to prevent fraudulent activities. The occurrence or persistence of fraud in any aspect of the Group's insurance business could damage its reputation and brands as well as its financial standing, and could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is exposed to risks specific to motor insurance, including an increasing number of claims and uncertainty caused by changes in regulations and legislation***

The motor insurance business is subject to a variety of specific risks, including:

- rates in the motor insurance market move adversely compared to claims inflation/costs or do not harden or inflate as expected;
- increased propensity of severe personal injury claims to settle using periodical payment orders, which exposes the Group to further earnings-related inflation as well as additional mortality, investment income and reinsurance credit risks;
- increased personal injury or third party property damage claims, which could be caused by, among other things, an increased propensity of third parties to claim, increased size or severity of claims, and increased fraud associated with staged accidents, falsified claims or other fraudulent reporting;

- enhancements in medical knowledge and techniques as well as the increasing use of rehabilitation, resulting in increased life expectancy for injured claimants, with expensive medical and rehabilitation regimes required for longer periods;
- the potential for one or more global reinsurers to fail, change their risk appetite or alter the nature, price or terms of their reinsurance cover, such as removing unlimited personal injury cover;
- uncertainty of the outcome or impact of regulatory or legislative changes on motor insurance as a result of either current investigations and initiatives or potential future initiatives;
- the exposure of motor insurance reserves to retrospective and prospective legal changes through court awards;
- changes in the frequency of motor accidents due to potential changes in the economy, changes in fuel prices; and
- technological changes to vehicles and roadways, including driver automation technology and driverless vehicles.

The occurrence or persistence of any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

***Actions taken by the Group's home and motor underwriting panels, such as price increases or withdrawals, could adversely impact the Group's business***

The Group utilises its insurance panels to underwrite its home and motor insurance products. In order to function efficiently, the Group needs to provide the panels with appropriate information and ensure the panels are managed appropriately. Failure to do so could result in the Group's competitors increasing their prices, failing to maintain their competitive positions or withdrawing from the Group's panels, which may impact the Group's ability to compete with the rest of the market and negatively impact sales volumes and profitability. If the Group's panels were to lose members, there would be less price competition between panel members. In addition, if the Group's panel members fail to competitively price their policies, the Group would be required to reduce its revenue, pass the cost on to the consumer or increase the amount of its in-house underwriting. Further, the Group could be forced to re-broker policies if one of its underwriting partners fails to resolve insurance claims in a timely or satisfactory manner and the Group may be exposed to litigation with respect to any such claims. The Group could also experience difficulties in sourcing alternative third party supplier capacity to replace any departing panel members. The failure of any one or more of the Group's panel members could harm its reputation, sales and profitability. Any of the above events could have a material adverse effect on the Group's business, financial condition and results of operations.

***A sustained period of low interest rates or interest rate volatility could adversely affect claims settlements***

The current economic environment could give rise to a sustained period of low interest rates or increased interest rate volatility, which could impact claims settlements and, as a result, the financial performance and overall capital position of the Group.

On 27 February 2017, the United Kingdom government announced its decision to move the Ogden discount rate (the discount rate used to calculate lump sum awards in bodily injury cases) to -0.75% from 2.5%, which had a net additional impact of £4m on the Group's results for the financial year ended 31 January 2017. Since the Ogden discount rate is used to calculate the present value of future costs or lost earnings in the cases of bodily injury or death, periods of sustained low interest rates or increased interest rate volatility could result in pressure from claimants to further reduce the Ogden discount rate to compensate for lower or uncertain expected returns, thereby increasing the present value of those future costs and the value of lump sum payments owed to settle claims. Fear of low or volatile returns on claims settlements caused by low or volatile interest rates could also encourage more claimants to pursue periodic payment order awards for bodily injury claims instead of lump sum awards. A further decrease in the Ogden discount rate or an increase in the propensity of periodic

payment order claims could increase the likelihood of a mismatch between the assumptions underlying the pricing of the Group's products and the actual claims and expenses experience.

Further, if the current economic environment worsens, the Group would not only experience retrospective changes to its reserves, it may not be able to recover such future higher claims costs through higher prices, which could ultimately have a negative impact on the Group's current and future financial performance and, hence, potential capital requirements and/or held capital. Any such changes could adversely affect the Group's business, results of operations and financial position.

***Fluctuations in the Group's insurance business may have an adverse impact on the Group***

The Group's insurance business could be exposed to significant fluctuations in operating results due to volatile and sometimes unpredictable developments, including competition due to excessive underwriting capacity, competitors targeting market share growth, frequency or severity of catastrophic events, shortage of capacity leading to increased premium rates, general economic conditions and other factors. This could have a material adverse effect on the Group's business, results of operations and financial position.

**Risks specific to the Group's travel business**

***The Group's travel business may be adversely affected if it fails to bring the correct travel products to the market at the right time***

In its travel business, the Group has developed a range of products. For a variety of reasons, including the Group misjudging customer demand or external factors such as outbreak of war, the Group may fail to identify the correct travel product to bring to the market at the right time. The expected cost efficiencies anticipated from such product commoditisation may not be achieved. This could adversely impact the travel business's revenue. In addition, if the Group fails to maintain its existing shipping fleet at a level that meets both customer expectations and its plans or the Group's new cruise ship that is expected to be delivered in June 2019, the "*Spirit of Discovery*", does not meet business or customer needs, this could have a material adverse effect on the Group's financial condition and results of operations.

***Damage to the Group's cruise ships or the Group's inability to implement ship repairs or maintenance may result in cancellation of cruises or unscheduled drydocks***

The Group depends on shipyards for scheduled repair and refit of its cruise ships on a timely basis and to good working order. The repair, maintenance and refurbishment of cruise ships are complex processes and involve risks similar to those encountered in other large and sophisticated repair, maintenance and refurbishment projects, which could cause delays and cost overruns in completing such work. As the Group's ships age, their repair and maintenance expenses typically increase. Delays or mechanical faults in ship repair and revitalisation have in the past and may in the future result in delays or cancellations of cruises or necessitate unscheduled drydocks and repairs of ships. The Group's existing cruise ships, *Saga Sapphire* and *Saga Pearl II*, have required more repairs in recent years in order to maintain adequate performance and regulatory approval due to the fact that they are aging. Any such events and any related adverse publicity could result in lost revenue or increased operating expenses, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group's ships are subject to the risks of mechanical failures and accidents, which would incur repair expenses and ancillary losses caused by delays, the inability to use the ships and compensation owed to customers. The Group may be unable to procure spare parts when needed or make repairs without incurring significant expense or suspension of service. The Group has outsourced the management of deck and engine functions for its cruise ships to V Ships UK Ltd, a professional cruise ship maintenance company. Events such as work stoppages, labour actions, insolvencies, "force majeure" events or other financial difficulties experienced at V Ships UK Ltd or its subcontractors or suppliers who build, repair, maintain or refurbish its ships could also prevent or delay the Group from undertaking scheduled cruises or the completion of the refurbishment, repair and maintenance of its ships. Any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

***Failing to create expected demand for future shipping capacity***

The Group has invested in the *Spirit of Discovery* and has an option to acquire the Second New Ship (as defined below), which will increase the Group's shipping capacity. Failure to create the appropriate service offerings and operation, and failure to have effective marketing and sales plans, could affect the Group's ability to deliver the increased demand for the *Spirit of Discovery* and the Second New Ship. This could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's travel business may be adversely affected if the Spirit of Discovery is not delivered and/or the option for the Second New Ship is not exercised***

The contract for the *Spirit of Discovery* and the option to acquire the Second New Ship (as defined below) (together, "the **Contracts**") are expected to increase the Group's shipping capacity and be transformative for the operating efficiency and profitability of the Group's cruise business. However, the revenue arising from, and the profitability of, the Contracts are subject to a number of factors including: unexpectedly high costs; Meyer Werft (as defined below), the ship builder, failing to satisfy its obligations under the Contracts; and/or delay or cancellation of the delivery of the *Spirit of Discovery*. The Group may also not exercise its option to acquire the Second New Ship in accordance with the terms of the Contracts, in which case a fee would be payable to Meyer Werft. Any of these events may lead to a reduction in the Group's future revenue, profitability and cash generation and could impact the Group's reputation. This could have a material adverse effect on the Group's business, financial condition and results of operations.

***Changes in and compliance with environmental laws and regulations could have a material adverse effect on the Group's travel business***

Some environmental groups have lobbied for more stringent regulation of cruise ships and other forms of air and ground transportation. Some groups have also generated negative publicity about the cruise business and its environmental impact. Various agencies and regulatory organisations have enacted or are considering new regulations or policies, such as requirements to use lower sulphur content fuels and stricter emission limits to reduce greenhouse gas effects, which could adversely impact the Group's cruise business.

The International Maritime Organization has amended the International Convention for the Prevention of Pollution from Ships ("MARPOL") to require reduced emissions from ships. These changes will result in reductions in ship sulphur oxide emissions by requiring progressive reductions in the sulphur content in fuel or the use of abatement technologies. These limits will be further reduced in designated Emissions Control Areas ("ECAs"), including ECAs that have been or could be proposed in other prime cruising areas, such as around Australia, Hong Kong, Japan, the Mediterranean Sea and Mexico. As a result of these amendments, low sulphur fuel may be less available because of increased demand, and the cost of such fuel may increase. The increase in fuel prices impacts not only the Group's fuel costs, but also some of its other expenses, including crew and guest travel, freight and commodity prices.

***The Group's travel business may be adversely affected if it fails to improve distribution capabilities, both digital and offline***

The Group's travel business has a number of initiatives underway to improve its distribution capabilities, including enhancing existing systems and creating a new agency website. Each of these initiatives is subject to a number of project risks, including delays and cost overruns, which could impact their implementation and subsequently adversely impact the travel business revenue stream.

***The Group's travel business may fail to grow due to an inability to develop and communicate customer propositions, shift brand perception, a shortage of first-time customers and failure to add new revenue streams***

The Group's travel business is developing new product segments to differentiate its proposition, and is developing robust omnichannel marketing plans to target first-time customers and add new revenue streams. Progress and effectiveness in the development and implementation of these could affect brand



engagement and interest, impacting trading performance, and could have a material adverse effect on the Group's business, financial condition and results of operations.

***Failure of the Group's travel business to maintain an agile pricing and margin approach to yield management may impact its price competitiveness in the market***

Pricing and yield systems are a key component in ensuring competitiveness in the market and ensuring the travel business meets its financial targets. The travel business has a number of operational controls in place to monitor and manage revenue and margins. However, the use of older technology and possible weaknesses or failures in the current controls could have a material adverse effect on the Group's business, financial condition and results of operations.

**Risks Relating to the Bonds**

***The Bonds may be redeemed prior to maturity***

In the event that the Issuer or any of the Guarantors would be obliged to increase the amounts payable in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with the Conditions. In addition, the Conditions provide that the Bonds are redeemable at the Issuer's option in certain other circumstances. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Bonds in any of the circumstances mentioned above, there is a risk that the Bonds may be redeemed at times when the redemption proceeds are less than the current market value of the Bonds or when prevailing interest rates may be relatively low, in which latter case Bondholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Condition 2 (Status and Guarantee) of the Bonds is intended to ensure that the Bonds and the Issuer's Principal Bank Facility rank pari passu with each other at all times***

On 9 May 2017, the Issuer entered into a £300,000,000 term loan and revolving facilities agreement with, *inter alios*, HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc and Barclays Bank PLC as mandated lead arrangers. This agreement and any subsequent refinancing or replacement of it is referred to as the "**Principal Bank Facility**". The Conditions require that any guarantor under the Principal Bank Facility must also guarantee the Bonds.

Therefore (a) on the Issue Date, all guarantors under the Principal Bank Facility are also guarantors of the Bonds; (b) from the Issue Date onwards, if a member of the Group is added as a new guarantor to the Principal Bank Facility, the Issuer must promptly inform the Trustee and add it as a guarantor of the Bonds; and (c) conversely, if in future a guarantor ceases to be a guarantor under the Principal Bank Facility, the Issuer can require (subject to certain Bondholder protections) that it ceases to be a guarantor of the Bonds.

***Minimum Denomination***

As the Bonds have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Bond in respect of such holding (should Definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to the minimum denomination. Further, a Bondholder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first

purchasing a principal amount of Bonds at, or in excess of, the minimum denomination such that its holding amounts to the minimum denomination.

***The terms of the Bonds may be modified with the consent of specified majorities of the Bondholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Bonds, or substitution of the Issuer, without the consent of the Bondholders***

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The Trust Deed constituting the Bonds also provides that the Trustee may (except as set out in the Trust Deed), without the consent of Bondholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the Trust Deed or to the substitution of another company as principal debtor under the Bonds in place of the Issuer in the circumstances described in Condition 12 (*Meeting of Bondholders; Modification and Waiver; Substitution*) and the Trust Deed.

### ***Credit Rating***

The Bonds are expected to be assigned a rating of Ba1 by Moody's and BB+ by S&P and may in the future be rated by additional independent credit rating agencies (including on an unsolicited basis), although the Issuer is under no obligation to ensure that the Bonds are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these risk factors and other factors that may affect the liquidity or market value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

If the Issuer determines to no longer maintain one or more credit ratings, if any other independent credit rating agency decides to assign a rating to the Bonds, or if any credit rating agency withdraws, suspends or downgrades any credit ratings of the Issuer or the Bonds, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or the Bonds on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), such event could adversely affect the liquidity or market value of the Bonds.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Economic Area ("EEA") and registered under the CRA Regulation, unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

### ***Changes in law may adversely affect the rights of Bondholders***

Changes in law after the date hereof may affect the rights of Bondholders as well as the market value of the Bonds. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Bonds, which may have an adverse effect on an investment in the Bonds.

In addition, any change in law or regulation that triggers a relevant tax change in the United Kingdom would entitle the Issuer, at its option (subject to certain conditions), to redeem the Bonds, in whole but not in part, as provided under "*Terms and Conditions of the Bonds — Redemption and Purchase*".

No assurance can be given as to the impact of any possible judicial decision or change to English law, regulation or administrative practice after the date of issue of the Bonds.

### **Risks Relating To The Market**

#### ***There is no active trading market for the Bonds***

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to

their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantors. Although applications have been made for the Bonds to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

***Because the Global Bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantors***

The Bonds will be represented by the Global Bonds except in certain limited circumstances described in the Permanent Global Bond. The Global Bonds will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive Definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantors will discharge their payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

Bondholders of beneficial interests in the Global Bonds will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

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

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

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

#### ***Interest rate risks***

Investment in the Bonds, which bear a fixed rate of interest, involves the risk that subsequent increases in market interest rates may adversely affect the market value of the Bonds.

## TERMS AND CONDITIONS OF THE BONDS

The £250,000,000 3.375 per cent. Guaranteed Bonds due 2024 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Saga plc (the “**Issuer**”) are subject to, and have the benefit of, a trust deed dated 12 May 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Saga Mid Co Limited and Saga Services Limited (the “**Guarantors**”, which expression shall include any member of the Group (as defined in Condition 2 (*Status and Guarantee*)) which becomes, and has not for the time being ceased to be, a Guarantor pursuant to the relevant provisions of Condition 2 (*Status and Guarantee*)) and HSBC Corporate Trustee Company (UK) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 12 May 2017 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the initial Guarantors, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions and definitions. The holders of the Bonds (the “**Bondholders**”) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Level 28, 8 Canada Square, London E14 5HQ United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Form, Denomination and Title

The Bonds are serially numbered and in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons attached at the time of issue. Title to the Bonds and the Coupons will pass by delivery. The holder of any Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder, and the Issuer, each Guarantor, any Paying Agent and the Trustee shall not be required to obtain any proof thereof or as to the identity of such holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

### 2. Status and Guarantee

- (a) *Status of the Bonds*: The Bonds constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Bonds*: The initial Guarantors have in the Trust Deed jointly and severally, unconditionally and (subject to the provisions of Condition 2(d) (*Release of Guarantors*)) irrevocably guaranteed the due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds and the Coupons, and each member of the Group which becomes a Guarantor pursuant to Condition 2(c) (*Addition of Guarantors*) will guarantee, jointly and severally, unconditionally and (subject to the provisions of Condition 2(d) (*Release of Guarantors*)) irrevocably, the due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds and the Coupons. Each such guarantee (each a “**Guarantee of the Bonds**”) constitutes direct, general and unconditional obligations of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the relevant Guarantor, save

for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (c) *Addition of Guarantors:* If at any time after 12 May 2017 (the “**Issue Date**”), any member of the Group provides a guarantee in respect of the Principal Bank Facility (as defined below), the Issuer covenants that it shall procure that such member of the Group shall, as soon as reasonably practicable but in any event no later than 14 days after the date of giving its guarantee in respect of the Principal Bank Facility, provide a Guarantee in respect of the Bonds and the Coupons on the terms set out in the Trust Deed. The Issuer shall provide written notice to the Trustee of the proposed accession of any member of the Group as a guarantor under the Principal Bank Facility. The Trust Deed provides that the Trustee shall agree to any such Guarantee being provided by any such further Guarantor, subject to such amendment of, or supplement to, the Trust Deed as the Trustee may require and such other conditions as are set out in the Trust Deed (including the delivery to the Trustee of a legal opinion of independent counsel of recognised status as to the capacity of the relevant Group member to enter into such amendment or supplement and the validity and enforceability of such amendment or supplement (and such other matters as the Trustee may require)), but without the consent of the Bondholders or the Couponholders.
- (d) *Release of Guarantors:* A Guarantor which is no longer providing a guarantee in respect of the Principal Bank Facility shall be immediately, automatically and (subject always to Condition 2(c) (*Addition of Guarantors*)) and the following provisions of this Condition 2(d) (*Release of Guarantors*)) irrevocably released and relieved of all of its obligations under the relevant Guarantee of the Bonds and all of its present and future obligations as a Guarantor under the Trust Deed, the Bonds and the Coupons, but without prejudice to any obligations or liabilities which may have accrued prior to such release, upon the Issuer giving written notice to the Trustee signed by two authorised signatories of the Issuer to that effect. Any such notice must also contain the following certifications to the Trustee:
- (i) that no Event of Default or Potential Event of Default (as defined in the Trust Deed) is continuing, or is expected to result from the release of that Guarantor;
  - (ii) that no part of the financial indebtedness in respect of which that Guarantor is or was providing a guarantee in respect of the Principal Bank Facility is at that time due and payable but remains unpaid in circumstances where any obligation to make payment has arisen under the relevant guarantee in respect of the Principal Bank Facility; and
  - (iii) that such Guarantor is no longer providing (or will be ceasing to provide), in accordance with the terms of the Principal Bank Facility, any guarantee, indemnity, security, surety or other form of collateral or credit support arrangement in respect of the Principal Bank Facility.

If any Guarantor or any other member of the Group released from providing a Guarantee as described above subsequently provides a guarantee in respect of the Principal Bank Facility, the relevant member of the Group will, in accordance with the Trust Deed, be required again to provide a Guarantee as described in Condition 2(c) (*Addition of Guarantors*).

- (e) *Notice of Change of Guarantors:* Notice of any release or addition of a Guarantor at any time pursuant to the foregoing provisions of this Condition 2 (*Status and Guarantee*) will be given by the Issuer to the Bondholders in accordance with Condition 15 (*Notices*).
- (f) *Trustee not obliged to monitor:* The Trustee shall not be obliged to monitor compliance by the Issuer or any other member of the Group with Condition 2(c) (*Addition of Guarantors*) or 2(d) (*Release of Guarantors*) and shall have no liability to any person for not doing so. The Trustee shall be entitled to rely, without liability to any person, on a notice of the Issuer provided under this Condition 2 (*Status and Guarantee*), and, until it receives any such notice, it shall assume that no other member of the Group has provided a guarantee in respect of the Principal Bank Facility.

(g) Definitions: In these Conditions:

“**Group**” means the Issuer, any holding company (as defined in section 1159 of the Companies Act 2006, as amended) of the Issuer and any of the Issuer’s or such holding company’s consolidated Subsidiaries from time to time;

“**Principal Bank Facility**” means the £300,000,000 term loan and revolving facilities agreement dated 9 May 2017 between *inter alios* the Issuer and HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc and Barclays Bank PLC as mandated lead arrangers, as amended and/or restated and/or replaced and/or refinanced from time to time or any facility (or facilities) which in turn refinances or replaces such facility as the primary working capital and standby facility (or facilities) of the Group, however many times (each, individually and/or collectively, the “**Principal Bank Facility**”);

“**Principal Subsidiary**” means a Subsidiary of the Issuer whose total assets or total revenues as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those financial statements relate account for 5 per cent. or more of the consolidated total assets or consolidated total revenues of the Group (calculated by reference to the then latest audited consolidated financial statements of the Group); and

“**Subsidiary**” means a subsidiary within the meaning of section 1159 of the Companies Act 2006, as amended.

### 3. Negative Pledge

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

In these Conditions:

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

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

“**Indebtedness**” means any indebtedness of any Person for money borrowed including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;

- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

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

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other security which is, or is intended by the relevant issuer to be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market); and

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

#### 4. **Interest**

The Bonds bear interest from (and including) the Issue Date at the rate of 3.375 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in arrear on 12 May and 12 November in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be £1,687.50 in respect of each Bond of £100,000 denomination. If interest is required to be paid in respect of a Bond on any other date, or in respect of a Bond with any other denomination, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Bond divided by the Calculation Amount, where:

“**Calculation Amount**” means £1,000;

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) two; and

“**Regular Period**” means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

## 5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 12 May 2024, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 May 2017; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (A) a Guarantor has or (if a demand was made under the Guarantee of the Bonds) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 May 2017; and (B) such obligation cannot be avoided by the relevant Guarantor taking reasonable measures available to it;

*provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee of the Bonds were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate signed by two authorised signatories of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two authorised signatories of the relevant Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the



case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b) (*Redemption for tax reasons*).

- (c) *Redemption at the option of the Issuer*: The Issuer may, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem or purchase, or procure that any of its Subsidiaries shall purchase, all but not some only of the Bonds for the time being outstanding at a redemption price per Bond equal to (a) if the Optional Redemption Date is on or after 12 February 2024, the principal amount of the Bond; or (b) otherwise, the higher of the following, in each case together with interest accrued to but excluding the Optional Redemption Date:
- (i) the principal amount of the Bond; and
  - (ii) the principal amount of the Bond multiplied by the price (as reported in writing to the Issuer and the Trustee by an independent financial adviser (the "**Financial Adviser**") appointed by the Issuer at the Issuer's expense and whose appointment is approved in writing by the Trustee) expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their stated maturity) on the Determination Date is equal to the sum of (x) the Gross Redemption Yield at 11.00 a.m. (London time) on the Determination Date of the 2.75 per cent. United Kingdom Government Treasury Stock due 7 September 2024 (or, where the Financial Adviser advises the Issuer that, for reasons of illiquidity or otherwise, such bond is not appropriate for such purpose, such other government bond as such Financial Adviser may recommend) plus (y) a margin of 0.50 per cent.

Any notice of redemption given under this Condition 5(c) (*Redemption at the option of the Issuer*) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 5(b) (*Redemption for tax reasons*). No notice of redemption may be given under this Condition 5(c) (*Redemption at the option of the Issuer*) where the Optional Redemption Date would fall during a Change of Control Put Period (as defined in Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) below).

In these Conditions:

**"Determination Date"** means the date which is the second business day in London prior to the Optional Redemption Date; and

**"Gross Redemption Yield"** means a yield calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005) (as amended or supplemented from time to time).

(d) *Redemption at the option of Bondholders following a Change of Control:*

A “**Change of Control Put Event**” will be deemed to occur if:

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially the same as the pre-existing shareholders of Saga plc becomes interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of Saga plc or (B) shares in the capital of Saga plc carrying more than 50 per cent. of the voting rights normally exercisable on a poll vote at a general meeting of Saga plc (each such event being, a “**Change of Control**”); and
- (ii) on the date (the “**Relevant Announcement Date**”) that is the earlier of:
  - (x) the first public announcement of the occurrence of a relevant Change of Control, and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Bonds carry:
    - (A) a credit rating from any Rating Agency at the invitation of the Issuer (or, where there is no rating from any Rating Agency assigned at the invitation of the Issuer, any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from BB+ to BB being an example of a downgrade by one rating category) or withdrawn and is not, within the Change of Control Period, subsequently upgraded or restored to its earlier credit rating or better by such Rating Agency; or
    - (B) no credit rating and, within the Change of Control Period, (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Bonds or of any other of its unsecured and unsubordinated debt; or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain a credit rating of at least Ba1 (from Moody’s) or BB+ (from S&P or Fitch) (the “**Minimum Rating**”) by the end of the Change of Control Period (a “**Negative Rating Event**”), and

in making any decision to downgrade or withdraw a credit rating, or not to award a credit rating of at least the Minimum Rating as described above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the relevant Change of Control.

If a Change of Control Put Event occurs, the holder of each Bond will have the option (a “**Change of Control Put Option**”) (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 5(b) (*Redemption for tax reasons*) above) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Bond on the date (the “**Change of Control Put Date**”) which is seven days after the expiration of the Change of Control Put Period (as defined below) at 101 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall, and at any time upon

the Trustee having express notice thereof, and if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders, the Trustee shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a “**Change of Control Put Event Notice**”) to the Bondholders (and the Trustee, where such Change of Control Put Notice is given by the Issuer) in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Bond must deposit such Bond with any Paying Agent at its Specified Office at any time during its normal business hours within 90 days after a Change of Control Put Event Notice is given (the “**Change of Control Put Period**”), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Specified Office of any Paying Agent (a “**Change of Control Put Notice**”). No Bond so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Any such Bond should be delivered together with all Coupons appertaining thereto maturing after the Change of Control Put Date, failing which the relevant Paying Agent will require payment from or on behalf of the Bondholder of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed to the Bondholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 (*Replacement of Bonds and Coupons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Bond and Change of Control Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. Payment in respect of any Bond so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Bonds on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 80 per cent. or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to this Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*), the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Bonds at 101 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by Moody’s, Fitch or S&P (each as defined below) are changed from those which are described in paragraph (ii) of the definition of “Change of Control Put Event” above, or if a rating is procured from a Substitute Rating Agency (as defined below), the Issuer shall determine the rating designations of Moody’s and/or Fitch and/or S&P and/or such Substitute Rating Agency, as applicable, as are most equivalent to the prior rating designations of Moody’s, Fitch and/or S&P, as the case may be, and this Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) shall hence be construed accordingly.

The Trustee is under no obligation to ascertain or monitor whether a Change of Control Put Event or Change of Control or Negative Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control or Negative Rating Event has occurred, or to seek any

confirmation relating to a decision of any Rating Agency pursuant to paragraph (ii) above and, until it shall have express notice pursuant to the Trust Deed to the contrary, the Trustee shall be entitled to assume that no Change of Control Put Event or Change of Control or Negative Rating Event has occurred and shall have no liability to the Bondholders or any other person in respect thereof.

In these Conditions:

**“Change of Control Period”** means the period commencing on the Relevant Announcement Date and ending 90 days after the relevant Change of Control (both dates inclusive) (or such longer period for which the Bonds are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the first public announcement of such consideration);

**“Rating Agency”** means Moody’s Investors Service, Limited (**“Moody’s”**), Fitch Ratings Ltd. (**“Fitch”**) or Standard & Poor’s Credit Market Services Europe Limited (**“S&P”**) or any of their respective successors or any other internationally recognised rating agency (a **“Substitute Rating Agency”**) substituted for any of them by the Issuer from time to time; and

**“Relevant Potential Change of Control Announcement”** means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where, within 180 days following the date of such announcement or statement, a Change of Control occurs.

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of Bondholders following a Change of Control*) above.
- (f) *Purchase:* The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (g) *Cancellation:* All Bonds so redeemed or purchased by the Issuer, the Guarantors or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 6. Payments

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bonds at the Specified Office of any Paying Agent outside the United States by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.
- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of principal and interest on the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment including, without limitation, any withholding or deduction arising under or in connection with Sections 1471–1474 of the U.S. Internal Revenue Code of 1986, as amended (the **“Code”**), any regulations or agreements thereunder, any official interpretation thereof, any law interpreting any intergovernmental agreement thereto or any legislation adopted by any non-U.S. jurisdiction in connection with those provisions, but without prejudice to the

provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

- (d) *Deduction for unmatured Coupons:* If a Bond is presented without all unmatured Coupons relating thereto, then:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void Coupons.

- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

## 7. Taxation

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the United Kingdom, as the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed, other than the mere holding of the Bond or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such Bond or Coupon would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days; or
- (c) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the Code, or is otherwise imposed pursuant to sections 1471 through 1474 of the Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or similar law implementing an intergovernmental approach thereto.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or a Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom respectively, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

## 8. Events of Default

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*) below and in relation only to a Principal Subsidiary of the Issuer, paragraphs (e) (*Security enforced*), (f) (*Insolvency, etc.*), (g) (*Winding up, etc.*) or (h) (*Analogous event*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Bondholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunding to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due

and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment:* the Issuer or any Guarantor fails to pay any amount of principal in respect of the Bonds on the due date for payment provided that such failure to pay continues for more than seven days in the case of principal or 14 days in the case of interest; or
- (b) *Breach of other obligations:* the Issuer or any Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the relevant Guarantor; or
- (c) *Cross default of Issuer, Guarantor or Principal Subsidiary:*
  - (i) any Indebtedness of the Issuer, any Guarantor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the relevant Guarantor or (as the case may be) the relevant Principal Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
  - (iii) the Issuer, any Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;  
  
*provided that* the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds £20,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount in excess of £20,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer, any Guarantor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer, any Guarantor or any Principal Subsidiary; or
- (f) *Insolvency, etc.:* (i) the Issuer, any Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, any Guarantor or any Principal Subsidiary or the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer, any Guarantor or any Principal Subsidiary, (iii) the Issuer, any Guarantor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, any Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Principal Subsidiary,

for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, any Guarantor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (h) *Analogous event*: any event occurs which has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) *Guarantee not in force*: any Guarantee (other than a Guarantee that is released pursuant to Condition 2(d) (*Release of Guarantors*)) of the Bonds is not (or is claimed by the relevant Guarantor not to be) in full force and effect.

## **9. Prescription**

Claims for principal shall become void unless the relevant Bonds are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## **10. Replacement of Bonds and Coupons**

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

## **11. Trustee and Paying Agents**

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

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

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

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantors reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer and the Guarantors shall at all times maintain a principal paying agent.

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



## 12. Meetings of Bondholders; Modification and Waiver; Substitution

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend the terms of any Guarantee of the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Bondholders, who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed, holding not less than 75 per cent. in nominal amount of the Bonds outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Bondholders or the Couponholders, agree to any modification of these Conditions or the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds or the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Bondholders or the Couponholders, authorise or waive any proposed breach or breach of the Bonds or the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.
- (c) Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).
- (d) *Substitution:* The Trust Deed contains provisions under which a Guarantor or any other company may, without the consent of the Bondholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds *provided that* certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the relevant Guarantor, a requirement that each Guarantee of the Bonds is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Bonds.

No Bondholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or (as the case may be) Couponholder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

### 13. Enforcement

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

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

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

### 14. Further Issues

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

### 15. Notices

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders.

### 16. Governing Law and Jurisdiction

- (a) *Governing law:* The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Guarantors has in the Trust Deed (i) agreed for the benefit of the Trustee and the Bondholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of the Temporary Global Bond which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in new global note (“NGN”) form. On 13 June 2006 the European Central Bank (the “ECB”) announced that Bonds in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosystem”), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used. The Bonds are not initially intended to be held in a manner which would allow Eurosystem eligibility.

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Permanent Global Bond not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Bond will become exchangeable in whole, but not in part, for Bonds in definitive form (“**Definitive Bonds**”) in the denominations of £100,000 and higher integral multiples of £1,000 in excess thereof up to and including £199,000 each at the request of the bearer of the Permanent Global Bond against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs. No Definitive Bonds will be issued with a denomination above £199,000.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

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

*Payments:* All payments in respect of the Temporary Global Bond and the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Bond or (as the case may be) the Permanent Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Bond or (as the case may be) the Permanent Global Bond, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of the Temporary Global Bond and the Permanent Global Bond “**business day**” means any day which is a day on which dealings in foreign currencies may be carried on in London.

*Exercise of put option:* In order to exercise the option contained in Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) the bearer of the Permanent Global Bond must, within the period specified in the Conditions for the deposit of the relevant Bond and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Bonds

in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

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

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds will be used by the Issuer for general corporate purposes, including the refunding of indebtedness (which may include the repayment of debt to one or more of the Joint Lead Managers and/or their affiliates).

## DESCRIPTION OF THE ISSUER

The Issuer is the holding company of the Group, which provides products and services tailored for customers over the age of 50 in the United Kingdom. Such products and services include insurance, cruises and package holidays, personal finance and the Saga Magazine. The ‘Saga’ brand has been developed over the past 67 years to become a well-recognised brand among United Kingdom consumers aged over 50. All revenue is generated in the United Kingdom and Gibraltar.

### History

Saga was established in 1950 when its founder, Sidney De Haan, purchased the Rhodesia Hotel in Folkestone and began offering pensioners off-peak package holidays. Saga’s business expanded to include other destinations across the United Kingdom, then Europe and subsequently around the world.

In 1987, Saga commenced a process of diversification to broaden the range of products and services offered to its customers to include financial services and home insurance. In 1988, the Group launched its motor insurance division and, in 1996, the Group was authorised to sell investment products on an execution only basis. In 2003, the Group established Saga Insurance Company Limited to underwrite motor insurance in-house.

In 1996, the Group purchased its first cruise ship, the *Saga Rose*, and launched a cruise ship division the following year. Following the sale of the *Saga Ruby* in January 2014, the Group currently owns and operates two cruise ships: the *Saga Sapphire* and the *Saga Pearl II*. In 2009, the Group expanded its travel segment through the acquisition of the Titan Travel business, to complement its traditional package holiday and cruise offerings with escorted tours. In 2014, the Group acquired Destinology Limited, an online travel firm specialising in four and five star holidays to the United Arab Emirates, Far East, Indian Ocean and Europe.

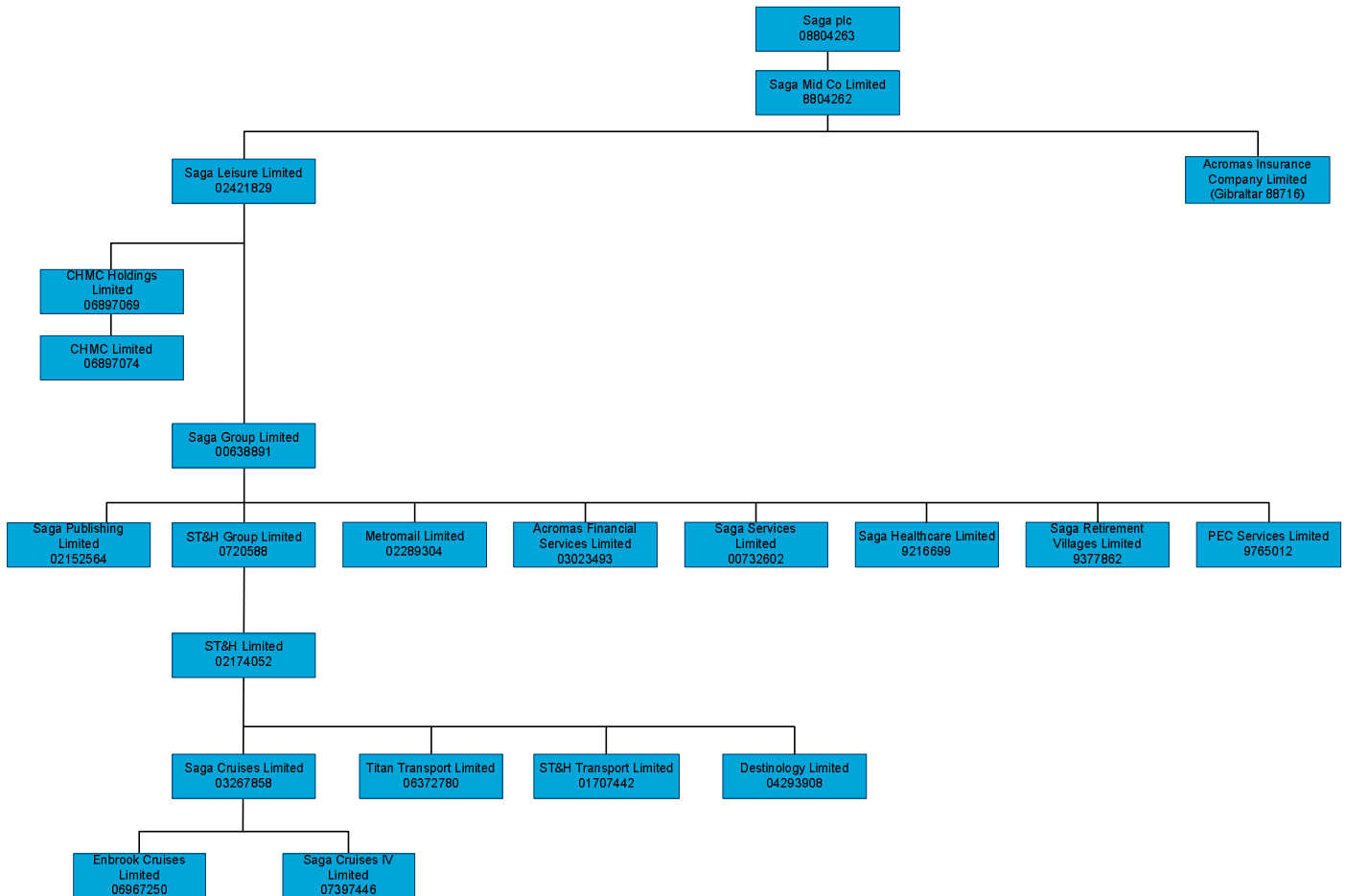
In 2007, the Group began to expand into healthcare with the establishment of Saga Independent Living. In 2011, the Group acquired Nestor Healthcare Group and Allied Healthcare International LLC. These businesses were integrated and traded as Allied Healthcare. In July 2015 the Group acquired Bennetts Biking Services Limited. In November 2015, the Group sold Allied Healthcare to Aurelius Group. The remaining privately funded Saga healthcare business is now operated through Saga Healthcare Limited.

The Issuer was incorporated and registered in England and Wales on 5 December 2013 with registered number 8804263, under the Companies Act 2006 (the “Act”), as a private limited company. The Issuer was re-registered as a public limited company under the Act on 2 May 2014. Ordinary shares in the Issuer were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange’s Main Market on 29 May 2014. The Issuer’s registered office address is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE and the telephone number of the Issuer’s registered office is 01303 771111.

## Group Structure

The Issuer is the holding company of all the operating businesses, subsidiaries and financing activities of the Group. As the trading (and holding) companies of the Group, the Issuer is dependent on Saga Mid Co Limited, Acromas Insurance Company Limited, Saga Leisure Limited, CHMC Holdings Limited, CHMC Limited, Saga Group Limited, Saga Publishing Limited, ST&H Group Limited, Metromail Limited, Acromas Financial Services Limited, Saga Services Limited, Saga Healthcare Limited, Saga Retirement Villages Limited, PEC Services Limited, ST&H Limited, Saga Cruises Limited, Titan Transport Limited, ST&H Transport Limited, Destinology Limited, Enbrook Cruises Limited and Saga Cruises IV Limited.

The Group's principal shareholders are as follows:



## Strengths

The Group's management believes that the Group has many strengths, including:

- **Primary focus on serving the over 50s demographic in the United Kingdom** – the Group offers a range of products and services for the over 50s, which is the fastest growing demographic in the United Kingdom. Over 50s account for 75% of the United Kingdom's household wealth and 50% of the United Kingdom's household expenditure (according to the Centre for Economic and Business Research). The Group's target customer base is ABC1 households i.e. middle-class households (based on a social grading system of demographic classification used in the United Kingdom, as defined by Experian Mosaic data). The Issuer believes that the Group's experience, customer insights and understanding of the needs of the over 50s provide it with a distinct competitive advantage that allow it to capitalise on these demographic trends.
- **Brand** – the Saga brand has been developed over the past 67 years to become a trusted brand among consumers over the age of 50 in the United Kingdom. The Group has successfully leveraged the strength of its brand and reputation to broaden its product offering over time, developing into a leading provider of a range of products and services across the insurance, travel, financial services and media sectors. The Group has achieved high levels of repeat business and has acquired new customers without needing to rely solely on costly or extensive third party broadcast advertising campaigns across the majority of its business.
- **Unique customer insight** – the Group maintains a database of information about its customers at every point of contact and builds a proprietary view of the customer, including their preferences and changes in behaviour over time. This database is called the Group Marketing Database and the Group regularly updates the data it gathers from its numerous interactions per year with both existing and prospective customers. The Group also collects complementary data it gathers from third-parties. The Group Marketing Database is exclusive to the Group, as it does not share the information with third parties for marketing purposes.
- **Service to customers** – the Group has a strong focus on customer service as the Issuer believes that a commitment to high-quality, personalised customer service is key to achieving repeat business, along with new customer referrals. For example, calls to the Group's call centres are only answered in the United Kingdom by customer service representatives. Computerised interactive voice responses are not widely used.

The Group regularly monitors its customer service and call quality standards, allowing management to track customer satisfaction, and investigate and remediate any downward trends in performance. Third party suppliers are also required to meet quality standards on which they are regularly monitored.

- **Financial track record** – the Group has delivered consistent historical earnings growth, deleveraging and a progressive dividend. The capital efficient business model means that the Group is cash generative, with a high proportion of its profit converted into cash after tax. Cash generation was 88.4% of trading EBITDA (£246.1 million) for the financial year ended 31 January 2017. The Group benefits from the fact that the majority of its travel and insurance customers pay for its products and services in advance of the Group's contractual obligations to pay its suppliers becoming due, and the fact that the Group requires limited maintenance capital expenditure. Where possible the Group uses third party providers to create/provide its products and services, which means that the Group has very little capital at risk and is afforded some protection against the impact of market conditions.
- **Growth opportunities** – the Group carries out in-depth analysis on its customer base, which allows it to gain insight into the traits of its target demographic, helping it to develop tailored products and services. The Group's divisions operate in sectors that provide a range of services, which means that demand for the Group's products and services remains consistent. The Group also continues to develop its product offering and in the financial year ended 31 January 2017, has progressed the modernisation of its insurance sales system, increased its digital services and entered into an agreement for the *Spirit of Discovery* and the Second New



Ship (as defined below). Customer service capabilities allow the Group to build long-term relationships with customers.

- **Quality of earnings** – the Group has increased the quality of its earnings with a focus on retail broking and reducing the capital requirement within its in-house underwriter. The introduction of a panel of underwriters for its motor broking product, after the success of a similar panel for its home broking product, gives the Group access to a wider customer base without retaining any risk. Within the Group’s underwriter, a quota share arrangement has been introduced for motor policies that protects against 75% of the downside risk, and all home policies are reinsured which means that the Group has reduced its capital requirements.

## Strategy

The Group’s strategic priorities are:

- **Becoming increasingly customer-centric** – the Group has identified a core group of approximately 483,000 higher-affinity customers that form approximately 20% of its customer base, but have contributed approximately 80% of revenue less directly attributable costs over the last three years. These customers buy premium versions of the Group’s products and services; have higher retention levels; and have a higher propensity to buy multiple products across the Group. The Group will continue to use the Group Marketing Database to better identify and target existing or potential higher-affinity customers. The Group is also investing in the technology to monitor in real time what customers are doing whilst using any of its systems, both online and through its call centres.

The Group intends to launch a membership scheme in the second half of 2017. This scheme will be open to all existing customers and will be named “**Saga Possibilities**”. Saga Possibilities will be structured around four key components:

- (i) Experiences: to provide members with tailored products and experiences they can try.
  - (ii) Expertise: to be the go-to place for the over 50s for subject matter expertise.
  - (iii) Everyday: to make the everyday things in life more enjoyable, easier and better value.
  - (iv) Enhanced Saga products: every product and service that the Group sells will have extra enhancements for its Saga Possibilities members.
- **Growing profits in its retail insurance and travel businesses** – during the financial year ended 31 January 2017, this strategy has included delivering profit growth across the Group’s broking business and increasing profits through passenger growth, improved margins in the Group’s tour operating business and optimum yield from its ships. As a result, the Group experienced strong growth in its tour operating profitability.
  - **Investing for future growth** – in December 2015, the Group agreed to acquire a new cruise ship from Meyer Werft GmbH & Co. KG (“**Meyer Werft**”) for delivery in June 2019, replacing *Saga Pearl II*. The Group intends to continue to develop and market this ship, the *Spirit of Discovery*, and progress its emerging businesses, including personal finance, healthcare and retirement villages. The Group also plans a new claims platform and customer insight tool.
  - **Maintaining an efficient operating model** – the Group’s quota share arrangement with NewRe is part of the Group’s efficiency tools and the Group plans to extend this arrangement by three years. It is also investing in a new retail insurance platform and a new claims platform to deliver savings within the insurance businesses. The Group is also delivering savings from Group-wide procurement initiatives.
  - **Developing its people** – see “*Employees*” below.

## Principal activities

The Group's business is divided between insurance, travel and emerging businesses. For the financial year ended 31 January 2017, the segmental split of revenues, gross profit, profit before tax excluding derivatives and Ogden impact and EBITDA was as set out in the table below.

	<b>Insurance (£'m)</b>	<b>Travel (£'m)</b>	<b>Central costs and emerging businesses (£'m)</b>
Revenue .....	410.0	432.0	29.3
Gross profit .....	346.3	88.0	14.3
Profit before tax excluding derivatives and Ogden impact .....	215.1	14.9	(42.6)
EBITDA.....	228.1	33.4	(15.4)

### *Insurance*

Insurance was the largest division in the Group for the financial year ended 31 January 2017, on the basis of profit before tax, and comprises a retail broking and underwriting business. The role of the retail broker is to develop tailored products, price them to the customer and then source the cheapest cost of risk. This is achieved through panels of third party insurers, which operate across both the motor and home business, or through solus arrangements, for example in travel or private medical insurance. The Group's underwriter is a member of both the motor and home panels. The Group focuses on building products based on customer insight and ensuring the quality of the customer experience, sourcing the best possible third party product providers in most areas and seeking to cross-sell products between the Group's other business divisions where possible.

The Group's insurance division consists of:

### **Broking**

- **Motor broking** – the Group offers a number of motor insurance policies, including comprehensive cover and third party fire and theft cover. The Group also offers ancillary complementary policies, such as motor breakdown assistance, legal expenses cover, personal accident cover, car hire and an accident healthcare plan. The Group provides temporary hire vehicles, repairs and debt recovery services to the not-at-fault parties of motor accidents through CHMC Limited (“CHMC”), which also provides claims handling services and expertise to the Group. On 1 July 2015, the Group acquired Bennetts Biking Services Limited, a motorbike insurance broker and added 128,000 policies to its roster in that year. The Group also has policies for motor homes.

In 2015, the Group launched a panel of underwriters for its motor insurance products. The Group's in-house underwriter, Acromas Insurance Company Limited (“AICL”), is a member of this panel. Access to the panel has allowed the Group's broking division to increase its competitiveness outside of AICL's traditional target market of lower risk drivers.

- **Home broking** – the Group offers two core home insurance products: buildings insurance and contents insurance under two separate tiers of cover, Essential and Premier, as well as TailorMade policies for customers who require a higher insurance cover. The Group's buildings insurance includes the structure of the home, loss or damage caused by fire, smoke and other elements, a 24-hour a day home emergency helpline, alternative accommodation costs and accidental damage. The Group's contents insurance includes household goods and valuables and personal belongings. The Group also offers additional complementary policies, such as legal expenses cover and Saga home emergency cover. The Group's home insurance products also include policies for landlords and holiday homes.

The United Kingdom home insurance market is a highly competitive market. Since 2009, the Group has operated a panel of partner companies, including AICL, that provide the underwriting for its home insurance products. This provides the Group with access to a broad

range of underwriters with different areas of expertise and enables the Group to access a competitive cost of risk.

- **Other broking** – other insurance products are driven largely by private medical insurance (including personal accident, accidental death and health cash plan) and travel insurance, as well as pet, caravan and boat insurance.

### **Underwriting**

- **Underwriting** – AICL sits on both the Group's motor and home panels of underwriters. For motor policies, AICL typically underwrites older, lower risk drivers. AICL has a quota share arrangement with NewRe (a division of MunichRe), which covers 75% of the downside risk of all motor policies written from 1 August 2015 for accidents occurring from 1 February 2016. For home policies, AICL purchases reinsurance from third parties, thereby transferring 100% of its exposure to others through its reinsurance arrangements. As a result, no risk is retained on AICL's balance sheet for underwriting of home insurance products. The Group also has a coinsurance arrangement in place with New India Assurance Company, that allows it to increase volumes underwritten without increasing associated risk. As well as the move to motor and home panels, the use of the quota share, reinsurance or coinsurance arrangements has decreased the Group's ongoing capital requirements for this business, lowering both risk and volatility. AICL has a track record of generating consistent earnings for the Group.

The Group is required to maintain technical reserves to cover the estimated cost of future claims payments and related administrative expenses. The Group estimates technical reserves using a range of actuarial and statistical projections and assumptions across a range of variables such as the time required to learn of and settle claims, facts and circumstances known at a given time, trends in the number of claims or claims of certain types, inflation in claims severity and expected future claims payment patterns. The total level of claims costs the Group incurs are impacted by the frequency and the severity at which they occur. Claims frequency refers to the volume of claims relative to the number of policies on risk, whereas claims severity refers to the average cost of each claim. As is required of insurance underwriters, the Group holds reserves and capital to meet claims on policies that it has written in the past and to allow for fluctuations in estimates made for these claims. Over the financial year ended 31 January 2017, the Group's solvency capital reduced as a result of its quota share arrangements and its claims experience, despite being partially offset by the impact of the Ogden decision – the Ogden discount rate is used to calculate the present value of future costs or lost earnings in the cases of bodily injury or death. In February 2017, the United Kingdom government moved the rate to -0.75% from 2.5%.

- **Investment portfolio** – the Group has various financial investments, the majority of which are held by AICL. These financial investments represent premium income received and invested to settle claims in the future and to meet regulatory capital requirements. The maturity profile of the invested financial assets is aligned with the expected cash outflow profile associated with the settlement of claims in the near future. As at 31 January 2017, 95% of the financial assets held by the Group were invested with counterparties with a risk rating of A or above. The investments include a combination of fixed and floating rate securities, as well as other types of investments such as retail prices index linked securities.

### *Travel*

The Group has operated its travel business for over 60 years and in the financial year ended 31 January 2017, the Group took over 211,000 customers around the world. The Group is a provider of United Kingdom and international holidays for the over 50s market, winning 65 awards at the British travel awards in the financial year ended 31 January 2017. All holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.

The Group's travel division consists of two key business areas:

- **Tour operating** – the Group provides package holidays across the globe, which include third party river cruises, special interest holidays, activity holidays and United Kingdom and

European short breaks through Saga Holidays, Titan Travel (which covers 70 destinations) and Destinology (luxury tailor-made tours). In the financial year ended 31 January 2017, the Group reorganised its tour operating products into four thematic product segments: (i) Go For It; (ii) Discover; (iii) Unwind; and (iv) Stay and Explore. These segments are designed to attract customers depending on their particular holiday requirements i.e. whether customers choose to ‘go for it’ on an adventure, ‘discover’ a country on a tour, ‘unwind’ at a hotel or ‘stay and explore’ local sights.

- **Saga Cruises** – the Group owns and operates two cruise ships, the *Saga Sapphire* and the *Saga Pearl II*, both of which are registered in Malta. The *Saga Sapphire* can accommodate 720 passengers and 415 crew. The *Saga Pearl II* can accommodate 449 passengers and 252 crew. In December 2015, the Group agreed to acquire a new cruise ship (the *Spirit of Discovery*) from Meyer Werft for €380m. The *Spirit of Discovery* is scheduled to be delivered in June 2019 and is expected to be transformative for the operating efficiency and profitability of the Saga cruising business. The purchase will be funded through debt provided by bank debt facilities (backed by an export credit guarantee) and the Group’s cash resources. The Group has already had over 10,000 customers register their interest in the *Spirit of Discovery* with over 50% securing their place on the first set of itineraries with payment of a deposit. The Group has also acquired an option from Meyer Werft to purchase a second cruise ship (the “**Second New Ship**”) for delivery in late 2020/early 2021. This option is exercisable by 21 December 2017. If it is not exercised, a fee will be payable by the Group. The *Spirit of Discovery* and the Second New Ship are expected to replace the *Saga Pearl II* and *Saga Sapphire*, respectively.

#### *Central costs and emerging businesses*

The emerging businesses division includes a range of businesses, such as personal finance, homecare, retirement villages and publishing and printing operations.

- **Saga Investment Services** – is an investment management joint venture with Tilney BestInvest that was launched in November 2015. The business offers a range of products, including self-invested personal pensions and personal advisory services.
- **Personal finance** – the Group introduces its customers to selected third party providers of savings accounts, a share dealing service, a Saga branded credit card (‘Platinum’), an equity release service for home owners over the age of 55, life insurance and annuity products, a long-term care funding product, a ‘nominee’ share dealing service and other financial products, on a commission basis. The Group’s financial services intermediation products are offered primarily under the Saga brand through various business partners including Birmingham Midshires (a division of Lloyds Banking Group), Equiniti Financial Services Limited, Just Retirement (a division of JRP Group plc), Allied Bank and Shawbrook Bank.
- **Healthcare** – includes Country Cousins, which provides self-employed, live-in carers to more than 500 clients nationwide and Patricia White’s, which provides services to those looking for live-in and visiting care in their own homes. The healthcare emerging division is also piloting Saga Homecare, which is designed to help older people stay independent at home, while still getting the support they need. Saga SOS provides a 24-hour emergency helpline to customers and plans to develop a further range of products in the coming months, designed to help customers live independently in their own homes.
- **Saga retirement villages** – since 2015, the Group has worked closely with Wadswick Green, a retirement village in Wiltshire, to help them meet the Group’s customers and explain the benefits of living in retirement villages to the Group’s customers. This relationship has been mutually successful, and the Group is considering expanding this business.
- **Saga Publishing** – produces the Saga Magazine, which is a key element of the Group’s brand-building and marketing. The magazine provides editorial content designed to satisfy the general interests of the over 50s market, as well as advertising for its own and third party products and services. In addition to the magazine, Saga Publishing also produces a lifestyle website that connects customers with news and articles on various topics, including gardening,

cooking, celebrity interviews, real-life stories and relationships. The Group also has its own in-house printing, packaging and automated mailing house, MetroMail, that handles both the Group's direct mailing requirements and, for a fee, the printing, packaging, mailing and fulfilment needs of third parties. MetroMail is electronically directly linked to the Group's contact centres so that insurance documents and brochure requests can be dispatched quickly and efficiently.

## **Litigation**

On 17 February 2017, certain entities in the Group were served with legal proceedings by the broker who acted on behalf of the ship yard for the committed purchase of the *Spirit of Discovery*. The claimant has brought a claim alleging that these Group companies are liable to pay commission on the *Spirit of Discovery*, plus interest and legal costs and separately, commission on the Second New Ship should the option to purchase be exercised. If the option for the purchase of the Second New Ship is exercised, the amount of the claim could be up to €7 million. As it is early in the litigation process, the Issuer has not provided for this claim in its accounts. In the event the claim is successful, the Issuer has confirmed that the cost will be capitalised as part of its assets in the course of construction within the property, plant and equipment section of its accounts.

## **Employees**

As at the financial year end 31 January 2017, the average total employee numbers for the Group was 5,269. This was split 2,362 for insurance, 2,092 for travel (including 848 ships' crew who were employed indirectly via an employment agency) and 815 for emerging businesses and central costs, which includes employees in the Group's central division overseeing the Group's IT, group marketing, human resources, finance, property, legal, internal audit and health and safety departments. The Group's employee policies are designed to maximise employee retention and minimise unwanted turnover. The Group focuses on building a culture of customer centricity and 'The Saga Way', the Group's values, is instilled throughout the Group to help guide employee behaviour.

The Group pays salaries in line with market rates and operates a Group-wide job grading structure, with salary bands adjusted annually in line with market movements. Within this framework, the Group uses a performance management system involving quarterly or semi-annual reviews of performance against business objectives to determine pay awards for individuals. There is also a twice annual review of talent across all parts of the business to assist in succession planning and building the Group's capability. Additionally, the Group operates a performance-related bonus system, subject to both the relevant businesses and the overall Group meeting their budgeted profits. Rather than taking part in the general bonus system, employees in the contact centres are eligible for commission payments linked to key performance indicators which are designed to prevent sales from being achieved at the expense of customer service and in accordance with regulation. The Group has a good record of employee relations, with no recent history of material industrial disputes. The Group has a range of employee benefits including annual free shares, long service awards and a pension scheme.

To help employees make the most of their existing skills, as well as to acquire new skills, the Group runs a central approach to learning and development. The central team provides training to the Group employees in the operational teams, including initial induction and development programmes. The Group delivers a programme of training courses, which are available to all employees across the Group in management skills, such as time management, running effective performance and development reviews, managing meetings and team building. Over the financial year ended 31 January 2017, the Group achieved an employee engagement score of 81% and invested in leadership capability through developing an in house leadership development programme "Leading the Saga Way" for its 400 senior leaders - this is due to be rolled out in May 2017. The Group also offers offer foundation degree level programmes to its management teams through partnerships with third party providers. There is also a programme of funding and supporting the Group's employees through specialist qualifications in finance, marketing, actuarial and human resources roles, in addition to National Vocational Qualification programmes for some of its customer-facing employees.

## MANAGEMENT

The following table sets out details of each member of the Issuer's Board of Directors, accompanied by the year of their appointment, the principal activities performed by them outside the Group and the Issuer committees on which they sit.

Director	Since	Outside principal activities	Committees
<b>Non-executive Chair</b>			
Andrew Goodsell	2015 <sup>1</sup>	Company Director of: Gvintajek, Acromas Bid Co Ltd, Acromas Mid Co Ltd, Acromas SPC Co Limited, Acromas Holdings Limited  Chair of: Fundraising Board of Age UK	Nomination
<b>Executive Directors</b>			
Lance Batchelor (Group CEO)	2014	Trustee of: National Gallery Company Limited and The White Ensign Association Limited  Vice-Patron of: Royal Navy and Royal Marines Charity	Executive
Jonathan Hill (Group CFO)	2015	None	Executive
<b>Independent non-executive Directors</b>			
Orna NiChionna, Senior Independent Director	2014	Senior Independent Non-Executive and Chair of: the Remuneration Committee of Royal Mail plc  Chair of: client service at Eden McCallum  Deputy Chair of: the National Trust, Trustee of Sir John Soane's Museum	Nomination (Chair), Risk (Chair), Audit and Remuneration
Raymond King	2014	Non-Executive Director of: Rothesay Holdco UK Limited, Rothesay Assurance Limited, Rothesay Life plc and the Financial Reporting Council ('FRC')  Member of: the FRC Codes and Standards Committee  Chair of: the FRC Audit and Assurance Council	Audit (Chair), Nomination, Remuneration and Risk
Gareth Williams	2014	Non-Executive Director of: YSC Limited and WNS (Holdings) Limited	Remuneration (Chair), Audit, Nomination and Risk

<sup>1</sup> Andrew Goodsell joined Saga in 1992, became the Group Business Development Director in 1995, Deputy Group Chief Executive in 2001 and Chief Executive and Chair in 2004. He was Executive Chair of Saga from 2007 until he became Non-Executive Chair on 1 July 2015.

<b>Director</b>	<b>Since</b>	<b>Outside principal activities</b>	<b>Committees</b>
Bridget McIntyre	2016	<p>Company Director of: the Scultura Clinic Limited, Adnams plc (and a chair of the Audit Committee), Medtrust Innovations Limited and Dream On CIC</p> <p>Non-Executive Director of: Jarrold &amp; Sons Limited</p> <p>Trustee of: the Blossom Charity and the Health Foundation (and a chair of Audit and Risk Committees)</p> <p>Advisor to: Satmap</p>	Audit, Nomination, Remuneration and Risk

The business address for the directors of the Issuer (the “**Directors**”) is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. Save as set out above, there are no potential conflicts of interest between any duties owed by the directors to the Issuer and their private interests or other duties.

#### *Committees*

As recommended by the United Kingdom Corporate Governance Code 2016, the board has established a Nomination Committee, an Audit Committee, a Risk Committee and a Remuneration Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Issuer’s board of Directors (the “**Board**”) and making recommendations with regard to any changes, giving full consideration to succession planning for Directors and other senior executives, to ensure progressive refreshing of the Board, evaluating the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and its expected time commitment and reviewing the results of the Board performance evaluation process that relate to the composition of the Board.

The Audit Committee is responsible for monitoring the integrity of financial statements and providing an opinion to the Board that the annual report and accounts, taken as a whole, is fair balanced and understandable; reviewing and reporting to the Board on significant reporting issues and judgements, and assessing the adequacy and effectiveness of the Issuer’s internal financial controls and other internal control systems (including, but not limited to, whistleblowing, fraud detection and the prevention of bribery); approving the Internal Audit charter, budget and work plan and receiving regular reports; monitoring and reviewing the effectiveness of the Issuer’s Internal Audit function, in the context of the Issuer’s overall risk management system; receiving reports from the audit committees of subsidiaries; considering and making recommendations to the Board in relation to the appointment and re-appointment of the Issuer’s external auditors, their remuneration and the services they provide; ensuring that at least once every 10 years the audit services contract is put out to tender; monitoring reviewing and assessing the external auditors’ independence of and effectiveness and reviewing the external audit work plan; and reviewing the findings of the audit with the external auditors.

The Risk Committee is responsible for advising on the Group’s risk appetite, tolerance and strategy, considering and recommending to the Board the nature and extent of the principal risks the Group is willing to take in achieving strategic objectives; keeping under review the Group’s overall risk assessment processes that inform the Board’s decision making ensuring both qualitative and quantitative metrics are used, and reviewing these measures regularly; keeping under review the effectiveness of the Group’s risk management systems; reviewing the Group’s capability to identify and manage new risk types and ensuring that a supportive risk management culture is embedded and maintained throughout the Group, in conjunction with the Audit and Remuneration Committees; where appropriate, agreeing with the Remuneration Committee how risk should be recognised when setting performance objectives for executive remuneration, reviewing reports on any material breaches of risk

limits and the adequacy of proposed action; reviewing reports on the effectiveness of risk management operations; reviewing and monitoring management’s responsiveness to the findings and recommendations of the Chief Risk Officer (see “*Risk Management*” below for more information on the Group’s approach to risk); reviewing Group compliance performance, assessing the adequacy and effectiveness of the various compliance functions and giving particular consideration to any breaches and/or required notifications to compliance authorities and how these have been rectified; and exploring sources of risk and mitigation processes in each of the Issuer’s business areas.

The Remuneration Committee is responsible for reviewing the broad remuneration policy for the senior executives; recommending and monitoring the level and structure of remuneration for executive directors, the Chair and senior management; governing all share schemes; reviewing any major changes in employee benefit structures throughout the Issuer or Group; setting key performance indicators for the annual bonus plan and long-term incentives; and preparing an annual remuneration report.

### *Risk Management*

The Board has ultimate responsibility for the Group’s risk management and internal control, including its risk appetite. Risk management and control is achieved through application of the ‘three lines of defence’ model as follows:

- **1st line of defence** – risk taking by management should be in line with agreed risk appetite, risk policies and procedures.
- **2nd line of defence** – independent oversight provided by the various control functions, including risk, compliance and health and safety.

The 2nd line of defence is responsible for reporting on the management of principal risks and uncertainties to the Risk Committee and the Board.

- **3rd line of defence** – independent assurance on the operation and effectiveness of internal control throughout the Group, including consideration of the effectiveness of the risk management process. The 3rd line of defence reports to the Board by way of the Audit Committee.

The Group’s risk cycle is an iterative cycle of activities comprising: identification of risk appetite; risk policies; risk assessment and risk registers; risk review; risk oversight; risk monitoring; risk information; independent process assurance; and process feedback.

## **PRINCIPAL SHAREHOLDERS**

Immediately prior to the Issuer’s initial public offering in May 2014, the Issuer’s controlling shareholder was Acromas Bid Co Limited (“**ABCL**”). In April 2016, ABCL sold its remaining shares in the Issuer. As at 28 April 2017, in accordance with Rule 5 of the United Kingdom Disclosure and Transparency Rules, the Issuer has been notified of the following interests of 3% or more of the Issuer’s total voting rights:

<b>Name</b>	<b>Ordinary shares</b>	<b>Percentage of capital</b>	<b>Nature of holding</b>
HSBC Global Custody Nominees (UK) Limited .....	56,154,560	5.02%	Direct
Deutsche Bank AG, London Branch.....	100,674,607	9.00%	5.41% Direct 3.59% Swaps
Artemis Investment Management LLP on behalf of discretionary funds under management .....	111,601,253	9.98%	Indirect
Henderson Group plc .....	59,285,367	5.30%	4.97% Indirect 0.32% CFD



## REGULATORY OVERVIEW

The Group is subject to detailed and comprehensive legislation and regulation in respect of its operations. Regulatory agencies have broad administrative powers over many aspects of the insurance and travel industries. The Group is subject to regulation and supervision by the FCA in relation to the carrying on of its regulated activities in the United Kingdom.

The following discussion considers the main features of the relevant regulatory regimes for the main industries in which the Group operates.

### **Insurance Regulation**

The majority of the Group's regulated business is general insurance intermediation, which is carried on principally by Saga Services Limited ("**SSL**") in the United Kingdom and Jersey (trading as Saga Services, Bennetts, and Direct Choice). Acromas Financial Services Limited ("**AFSL**") (trading as Saga Personal Finance) intermediates long-term insurance, regulated equity release and investment services in the United Kingdom. The Group also conducts general insurance intermediation activities in the United Kingdom through ST&H Limited ("**ST&H**") (trading principally as Saga Holidays) and CHMC Limited both of which are appointed representatives of SSL.

SSL and AFSL are also authorised by the FCA in relation to Consumer Credit to facilitate customers purchasing products via instalment payments. The Group also owns a general insurance company authorised in Gibraltar, AICL, which writes predominantly motor and home insurance in the United Kingdom.

### ***Insurers***

The Group owns one authorised insurance underwriting company, AICL, which is incorporated in Gibraltar and operates through a branch (freedom of establishment) in the United Kingdom and on a freedom of services basis in Ireland. Subject to certain exemptions (which do not apply to the Group), no person may carry on insurance business in Gibraltar unless authorised to do so by the Commissioner of Insurance of the Financial Services Commission ("**FSC**") pursuant to the Insurance Companies Ordinance of Gibraltar 1987 (as subsequently amended). The FSC, in deciding whether to grant authorisation, is required to determine whether the applicant satisfies the threshold conditions set out in the Insurance Companies Ordinance to be engaged in insurance business and, in particular, whether the applicant has and will continue to have appropriate resources, and that it is and will continue to be a fit and proper person having regard to the objectives of the FSC (including in both cases whether those who manage the applicant's affairs have adequate skills and experience and those affairs are conducted soundly and with probity). An authorisation to carry on insurance business may also be subject to such requirements as the FSC considers appropriate.

In specific circumstances, the FSC may vary or cancel an insurer's authorisation to carry on a particular class or classes of business or insurance business generally. The circumstances in which the FSC can vary or cancel an authorisation include a failure to meet the threshold conditions or where such action is desirable in order to protect the interests of consumers or potential consumers.

The Group is also entitled to conduct insurance business in the United Kingdom by virtue of the passporting rights granted under the EU single market directives which allow insurers to exercise passport rights throughout EEA states. These rights extend to Gibraltar as if it were an EEA state in relation to the United Kingdom by virtue of the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 (SI 2001/3084). Therefore, although prudential regulation is the responsibility of the FSC, the Group's underwriting function is subject to conduct of business regulation by the FCA in relation to insurance business undertaken in the United Kingdom and the Central Bank of Ireland ("**CBI**") in relation to insurance business undertaken in Ireland. Both the FCA and the CBI have the power to intervene in the Group's business to ensure compliance in this respect.

### ***Insurance Intermediaries, Appointed Representatives and Investment Firms***

Insurance intermediaries are authorised and regulated by the FCA and investment firms are authorised and regulated by the FCA and (in the case of the most significant investment firms) the Prudential

Regulation Authority (“**PRA**”). Both insurance intermediaries and investment firms must comply with certain conditions relating to capital and liquidity, corporate governance and risk management and controls, among others, although these conditions will vary dependent upon the nature of the regulated activities that the firm is authorised to conduct in the United Kingdom. The relevant requirements for FCA authorised firms are set out in Schedule 6 of Financial Services and Markets Act 2000 (“**FSMA**”) and further supported by the provisions of the FCA Handbook. Generally lower prudential requirements apply for insurance intermediaries, than those for investment firms and in both cases where firms do not hold client money. Neither SSL nor AFSL holds client money. The FCA has the power to cancel or vary a firm’s permission or to withdraw a firm’s authorisation.

An appointed representative is not itself directly authorised by the FCA, but is exempt and acts on behalf of an authorised firm referred to as the principal and the authorised firm remains responsible for its FCA regulatory compliance. There are certain conduct requirements under the FCA Handbook that the principal must ensure that its appointed representatives comply with.

AFSL and SSL carry out insurance intermediation activities and SSL is responsible for ensuring that ST&H and CHMC (which carry out insurance intermediation activities as appointed representatives of CHMC) comply with the relevant FCA requirements for appointed representatives. AFSL is the only Group entity that also carries out investment services. Both AFSL and SSL have capital resources in excess of their minimum capital requirements.

#### ***Insurance Mediation Directive I and Insurance Distribution Directive***

The Insurance Mediation Directive I (“**IMD I**”) was implemented in EU Members States in 2005 and sets standards covering matters such as intermediary fitness and propriety, training, competence, prudential requirements, customer information requirements and complaints handling. IMD I is to be replaced by the Insurance Distribution Directive (“**IDD**”), which entered into force on 22 February 2016 and which is to be transposed by Member States by 23 February 2018. IDD includes provisions meant to expand the scope of IMD I, including provisions that amend the customer information and conduct of business requirements.

#### ***Supervision and Enforcement***

The FCA has extensive powers to supervise and intervene in the affairs of an authorised firm under FSMA. For example, they can require firms to provide information or documents with respect to any matter or prepare and update a ‘skilled persons’ report under sections 166 and 166A of FSMA (powers which are increasingly being used in a wide variety of situations). They can also formally investigate a firm. The FCA has the power to take a range of disciplinary enforcement actions, including public censure, restitution, fines or sanctions and the award of compensation.

#### ***Approved Persons/Senior Managers and Certification Regime***

FSMA gives the FCA powers and responsibilities over individuals carrying on certain roles (“**controlled functions**”) for or on behalf of United Kingdom authorised firms. The controlled functions are divided between ‘significant influence functions’ and ‘the customer dealing function’ and a person must have regulatory approval before they can perform any of them. All persons performing controlled functions in AFSL and SSL (being the Group’s United Kingdom authorised firms) and ST&H and CHMC as appointed representatives of SSL are approved persons. As such, they are subject to ongoing regulatory obligations for which they are personally accountable to the FCA and the FCA has wide-ranging powers under FSMA to act against any person who fails to satisfy these obligations or who ceases to be fit and proper.

HM Treasury has introduced a senior managers and certification regime (“**SM&CR**”) that governs certain individuals in United Kingdom PRA-designated investment firms. The SM&CR came into force on 7 March 2016 and whilst the SM&CR does not currently apply to the Group, and the FCA currently plans to consult in Q2 2017 on the extension of the SM&CR to all FCA authorised firms. HM Treasury has stated its intention that the regime should start for all FCA authorised firms from 2018.

## ***Solvency II***

Solvency II provides a new prudential framework for insurance companies. Solvency II has codified and harmonised prudential regulation for insurers and reinsurers and applied more consistent risk sensitive standards to capital requirements, covering areas such as regulatory capital, the valuation of assets and liabilities, calculating technical provisions and regulatory reporting. Regulators may continue to issue guidance and other interpretations of the applicable requirements under Solvency II, which could require further adjustments to the Issuer's capital requirements in the future.

## ***Gibraltar***

AICL is regulated by the Jersey Financial Services Commission (the "**Commission**") as a registered person under the Financial Services (Jersey) Law 1998 to carry on general insurance business. As such, AICL is required to comply with the Codes of Practice for General Insurance Mediation Business issued by the Commission (the "**Codes of Practice**") and those required by the home state regulator, in this case the Gibraltar Financial Services Commission .

## ***Jersey***

SSL is regulated by the Commission as a registered person under the Financial Services (Jersey) Law 1998 to carry on general insurance mediation business (including incidental general insurance mediation business). As such, SSL is required to comply with the Codes of Practice. The Codes of Practice set out further regulatory requirements respect of each of these principles.

## **Travel Regulation**

### ***Package holidays and tours***

As a tour operator, the Group is subject to several key areas of law, regulation and consumer protection (including general consumer protection legislation such as the Consumer Protection from Unfair Trading Regulations 2008). Other regulations include the Package Travel, Package Holidays and Package Tours Regulations 1992, and the Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012. The Group also chooses to be a member of the Association of British Travel Agents ("**ABTA**") and the Federation of Tour Operators.

### ***United Kingdom Civil Aviation Authority ("CAA") Licensing Regime***

Certain entities within the Group are licensed by the CAA. ATOL licences, which are granted by the CAA, are designed to protect customers by requiring the licence-holder to provide funds that can be used to repatriate customers in the event of financial failure of the tour operator.

### ***Other Regulatory Requirements***

As a provider of package holidays, the Group is also required to comply with the Package Travel, Package Holidays and Package Tours Regulations 1992 (which are based on the Package Travel Directive (90/314/EEC)). These regulations make the Group responsible to the customer for all aspects of the package holiday provided, even where the service is provided by a third party (for example an airline or hotel operator).

At the end of 2015, the EU approved a new Package Travel Directive. The United Kingdom government has confirmed that it will implement the new directive and they have until 1 January 2018 to do so.

### ***ABTA Membership***

Saga, Titan and Destinology are the trading names of Group entities which are members of ABTA. They are required to comply with the ABTA Code of Conduct, which requires that members meet certain standards of service. The Group's travel business is also licensed by the Irish Commission for Aviation Regulation, to carry on business in Ireland as a travel agent.

### ***IATA Membership***

The Group, through its licensed travel entity, is also an accredited agent for IATA. IATA is a trade body of the world's scheduled airlines and its membership allows the Group to issue air tickets through the airlines reservation systems. Again, IATA membership is subject to satisfying minimum financial hurdles.

### ***Cruise and Shipping Regulations***

Shipping is one of the world's most heavily regulated industries, and it is subject to many industry standards. Government and environmental regulation significantly affects the ownership and operation of vessels. The Group cannot predict the ultimate cost of complying with these requirements, which may become more stringent.

The International Maritime Organization (“**IMO**”) has negotiated a number of international conventions concerned with preventing, reducing and controlling pollution from vessels.

### ***Compliance Enforcement***

A flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all vessels granted the right to fly its flag. The vessels that the Group operates are flagged in Malta. Malta-flagged vessels have historically received a good assessment in the shipping industry. Non-compliance with the International Safety Management (“**ISM Code**”) or other IMO regulations may subject the ship owner to increased liability. As of the date of this document, each of the Group's vessels is ISM Code certified. However, there can be no assurance that such certificate will be maintained.

It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations may have on its operations.

### ***Ship Safety Regulation***

A primary international safety instrument is the Safety of Life at Sea Convention of 1974, as amended, (“**SOLAS**”). An amendment of SOLAS introduced the ISM Code, which has been effective since July 1998. The ISM Code, amongst other things, requires a vessel to develop an extensive safety management system and vessel operators to obtain a safety management certificate for each vessel they operate.

### ***Ship Security Regulation***

SOLAS imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. The vessels in its fleet that the Group operates have on board valid International Ship Security Certificates that attest to the vessel's compliance with SOLAS security requirements and the ISPS Code.

### ***Regulations to Prevent Pollution from Ships***

MARPOL is the primary international convention focussed on the prevention of pollution of the marine environment by ships from operational or accidental causes. These regulations have been and continue to be regularly amended.

### ***Greenhouse Gas Emissions***

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (“**Kyoto Protocol**”) entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programmes to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the greenhouse gas emissions from international shipping do not come under the Kyoto Protocol. The EU also plans to expand its emissions trading scheme to vessels. More recently, 195 countries agreed to a new agreement (known as the Paris Agreement) within the United Nations Framework Convention on

Climate Change to deal with greenhouse gases emissions mitigation, adaptation and finance. This will start in 2020.

#### *Anti-Fouling Requirements*

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “**Anti-fouling Convention**”). Currently each of the Group’s vessels have the relevant certificates in place to comply with this convention.

#### *Other International Regulations to Prevent Pollution*

In addition to MARPOL, other more specialised international instruments have been adopted to prevent different types of pollution or environmental harm from vessels. In February 2004, the IMO adopted an International Convention for the Control and Management of Ships’ Ballast Water and Sediments (the “**BWM Convention**”). Although the United States is not a party to the International Convention on Civil Liability for Oil Pollution Damage of 1969 (“**CLC**”), as amended, many countries have ratified and follow the liability plan adopted by the IMO and set out in the CLC and its Protocols. The Directors believe that its protection and indemnity insurance will cover the liability under the plan adopted by the IMO. IMO regulations also require owners and operators of vessels to adopt Ship Oil Pollution Emergency Plans.

#### *European Regulations*

European regulations in the maritime sector are in general based on international law, most of which were promulgated by the IMO and subsequently adopted by the Member States. However, the European Community has become increasingly active in the field of regulation of maritime safety and protection of the environment, including imposing criminal sanctions for pollution where there is intent or recklessness or serious negligence. Criminal liability for a pollution incident could not only result in the Group incurring substantial penalties or fines but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

#### *International Laws Governing Civil Liability to Pay Compensation or Damages*

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “**Bunker Convention**”), which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of “**bunker oil**” i.e. as “any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil”. The Bunker Convention also requires registered owners of vessels over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime.

Insurance cover for oil pollution is covered through American Club.

#### *Maritime Labour Convention 2006*

New rules under the Maritime Labour Convention 2006 (“**MLC 2006**”) entered into force on 20 August 2013, which required certain certificates to be obtained for all ships above 500 tons. The Group has obtained the required certification for its vessels.

#### *Increasingly Stringent Regulatory Environment Post Costa Concordia*

Port states, flag states and class societies are applying a higher level of tests to existing rules. Different regulatory bodies are being more critical of each other and this is increasing the pressure to be more aggressive in order to protect their position should any incident occur.

#### **Emerging Businesses Regulation**

The Group’s emerging businesses are also subject to various regulations, including regulation in financial services, healthcare services and press regulation.

## DESCRIPTION OF THE GUARANTORS

### General

Both of the Guarantors are (directly or indirectly) wholly-owned subsidiaries of the Issuer. They have been incorporated and registered as private limited companies in England and Wales, and operate under the Companies Act 2006 (as amended). The registered office and telephone number of both Guarantors is the same as that of the Issuer (set out in “*Description of the Issuer*” above). Ernst & Young LLP is the statutory auditor to both Guarantors.

Except as set out in “*Description of the Issuer*” and below, the directors of each of the Guarantors have no functions and activities outside the Group and none of the directors of the Guarantors have any potential conflict of interest between their duties to the Guarantors and their private interests or other duties. The business address of each of the directors of the Guarantors is the registered office of the Guarantors.

For further information on the history of the Guarantors and their role in the Group, see “*Description of the Issuer*” above.

### Saga Mid Co Limited

Full legal and commercial name	Saga Mid Co Limited	
Registration number	08804262	
Date of incorporation	5 December 2013	
Place of domicile	United Kingdom	
Date of financial year end	31 January	
Directors	<b>Name</b>	<b>Outside principal activities</b>
	(1) Lance Batchelor	See above under “ <i>Description of the Issuer – Management</i> ”
	(2) Jonathan Hill	See above under “ <i>Description of the Issuer – Management</i> ”
Principal business activities	Saga Mid Co Limited is a debt services provider and also acts as a holding company for the Issuer’s subsidiaries.	
Dependence	(1) Acromas Insurance Company Limited (2) Saga Leisure Limited (3) CHMC Holdings Limited (4) CHMC Limited (5) Saga Group Limited (6) Saga Publishing Limited (7) ST&H Group Limited (8) Metromail Limited (9) Acromas Financial Services Limited (10) Saga Services Limited (11) Saga Healthcare Limited (12) Saga Retirement Villages Limited (13) PEC Services Limited (14) ST&H Limited (15) Saga Cruises Limited (16) Titan Transport Limited (17) ST&H Transport Limited (18) Destinology Limited (19) Enbrook Cruises Limited (20) Saga Cruises IV Limited	

## Saga Services Limited

Full legal and commercial name	Saga Services Limited
Registration number	00732602
Date of incorporation	15 August 1962
Place of domicile	United Kingdom
Date of financial year end	31 January

Directors	Name	Outside principal activities
	(1) Lance Batchelor	See above under “ <i>Description of the Issuer – Management</i> ”
	(2) Richard Darwent	None
	(3) Alison Davies	None
	(4) John Edwards	Chair and Non-Executive Director of: Nottingham Building Society
	(5) Andrew Goodsell	See above under “ <i>Description of the Issuer – Management</i> ”
	(6) Jonathan Hill	See above under “ <i>Description of the Issuer – Management</i> ”
	(7) Amanda Hoskins	None
	(8) Bridget McIntyre	See above under “ <i>Description of the Issuer – Management</i> ”
	(9) Clifton Melvin	Director of: EcoHydra Technologies Limited, Gaudi Limited, Gaudi Regulated Services Limited, Gaudi Trustees Limited, Unum Limited, Unum European Holding Company Limited  Chair of: Standard Life With Profits Committee
	(10) Roger Ramsden	Secretary of: Kellett Consulting Limited

Principal business activities SSL is principally engaged in the business of insurance intermediation services. SSL is authorised and regulated by the FCA in the United Kingdom and the Jersey Financial Services Commission in Jersey in order to carry out such services. SSL is also authorised and regulated by the FCA in the United Kingdom in relation to consumer credit to facilitate customers purchasing products through instalment payments.

Dependence None

Any risks specific to SSL that could impact its guarantee See the risk factors under “*Risk Factors – Risks specific to the Group’s insurance business*”.

Any encumbrances on the assets of SSL that could materially affect its ability to meet its obligations under its guarantee None

## **EBITDA and Net Assets**

### ***Guarantors***

Based on the consolidated financial statements of the Group:

- combined EBITDA of the Guarantors represented £122.6 million, or 49.82 per cent. of consolidated Group EBITDA for the financial year ended 31 January 2017; and
- combined net assets of the Guarantors was £302.6 million, or 25.32 per cent. of consolidated Group net assets for the financial year ended 31 January 2017.

The Guarantors' share of EBITDA and net assets has been calculated on an aggregated basis for the Guarantors with consolidation adjustments to remove duplication of goodwill and investment in subsidiaries.

### ***Non-Guarantor subsidiaries (excluding the Issuer)***

Based on the consolidated financial statements of the Group:

- combined EBITDA of the non-Guarantor subsidiaries of the Issuer represented £131.2 million, or 53.31 per cent. of consolidated Group EBITDA for the financial year ended 31 January 2017; and
- combined net assets of the non-Guarantor subsidiaries of the Issuer was £479.2 million, or 40.09 per cent. of consolidated Group net assets for the financial year ended 31 January 2017.

The non-Guarantor subsidiaries' share of EBITDA and net assets has been calculated on an aggregated basis for the non-Guarantor subsidiaries with consolidation adjustments to remove duplication of goodwill and investment in subsidiaries.

### ***Issuer***

Based on the consolidated financial statements of the Group:

- EBITDA of the Issuer represented minus £7.7 million, or minus 3.13 per cent. of consolidated Group EBITDA for the financial year ended 31 January 2017; and
- net assets of the Issuer was £413.4 million, or 34.59 per cent. of consolidated Group net assets for the financial year ended 31 January 2017.

### ***Contribution of SSL***

For the financial year ended 31 January 2017, SSL represented £123 million or 49.79 per cent. of Group consolidated EBITDA and £227.9 million or 19.07 per cent. of Group consolidated net assets.

The financial information in respect of SSL within the Listing Particulars has been extracted from underlying accounting records. It excludes financial information in respect of Direct Choice Insurance Services Limited and Bennetts Biking Services Limited, which will be included in the statutory financial statements of SSL for the year ended 31 January 2017 following the transfer of the business of these entities into SSL during the financial year.



## TAXATION

### United Kingdom Taxation

*The following is a general description of certain United Kingdom tax considerations relating to the Bonds and is based on the Issuer's understanding of current United Kingdom law and the published practice of HM Revenue & Customs ("HMRC"), which may not be binding on HMRC. It does not purport to be a complete analysis of all tax considerations relating to the Bonds whether in the United Kingdom or elsewhere. It applies only to the position of persons who are absolute beneficial owners of their Bonds. It describes only the United Kingdom withholding tax treatment of payments of interest in respect of the Bonds. It does not deal with any other aspect of the United Kingdom taxation treatment of acquiring, holding or disposing of the Bonds.*

*The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future, possibly with retrospective effect. Prospective holders of Bonds who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are advised to consult their own professional advisers.*

*Also investors should note that the appointment by an investor in Bonds, or any person through which an investor holds Bonds, of a custodian, collection agent or similar person in relation to such Bonds in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

#### *Interest on the Bonds*

The Bonds will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "Act") provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Act. While the Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

Interest on the Bonds may also be paid without withholding or deduction for or on account of United Kingdom income tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the recipient of the payment (a) is a person beneficially entitled to the interest and within the charge to United Kingdom corporation tax as regards the payment of interest, because it is (i) a United Kingdom resident company, or (ii) a non-United Kingdom resident company carrying on a trade in the United Kingdom through a permanent establishment which brings into account the interest in computing its United Kingdom taxable profits, or (b) falls within, or acts as nominee for an entity falling within, various categories enjoying a special tax status (including charities and pension funds) or (c) is a partnership beneficially entitled to the interest, and consisting only of entities falling within (a)(i), (a)(ii) or (b), in each case provided that HMRC has not given a direction that the interest should be paid under deduction of tax.

In other cases, absent a relief or exemption (such as a direction by HMRC that interest may be paid without withholding or deduction for or on account of United Kingdom income tax to a specified Bondholder following an application by that Bondholder under an applicable double tax treaty), an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from payments of interest on the Bonds.

The reference to "interest" in this United Kingdom Taxation section means "interest" as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Bonds redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Bonds are issued at a discount. The statements above do not take any account of any different

definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Bonds or any related documentation.

#### *Payments by Guarantor*

The United Kingdom withholding tax treatment of payments made by a Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds) is uncertain. In particular, such payments by a Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if a Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

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

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a “**participating Member State**”). However, Estonia has since ceased to participate.

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

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

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

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

## SUBSCRIPTION AND SALE

HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc (trading as NatWest Markets) (each a “**Joint Active Lead Manager**”, and together the “**Joint Active Lead Managers**”) and Barclays Bank PLC (together with the Joint Active Lead Managers, the “**Joint Lead Managers**”, and each a “**Joint Lead Manager**”) have, pursuant to a subscription agreement dated 10 May 2017 (the “**Subscription Agreement**”) and made between the Issuer, the Guarantors and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds. The Issuer (failing which, the Guarantors) have also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Bonds. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

### **The United States of America**

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

The Bonds 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 United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

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

### **United Kingdom**

Each Joint Lead Manager has further represented, warranted and undertaken that:

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

### **General**

Persons into whose hands these Listing Particulars come are required by the Issuer, the Guarantors and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish these Listing Particulars or any other offering material relating to the Bonds, in all cases at their own expense.

## GENERAL INFORMATION

### 1. Authorisation

The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 24 April 2017. The giving of the Guarantee of the Bonds by Saga Mid Co Limited has been authorised by a resolution of the Board of Directors of Saga Mid Co Limited dated 24 April 2017 and the giving of the Guarantee of the Bonds by Saga Services Limited has been authorised by a resolution of the Board of Directors of Saga Services Limited dated 27 April 2017.

### 2. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or any of the Guarantors is aware), which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the financial position or profitability of the Issuer, the Guarantors and /or the Group.

### 3. Significant/Material Change

Since 31 January 2017 there has been no material adverse change in the prospects of the Issuer, any Guarantor or the Group nor any significant change in the financial or trading position of the Issuer, any Guarantor or the Group.

### 4. Auditors

The consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 January 2016 and 31 January 2017 by Ernst & Young LLP, a member firm of the Institute of Chartered Accountants of England and Wales.

### 5. Documents on Display

For so long as the Bonds are listed on the Irish Stock Exchange and the rules of that exchange so require, physical copies of the following documents may be inspected during normal business hours at the offices of Saga plc at Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE:

- (a) the constitutive documents of the Issuer;
- (b) the constitutive documents of each of the Guarantors;
- (c) drafts (subject to modification) of the Agency Agreement and the Trust Deed (which includes the Guarantees); and
- (d) the audited consolidated financial statements of the Issuer for the year ended 31 January 2016 and the audited consolidated financial statements of the Issuer for the year ended 31 January 2017.

### 6. Material Contracts

There are no material contracts entered into other than in the ordinary course of any of the Issuer's, the Guarantors' or a member of the Group's business, which could result in any of the Issuer, any Guarantor or a member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds or any Guarantor's ability to meet its obligations in respect of the Guarantee.

**7. Yield**

On the basis of the issue price of the Bonds of 100 per cent. of their principal amount, the yield in the Bonds is 3.375 per cent. on an annual basis. This figure is calculated on the basis of the issue price and as at the date of these Listing Particulars, and is not an indication of future yield.

**8. ISIN and Common Code**

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1610655950 and the common code is 161065595.

**9. Irish Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Bonds and is not itself seeking admission of the Bonds to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market.

**10. Clearing Systems**

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

**11. Joint Lead Managers transacting with the Issuer and the Guarantors**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantors and their respective affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantors and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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

## REGISTERED OFFICE OF THE ISSUER

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## REGISTERED OFFICES OF THE GUARANTORS

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**Saga Services Limited**  
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## TRUSTEE

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