

Cadent

Your Gas Network

CADENT FINANCE PLC

*(formerly National Grid Gas Finance plc
incorporated with limited liability in England and Wales under registered number 5895068)*

£6,000,000,000

Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed by

CADENT GAS LIMITED

*(formerly National Grid Gas Distribution Limited
incorporated with limited liability in England and Wales under registered number 10080864)*

This Supplement (the “**Supplement**”) to the prospectus dated 19 December 2018 (the “**Prospectus**”) (which comprises a base prospectus) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the £6,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by Cadent Finance plc (the “**Issuer**”) and guaranteed by Cadent Gas Limited (the “**Guarantor**”).

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Issuer. The purpose of this Supplement is:

- (I) to incorporate by reference the audited consolidated financial statements of the Issuer and Guarantor for the financial year ended 31 March 2019, together with an audit report thereon. The Issuer and Guarantor, being the persons responsible for the audited consolidated financial information included in the financial results, approve such financial information;
- (II) to supplement the Risk Factor on page 12 of the Prospectus entitled “*Business performance*” to include a description of the conclusion of an Ofgem investigation relating to Cadent’s historical record keeping of gas pipes in high-rise buildings, and Ofgem’s discussions with Cadent in relation to gas interruptions and delays in compensation to consumers, on 22 May 2019; and
- (III) to supplement the disclosure on page 76 of the Prospectus in the section entitled “*Ownership of Cadent*” to reflect the divestment of National Grid’s 39 per cent. equity in Quadgas HoldCo Limited to the Consortium,

each as described further below.

Unless otherwise defined in this Supplement, terms defined in the Prospectus have the same meaning when used in this Supplement. Unless stated otherwise, page numbers referred to in this Supplement refer to pages in the Prospectus.

The Issuer and Guarantor accept responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and Guarantor (as appropriate) (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

(I) Financial Results

The Issuer and Guarantor have prepared their audited consolidated financial statements for the year ended 31 March 2019, together with an audit report thereon. A copy of such financial results has been filed with the United Kingdom Financial Conduct Authority (the “**FCA**”) and, by virtue of this Supplement, those financial

results are incorporated in, and form part of, the Prospectus. These financial results have been properly prepared on the basis stated and the basis of accounting is consistent with the accounting policies of the Issuer. Copies of all documents incorporated by reference in the Prospectus can be obtained from the Cadent Gas headquarters at Ashbrook Court, Central Boulevard, Coventry, United Kingdom CV7 8PE and from the specified offices of the Paying Agents for the time being, as described in the Prospectus.

(II) Risk Factor

The Risk Factor on page 12 of the Prospectus entitled "*Business Performance*" is amended by replacing the following:

"• In early 2018, Cadent identified that a number of high-rise buildings were not on its records and therefore were not part of the 10-year rolling survey programme for long life assets. Cadent immediately implemented a survey recovery programme to resolve the issue as quickly and effectively as possible. The recovery programme was completed on 24 September 2018. Cadent also informed the Health and Safety Executive and Ofgem who opened investigations into this issue. Both of the investigations could result in a financial penalty against Cadent in accordance with the respective guidelines that apply. However, the investigations are at too early a stage for Cadent to provide any indication of the likely outcome or any associated reputational harm. Cadent continues to work with the Health and Safety Executive and Ofgem as they progress their investigations.

• On Friday 30 November 2018, Ofgem initiated discussions with Cadent in relation to its concerns over interruptions performance across its networks. Discussions are at an early stage and Cadent will continue to cooperate with Ofgem on this matter."

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"• In early 2018, Cadent identified that a number of high-rise buildings were not on its records and therefore were not part of its rolling survey programme for long life assets. Cadent immediately implemented a survey recovery programme which was completed in September 2018. Cadent also informed Ofgem and the Health and Safety Executive which opened investigations on the issue. The investigation by Ofgem was closed on 22 May 2019, following remedial action taken by Cadent and commitment to further action and improvements, to be reported to Ofgem, to ensure that its records remain accurate. Cadent has also agreed to pay £3 million to the Energy Savings Trust in recognition of this issue. The investigation by the Health and Safety Executive is ongoing and could result in a financial penalty in accordance with applicable guidelines.

• Discussions with Ofgem in relation to its concerns over interruptions performance across Cadent's networks through 2017-2018 and 2018-2019, and a small percentage of missed guaranteed standards of performance payments, concluded on 22 May 2019 with Cadent acknowledging a number of historical service related issues. Cadent has committed to implement, monitor and report to Ofgem an improvement plan; to make a payment of £5.9 million to the Energy Savings Trust; increase compensation payments to customers for unplanned interruptions; and establish and run a dedicated team to improve performance in blocks of flats.

• Notwithstanding the agreement reached, Ofgem may take action in respect of any future potential licence breaches, failure to implement the improvement plan or any further cases of missed payments should any be identified.

• Cadent has committed an annual investment of 1.25% of its after-tax profit in a new, independently chaired, community fund, to demonstrate its commitment to supporting communities and its customers."

(III) Ownership of Cadent

The disclosure on page 76 of the Prospectus in the section entitled "*Ownership of Cadent*" is amended by replacing the following:

*"Cadent Gas Limited is indirectly jointly owned by National Grid Holdings One plc (39%) and Quadgas Investments Bidco Limited (61%). Quadgas Investments BidCo Limited is owned by a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation (a Chinese sovereign wealth fund), Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/International Public Partnerships (the "**Consortium**").*

On 8 November 2018, National Grid plc announced its intention to sell its 39 per cent. equity interest in Quadgas Holdco Limited to the Consortium by the end of June 2019, subject to regulatory approvals.”

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“Cadent Gas Limited is wholly owned indirectly by Quadgas Investments Bidco Limited. Quadgas Investments BidCo Limited is indirectly owned by a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation (a Chinese sovereign wealth fund), Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/International Public Partnerships (the “Consortium”).

In June 2019, National Grid plc sold its 39 per cent. equity interest in Quadgas HoldCo Limited (previously jointly owned by the Consortium (69%) and National Grid plc (39%)) to the Consortium.”

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

An investor should be aware of its rights arising pursuant to Section 87Q(4) of the FSMA.

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

This Supplement has been approved by the FCA, which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.