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If you have sold or otherwise transferred all your Shares in ConvaTec Group Plc, please forward this document, together with the enclosed information booklet, to the purchaser or transferee, or to the stockbroker, bank manager, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



ConvaTec Group Plc

A company incorporated and registered in England and Wales with Registered No. 10361298

Scrip Dividend Scheme Information Booklet

1. Introduction to the Scrip Dividend Scheme

Shareholders can receive additional Shares in ConvaTec Group Plc (the *Company*) instead of a cash dividend by participating in the Company's Scrip Dividend Scheme. If you wish to elect to receive a scrip dividend instead of a cash dividend for all future dividends on which a scrip alternative is offered, then please consider the terms and conditions of the Scrip Dividend Scheme and procedures to be followed, as set out in this information booklet.

If you wish to receive dividends on Shares in cash in the usual way you do not need to take any action and may disregard this information booklet.

Further information relating to the Company and the Scrip Dividend Scheme is available on the Company's website <https://www.convatecgroup.com> (Investors Section).

Please see section 22 for the definitions of the capitalised terms used in this information booklet and the enclosed Mandate Form.

2. What is the Scrip Dividend Scheme?

The Company is offering a Scrip Dividend Scheme which enables each Shareholder to elect to receive New Shares instead of cash dividends pursuant to the terms of the articles of association of the Company. The New Shares will carry the same voting rights as, and otherwise rank equally in all respects with, existing Shares.

The terms and conditions of the Scrip Dividend Scheme are set out in this information booklet and should be read in conjunction with the enclosed Mandate Form. The Scheme will apply to all dividends on which a scrip dividend alternative is offered and enables you to increase your holding in the Company without incurring

dealing costs or stamp duty. At the same time, the Company retains cash which would otherwise be paid as a dividend for reinvestment in its business or for general corporate purposes.

Details for each Relevant Dividend (including the Scrip Dividend Timetable) will be announced at the time that the future dividends are declared via a Regulatory Information Service.

Your decision to elect to receive New Shares should depend upon your own personal circumstances and you should seek advice from an appropriate authorised independent professional adviser if you are in any doubt. The price of the New Shares can go down as well as up.

Details will also be obtainable from the Company's website at <https://www.convatecgroup.com> or by calling the Registrar on +44 (0)370 703 6219. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

3. Who can participate in the Scheme?

All Shareholders who live in the United Kingdom can join the Scheme.

Any Shareholder who lives outside the United Kingdom may, subject to the remaining provisions of this section 3, treat this as an invitation to join the Scheme. It is the responsibility of any Shareholder who lives outside of the United Kingdom and who wishes to join the Scheme:

- (a) to ensure that an election to receive New Shares under the Scheme can validly be made without any further obligation on the part of the Company; and
- (b) to satisfy himself or herself as to the full observance of the laws of any relevant territory, including obtaining all relevant consents and complying with all applicable regulatory and registration procedures and formalities.

Any Shareholder who lives outside the United Kingdom and who wishes to join the Scheme is not permitted to join the Scheme if the above requirements are not satisfied. By completing a Mandate, each Shareholder will confirm that they are not resident in any jurisdiction that would require the Company to comply with any registration or other legal or regulatory requirements arising out of such election or holding any Shares as nominee(s) or transferee(s) for any beneficial holder who is so resident.

Shareholders outside the United Kingdom who are in any doubt whether they can join the Scheme should contact their stockbroker or a duly authorised independent financial or legal adviser.

4. How do Shareholders join the Scheme?

If you want to join the Scheme you will need to authorise the Company to issue you with New Shares instead of paying a cash dividend.

By making an election to participate in the Scheme, Shareholders will be deemed to have agreed to:

- (a) participate in the Scheme pursuant to the terms and conditions set out in this information booklet; and
- (b) authorise the Company to send you a share certificate in respect of New Shares or credit the New Shares to your CREST account.

The method of joining the Scheme depends on whether you hold Shares in certificated or uncertificated form.

Subject to the provisions of this section 4:

- (c) a Shareholder who holds their Shares in certificated form can join the Scheme using either of the methods detailed in paragraph (A) below; and

(d) a Shareholder who holds their Shares in uncertificated form can join the Scheme using the method detailed in paragraph (B) below.

Subject to the requirements set out below and those set out in sections 9 and 10: (i) if you hold your shareholding in certificated form, your Mandate will remain in force for all future dividends until cancelled by you or by the Company, and (ii) if you hold your shareholding in uncertificated form, you will need to complete a separate Mandate for each Relevant Dividend.

For further details regarding cancellation of Mandates and/or termination or amendment of the Scheme, see sections 16 and 18.

To be effective for the proposed dividend, recommended by the directors of the Company on 2 August 2017 and payable on 20 October 2017, your Mandate must be received by the Company's Registrar by no later than (i) 3.00 p.m. on Friday 29 September 2017 if you hold your shareholding in uncertificated form, and (ii) 5.00 p.m. on Friday 29 September 2017 if you hold your shareholding in certificated form.

If part of your shareholding is held in uncertificated form and part in certificated form, then you will need to complete a separate Mandate in respect of your Shares held in uncertificated form as detailed below and a Mandate Form or electronic election in respect of your Shares held in certificated form.

In respect of any election made by whichever method, the Company and/or the Registrar reserve the right to treat as valid an election which is not complete in all respects.

(A) Shareholders who hold their Shares in certificated form

(i) Mandate Form

To join the Scheme using the Mandate Form, you need to complete the enclosed Mandate Form and return it to the Registrar at c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. No acknowledgement or receipt of your Mandate Form will be issued.

Mandate Forms must be received by the Registrar by 5.00 p.m. on the relevant Return Date to be eligible for that Relevant Dividend. For details of the Return Date for each Relevant Dividend please refer to the Company's website <https://www.convatecgroup.com> (Investors Section) (or call the Registrar on +44 (0)370 703 6219). Mandate Forms received by the Registrar after the relevant deadline will be effective for subsequent dividends only.

(ii) Electronic elections

If you are registered with the Registrar, then you may elect to participate in the Scrip Dividend Scheme electronically through its investor centre website at www.investorcentre.co.uk.

Your electronic election must be received by the Registrar no later than 5.00 p.m. on the relevant Return Date. Any electronic election received by the Registrar after the relevant deadline will be effective for subsequent dividends only.

(B) Shareholders who hold their Shares in uncertificated form

If your shareholding is in uncertificated form in CREST (and was in uncertificated form as at the relevant Record Date), you can only elect to participate in the Scrip Dividend Scheme by means of the CREST procedures that require the use of the Dividend Election Input Message in accordance with the CREST Manual. If you are a CREST sponsored member, then you should consult your CREST sponsor who will be able to take the appropriate action on your behalf.

The Dividend Election Input Message must be correctly completed in order for a valid election to be made. A valid election made by means of a Dividend Election Input Message will, to the extent it relates to Shares held in uncertificated form at the Record Date for the Relevant Dividend, supersede all previous written elections made

in respect of shareholdings in the same member account. You will need to make separate elections to receive New Shares for each Relevant Dividend.

The CREST Dividend Election Input Message must contain the number of Shares relating to the election. If the number of elected Shares is zero or left blank, the election will be rejected. If the number is greater than the Shares held by the relevant Shareholder at the relevant Record Date, the election will be scaled back to the holding at the Record Date.

Once an election is made using the CREST Dividend Election Input Message system it cannot be amended. Therefore, if a Shareholder wishes to change their election, such Shareholder would need to cancel their previous election and submit a new election.

The Dividend Election Input Message must be received by 3.00 p.m. on the Return Date for the Relevant Dividend. By inputting a Dividend Election Input Message as described above, you confirm your election to participate in the Scrip Dividend Scheme in accordance with the details inputted and with the terms and conditions of this information booklet.

5. How many New Shares will I receive?

Subject to the New Shares being admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, each Shareholder who has elected to receive the Relevant Dividend in the form of New Shares shall be entitled to that number of New Shares as are together as nearly as possible equal in value to (but not greater than) the cash amount (disregarding any tax credit) of the Relevant Dividend that such Shareholder elects to forgo.

Accordingly, the number of New Shares that a Shareholder will receive for each Relevant Dividend will depend on:

- (a) the amount of the cash dividend;
- (b) the number of Shares registered in that Shareholder's name at the Record Date; and
- (c) the price to be used in calculating the New Share entitlement. This will be the average of the middle market quotations of a Share, derived from the London Stock Exchange Daily Official List, for the five Business Days starting on the day the Shares are first quoted ex-dividend (the **Calculation Price**).

Please see section 6 for an example of this calculation.

6. Fractions of shares and held over cash balances

When working out your New Share entitlement, it is unlikely that the calculation will give rise to an exact number of New Shares. As fractions of New Shares cannot be issued, the cash value of any fractional entitlements will be retained by the Company and carried forward, without interest, and included in the calculation for your next dividend. Fractional entitlements to New Shares held by nominees will be settled in cash.

For example:

- The cash dividend is 16 pence per Share.
- You hold 1,000 Shares and elect to take New Shares instead of the cash dividend.
- The Calculation Price is £3.50.

In this example:

| A Shares held | B Value of cash dividend per Share | C Aggregate value of cash dividend (A x B) | D Number of New Shares (C / Calculation Price) | E Value of New Shares (D x Calculation Price) | F Cash balance carried forward (C - E) |
|--------------------------|---|---|---|--|---|
| 1,000 | £0.16 | £160.00 | 45 (rounded down) | £157.50 | £2.50 |

In this example, the number of New Shares is rounded down to 45 from 45.714, as fractions of New Shares cannot be issued. A cash balance of £2.50 would be carried forward to the next dividend payment.

If you withdraw from the Scheme (as to which, see section 16) or if you sell or transfer your entire holding of Shares, or if the Company terminates the Scheme (as to which, see section 18) or if (being the sole Shareholder) you die, are declared bankrupt, go into liquidation or suffer from mental incapacity, then the Company will retain any residual cash amount held by it, rather than incur the administration and cost of paying such small amounts to you or your estate or trustee.

7. How will I be notified of the number of New Shares I have been allocated?

As soon as practicable after your New Shares have been issued, you will receive a statement with your share certificate (if applicable) showing the number of New Shares you have received instead of the cash dividend and any cash balance to be carried forward to the next dividend payment. The statement will also contain details of the Calculation Price. If you wish to know the Calculation Price before this, please contact the Registrar five Business Days after the Record Date of the Relevant Dividend (such date will be set out on the Company's website at <https://www.convatecgroup.com> (Investors Section)). In addition, the Company will, as soon as practicable, announce the Calculation Price in respect of each Relevant Dividend.

If on any occasion your cash dividend entitlement, together with any cash balance brought forward, is insufficient to acquire at least one New Share, you will receive a statement explaining that no New Shares have been issued to you and showing how much cash has been carried forward to the next dividend.

8. When will I receive my share certificate or when will my CREST account be credited?

Share certificates (if applicable) will be posted, at your risk, on or about the same day as dividend payments are posted to Shareholders who are taking the dividend in cash.

CREST members will have their CREST accounts credited directly with New Shares on the same day the cash dividend is paid. If the New Shares cannot for whatever reason be credited to your account then the Company shall issue you with share certificates in respect of the New Shares as soon as practicable.

Applications will be made for any New Shares issued under the Scheme to be admitted to the UK Listing Authority's Official List and to trading on the London Stock Exchange's main market for listed securities. In the unlikely event that the New Shares are not so admitted then cash will be paid in the usual way on or as soon as reasonably practicable after the Relevant Dividend payment date.

When issued, the New Shares will rank equally in all respects with the existing Shares and will qualify for all future dividends. The rights attaching to the Shares are detailed in the prospectus issued by the Company on 26 October 2016, a copy of which is available on the Company's website.

9. Can I complete a Mandate for part of my holding?

Other than for nominee Shareholders making an election by means of the CREST procedures, Mandates will not be accepted for part of a shareholding. For Shareholders who have elected to take scrip dividends, Mandates will only be accepted for the entirety (and not part) of their holding. A Mandate applies to the full number of Shares registered in your name at any time.

10. What is the impact of making a partial election?

Any partial election made by a nominee Shareholder by means of the CREST procedures shall have effect only in respect of the dividend to which it relates. Any residual cash balance due to a nominee Shareholder will be paid out at the same time as the cash dividend is paid out. A cash dividend will automatically be paid on any Shares which are not specified in a Mandate.

11. What happens if I have recently sold or purchased Shares?

If you have sold some of your Shares before a Record Date, the Scrip Dividend Scheme will apply in respect of the remainder of your Shares.

Any additional Shares which you acquire, and which are registered in your name prior to the relevant Record Date, including pursuant to any previous scrip dividend, will be covered by the Mandate and you will receive New Shares, instead of cash dividends, for your entire shareholding.

If you acquire Shares before they are quoted “ex-dividend” for a dividend, then you may be entitled to the dividend on those shares. You are advised to contact your stockbroker or other agent through whom the acquisition was made without delay to ensure that the acquired Shares are registered promptly in your name.

If you have provided a Mandate for all your Shares, then New Shares will automatically increase your entitlement to receive New Shares pursuant to the terms of the Scheme when future dividends are declared.

12. Does the Scheme apply if I transfer part of my holding?

The Scheme will apply to those of your Shares which you have not transferred.

13. Shares held in joint names?

The Scheme applies to Shares held in joint names provided that all joint Shareholders complete the Mandate.

14. More than one holding?

If your Shares are registered in more than one holding and you want to receive New Shares instead of cash dividends, you must complete a separate Mandate for each holding. If you wish, you may ask the Registrar to combine your holdings. You cannot however combine a sole shareholding with a joint shareholding.

15. What are the tax effects?

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on your individual circumstances. If you are not sure how you will be affected from a tax perspective, you should consult your solicitor, accountant or other professional adviser before taking any action. Please also refer to the explanatory notes in the Appendix.

16. When will my election to participate in the Scheme be cancelled?

You may cancel your Mandate for all future dividends at any time in writing to the Registrar. For a cancellation to be effective for any particular dividend, the written cancellation notice must be received by 5.00 p.m. on the Return Date for the Relevant Dividend. If a cancellation is received after that date, then such cancellation will apply to all subsequent dividends. A Mandate will be regarded as cancelled for any Shares which a Shareholder

sells or transfers to another person. This will take effect from registration of the share transfer. Mandates will be cancelled immediately on notice to the Registrar of death, bankruptcy or mental incapacity of a Shareholder, unless the Shareholder was a joint Shareholder, in which case the participation of the other Joint Shareholder(s) will continue. If you have made a partial election in accordance with sections 9 and 10, your Mandate will terminate automatically following the payment of the Relevant Dividend.

17. I have previously submitted a Mandate. Do I need to do anything?

If you have previously submitted a Mandate for your entire holding of Shares then this will remain valid for all Relevant Dividends until terminated.

If you hold your Shares in uncertificated form and have submitted a Mandate by means of the CREST procedures, you will need to make separate elections to receive New Shares for each Relevant Dividend as set out in section 4 above.

In addition, if you have previously submitted a Mandate in respect of a part of your holding only on the basis that you are a nominee Shareholder then these previous Mandates will have been cancelled following the issue of the New Shares in respect of the dividends to which they related and you must submit a new Mandate in accordance with section 4.

18. Can the Company amend, suspend or terminate the Scheme?

The declaration of any dividend is at the discretion of the Directors and the operation of the Scrip Dividend Scheme is always subject to the Directors' decision to make an offer of a scrip dividend alternative in respect of any particular dividend.

The Directors may, at any time after such an offer is made and before the relevant New Shares have been issued, revoke, amend, suspend, or terminate the offer or the Scheme and may scale back elections made under the Scheme in respect of each dividend.

If the Directors suspend or terminate an offer or the Scheme before the relevant New Shares have been issued, or decide not to offer a scrip dividend alternative in respect of any particular dividend, then the Shareholders will receive their dividend in cash in the usual way (or, in the unlikely event the Company scales back elections, cash in an amount equal to the scaled back proportion of your election).

If the Directors amend the Scheme or an offer, then your instructions will remain valid under the amended terms unless you notify the Registrar in writing that you wish to terminate your Mandate in accordance with the terms of this information booklet.

Any announcement of any cancellation or modification of the terms of the Scrip Dividend Scheme will be made on the Company's website at <https://www.convatecgroup.com> and via a Regulatory Information Service.

Subject to the above, if the Directors offer a scrip dividend alternative in respect of any one or more future dividends under the Scheme and you have submitted a Mandate for the applicable Relevant Dividend in accordance with the terms of this information booklet, then you will be issued New Shares on the terms of this information booklet.

19. When will the Scheme end?

Under the current authority, the operation of the Scheme shall cease on the date of the third annual general meeting of the Company, which shall take place in 2019.

20. What do I do if I have any questions?

If you have any questions relating to the Scheme, or need to notify of changes in relation to your shareholdings as they relate to the Scheme, please contact the Registrar by post at c/o The Pavilions, Bridgwater Road, Bristol

BS99 6ZZ, by telephone on +44 (0)370 703 6219 or by email at webqueries@computershare.co.uk. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

21. What is the governing law of the Scheme?

The Scrip Dividend Scheme is subject to the Company's articles of association and its terms and conditions will be governed by and construed in accordance with English law. By electing to receive New Shares you agree to submit to the exclusive jurisdiction of the English courts.

22. Definitions

Business Day means a day (other than a Saturday, Sunday or public holiday in England) when banks in London are open for business;

Calculation Price has the meaning given in section 5(c);

Company means ConvaTec Group Plc, a company incorporated and registered in England and Wales with Registered No. 10361298;

CREST means the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator;

Directors means the directors of the Company;

Dividend Election Input Message means the dividend election input message transferred through CREST by any CREST member/Shareholder wishing to elect to participate in the Scrip Dividend Scheme;

Group means the Company and its subsidiaries from time to time;

HMRC means HM Revenue & Customs;

IRS has the meaning given in the Appendix;

Listing Rules means the rules and regulations made by the Financial Conduct Authority in its capacity as the UK Listing Authority and contained in the UK Listing Authority's publication of the same name;

London Stock Exchange means the London Stock Exchange plc;

Mandate means the instructions of a Shareholder provided to the Company pursuant to the any of the methods detailed in section 4;

Mandate Form means a mandate, in a form approved by the Company, from a Shareholder to the Directors to allot, under the terms of the Scrip Dividend Scheme, New Shares in lieu of cash dividends to which the Shareholder may become entitled from time to time;

New Shares means new Shares issued under the Scrip Dividend Scheme;

PFIC has the meaning given in the Appendix;

Record Date means, in respect of any dividend, the date notified by the Company to Shareholders as the date by which they must be registered as Shareholders in order to be entitled to receive that dividend;

Registrar means Computershare Investor Services PLC, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZZ;

Regulatory Information Service has the meaning given in the Listing Rules;

Relevant Dividend means any dividends proposed by the Company to which the Shareholders are entitled and for which the Scrip Dividend Scheme is offered;

Return Date means, in respect of any Relevant Dividend, the date notified by the Company to Shareholders as the date by which the Mandate to be provided by a Shareholder must be received by the Registrar in order for it to be effective in respect of that Relevant Dividend;

Scrip Dividend Scheme or **Scheme** means the ConvaTec Group Plc scrip dividend scheme pursuant to the articles of association of the Company and comprised in the terms and conditions as set out in this information booklet, as amended from time to time;

Scrip Dividend Timetable means a timetable for each proposed scrip alternative covered by the Scheme as notified by the Company to Shareholders and as set out on the Company's website <https://www.convatecgroup.com> (Investors Section), as may be amended from time to time;

Shareholder or **you** means a holder of Shares;

Shares means ordinary shares of 10 pence each in the capital of the Company;

Treaty has the meaning given in the Appendix;

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland and its dependent territories; and

US Holders has the meaning given in the Appendix.

All references to times in this document are to the time in London, England, unless otherwise stated.

8 September 2017

APPENDIX

Part A: UK taxation

The following statements are intended only as a general guide to certain UK tax considerations of making an election to receive New Shares instead of a cash dividend, and do not purport to be a complete analysis of all potential UK tax consequences of electing to participate in the Scrip Dividend Scheme. They are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this circular, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

(a) *Taxation of scrip dividends*

The Company is not required to withhold tax when paying a dividend (whether in cash or in the form of New Shares). Liability to tax will depend on the individual circumstances of a Shareholder.

(i) *UK resident individual Shareholders*

Income tax

An individual Shareholder who is resident for tax purposes in the UK and who elects to receive New Shares instead of a cash dividend will, broadly, have the same liability to income tax as the Shareholder would have had on the receipt of a cash dividend of an amount equal to the 'cash equivalent' of the New Shares.

The cash equivalent of the New Shares will be the amount of the cash dividend which the shareholder would have received in the absence of an election to take New Shares, unless the market value of the New Shares on the first day of dealings on the London Stock Exchange differs by 15% or more of that market value from the cash dividend amount. In such cases, the market value will be treated as the cash equivalent of the New Shares for taxation purposes.

Where part of the cash dividend forgone is not applied in determining the number of New Shares to which the shareholder is entitled, and this residual cash balance is carried forward, this should be excluded from the cash equivalent and the shareholder should not be taxed on this amount unless and until it is paid to the Shareholder (in which case it will be treated as a dividend in the ordinary way) or applied towards the acquisition of New Shares (in which case the tax treatment will be as described below).

An individual UK resident Shareholder who elects to receive New Shares instead of a cash dividend will be treated as having received income of an amount which is equal to the cash equivalent of the New Shares. The income will be treated as 'dividend income' for UK tax purposes, along with UK and non UK source dividends and certain other distributions in respect of shares.

A nil rate of tax (the 'nil rate band') applies to the first £5,000 of dividend income in any tax year (now expected to be reduced to £2,000 with effect from 6 April 2018). An individual UK resident Shareholder who receives New Shares will therefore not be liable to UK tax to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the cash equivalent falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the cash equivalent of the New Shares exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the cash equivalent will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividend income within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

Subject to what is said above in relation to the determination of the 'cash equivalent' of the New Shares, this treatment is the same as that for cash dividends.

Capital gains tax

For capital gains tax purposes, an individual Shareholder resident for tax purposes in the UK who makes an election to receive New Shares instead of a cash dividend, will not be treated as having made a disposal of existing Shares. The New Shares will be treated as acquired on the date the New Shares are issued for an amount equal to the 'cash equivalent' of the New Shares (as described above).

(ii) UK resident corporate Shareholders

A UK resident company Shareholder receiving New Shares in place of a cash dividend should not be treated as receiving a distribution for corporation tax purposes. UK companies should therefore not be liable to corporation tax in respect of the New Shares issued to them.

For the purposes of corporation tax on chargeable gains, a UK resident corporate Shareholder who makes an election to receive New Shares instead of a cash dividend should not be treated as having made a disposal of existing Shares. No consideration will be treated as having been given for the New Shares. The New Shares will be added to the corporate Shareholder's existing holding of Shares in the Company and treated as having been acquired when the existing holding was acquired. On disposal of the New Shares, the base cost of the New Shares will be calculated by reference to the base cost of the existing holding.

(iii) UK resident exempt Shareholders

UK resident Shareholders not liable to UK tax on dividends, including exempt pension funds and charities, who elect to receive New Shares, will receive no tax credit in respect of the New Shares.

(iv) Non-UK resident Shareholders

No UK tax credit will attach to the receipt of New Shares under the Scrip Dividend Scheme. Non-UK resident shareholders may also be subject to non-UK taxation under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on making an election to receive New Shares.

(b) Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of New Shares.

Part B: US federal income taxation

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to making an election to receive New Shares instead of a cash dividend. The discussion is not a complete description of all tax considerations that may be relevant to investors, and does not address the tax consequences of owning or disposing of New Shares; it is not a substitute for tax advice. It addresses only

US Holders (as defined below) that hold Shares as capital assets and use the US dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as banks and other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively ten per cent. or more of the Company's equity interests, US expatriates, investors liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with or attributable to a permanent establishment, fixed base or other taxable presence outside the United States. It also does not address US federal taxes other than income tax (e.g., estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, **US Holder** means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

If an entity treated as a partnership for US federal income tax purposes is the beneficial owner of Shares, and makes an election to receive New Shares instead of a cash dividend, the US federal income tax treatment of its partners will depend on the status of the partners and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for US federal income tax purposes should consult their own tax advisors regarding the specific US federal income tax consequences to their partners of an election by the partnership to receive New Shares instead of a cash dividend.

The Company believes, and the following discussion assumes, that it was not a passive foreign investment company (a **PFIC**) in its taxable year ending 31 December 2016 and that, based on the Group's present income and assets, and the manner in which the Group conducts its business, the Company will not be a PFIC in its current taxable year or in the foreseeable future. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition of its gross income and the relative value of its gross assets, changes in its operations and changes in the market value of its stock. Accordingly, the Company can provide no assurance that it will not become a PFIC in the current or any future year. If the Company were a PFIC in any taxable year, US Holders could suffer adverse US tax consequences in that and subsequent taxable years.

(a) **Dividends**

A US Holder's receipt of New Shares as a result of an election to receive New Shares instead of a cash dividend should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt. The rules for determining the amount of the dividend required to be included by a US Holder do not directly address an arrangement like the Scrip Dividend Scheme. The amount of dividend income will equal the fair market value (in U.S. dollars) of the New Shares received, as of the distribution date of the New Shares, plus the U.S. dollar value of any cash actually paid to the US Holder in respect of a fractional entitlement. Because the Company will retain any cash balance in respect of a fractional entitlement held on behalf of a US Holder where such holder withdraws from the Scheme, sells or transfers its entire holding of Shares, or such holder dies or suffers from any mental incapacity, is declared bankrupt or goes into liquidation, or if the Company terminates the Scheme, a US Holder may not be regarded as having received such cash balance until actually paid or applied to the purchase of New Shares on its behalf on a subsequent dividend date. It is possible, however, that the U.S. Holder will be regarded as constructively receiving such cash balance notwithstanding the risk that such amount will be retained by the Company in certain circumstances. In such case, the amount of dividend income will equal the fair market value (in U.S. dollars) of the New Shares received, as of the distribution date of the New Shares, plus the U.S. dollar value of any cash balance in respect of a fractional entitlement (whether paid currently or carried forward) and less the U.S. dollar value of any cash balance in

respect of a fractional entitlement carried forward from a prior dividend date and previously included in the US Holder's income.

This dividend will not be eligible for the dividends-received deduction generally available to US corporations. If the Company qualifies for benefits under the United States-United Kingdom tax treaty (the *Treaty*) and is not a PFIC as to the US Holder in the year of distribution or in the preceding year, dividends on the Shares will generally qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. Assuming that Shares are traded on the London Stock Exchange in sufficient volume, the Company believes it will qualify for benefits under the Treaty.

(b) ***Medicare Tax on Net Investment Income***

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of, Shares).

(c) ***Reporting and Backup Withholding***

Dividends on the Shares, including the receipt of New Shares, that are made into the United States or through certain U.S.-related financial intermediaries may be reported to the US Internal Revenue Service (*IRS*) unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information to the IRS with respect to New Shares not held through an account with a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from an election to receive New Shares instead of a cash dividend.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN ELECTION TO RECEIVE NEW SHARES INSTEAD OF A CASH DIVIDEND.