

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO U.S. PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.**

**THE OFFERING (AS DEFINED BELOW) IS AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN AND IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) PROVIDED BY RULE 144A THEREUNDER OR ANOTHER EXEMPTION THEREFROM; OR (2) NON-U.S. PERSONS AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT PURCHASING THE NOTES (AS DEFINED BELOW) FROM OUTSIDE THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA (THE “UNITED STATES”) IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the “Prospectus”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**RESTRICTIONS:** The Prospectus is being furnished in connection with an offering exempt from registration under the Securities Act.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF ANY SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), UNLESS PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, APPLICABLE STATE SECURITIES LAWS AND APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**CONFIRMATION OF YOUR REPRESENTATION:** You have accessed the Prospectus on the basis that you have confirmed your representation to British Telecommunications plc, incorporated with limited liability in England and Wales, (the “Issuer”), to BT Group plc (the “Guarantor”) and to Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC, Santander Investment Securities Inc., BNP Paribas Securities Corp., BofA Securities, Inc., HSBC Securities (USA) Inc., Lloyds Bank Corporate Markets plc, MUFG Securities Americas Inc., NatWest Markets Securities Inc., Skandinaviska Enskilda Banken AB (publ), SMBC Nikko Securities Americas, Inc., and SG Americas Securities, LLC (together, the “Initial Purchasers”) that (1) you are, or you are acting on behalf of either (i) a QIB (as defined in Rule 144A) in the United States, or (ii) a non-U.S. Person, as defined in Regulation S under the Securities Act, outside the United States and you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and (2) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus, electronically or otherwise, to any other person. If you receive the Prospectus by e-mail, you should not reply by e-mail. You will not transmit the

Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers, the Issuer or the Guarantor. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering (the "Offering") of the notes described in the Prospectus (the "Notes"), do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Initial Purchasers, the Issuer or the Guarantor that would or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus (in preliminary or final form) or any other offering or publicity material relating to any securities, in any country or jurisdiction where action for that purpose is required. Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the Offering be made by a licenced broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licenced broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Recipients of this document who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus.

The Prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments and fall within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (as amended, the "Financial Promotion Order"), (iii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iv) those persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue of any securities may otherwise lawfully be communicated or caused to be communicated, or (v) those persons to whom they may otherwise lawfully be distributed (all such persons referred to in (i) through (v) together being referred to as "relevant persons"). The Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Initial Purchasers, the Trustee (as defined in the Prospectus) or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantor, the Initial Purchasers, the Trustee or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.



**BRITISH TELECOMMUNICATIONS PUBLIC LIMITED COMPANY**

*(incorporated with limited liability in England and Wales under the Companies Acts 1948 to 1981)  
(Registered Number: 1800000)*

**\$1,000,000,000 3.250% SENIOR NOTES DUE 2029**  
**\$500,000,000 4.250% SENIOR NOTES DUE 2049**

**Fully and Unconditionally Guaranteed by**

**BT Group plc**

*(incorporated with limited liability in England and Wales under the Companies Acts 1948 to 1981)  
(Registered Number: 4190816)*

---

The \$1,000,000,000 senior notes due 2029 (the “2029 notes”) will bear interest at 3.250% per year. Interest on the 2029 notes will be payable semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020. The 2029 notes will mature at 100% of their principal amount on 8 November 2029.

The \$500,000,000 senior notes due 2049 (the “2049 notes” and, together with the 2029 notes, the “Notes”) will bear interest at 4.250% per year. Interest on the 2049 notes will be payable semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020. The 2049 notes will mature at 100% of their principal amount on 8 November 2049.

The notes will be senior and unsecured obligations and will rank equally with all of the Group’s present and future unsecured and unsubordinated indebtedness. The notes will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

BT Group plc (the “Guarantor”) will fully and unconditionally guarantee the payment of principal, premium, if any, interest and additional amounts, if any, payable in respect of the Notes.

Prior to 8 August 2029 (the date that is three months prior to the scheduled maturity for the 2029 notes), British Telecommunications plc (the “Company” or the “Issuer”) may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the aggregate amount of scheduled payment(s) of interest on such note for the remaining term of such note determined on the basis of the rate of interest applicable to such note from and including the date on which such note is to be redeemed by the Issuer on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the treasury rate plus 0.250%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 August 2029 (the date that is three months prior to the scheduled maturity date for the 2029 notes), the Issuer may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption. Prior to 8 May 2049 (the date that is six months prior to the scheduled maturity for the 2049 notes) the Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the aggregate amount of scheduled payment(s) of interest on such note for the remaining term of such note determined on the basis of the rate of interest applicable to such note from and including the date on which such note is to be redeemed by the Issuer on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the treasury rate plus 0.300%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 May 2049 (the date that is six months prior to the scheduled maturity date for the 2049 notes), the Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption.

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “FCA”) for the notes to be admitted to the official list of the FCA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for the notes to be admitted to trading on the London Stock Exchange’s main market. References in this Prospectus to notes being “listed” (and all related references) shall mean that such notes have been admitted to trading on the London Stock Exchange’s main market and have been admitted to the Official List. The London Stock Exchange’s main market is a regulated market for the purposes of Article 6(3) of Regulation (EU) 2017/1129 (the “Prospectus Regulation”). This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Issuer and the Guarantor and the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

It is expected that the notes will be rated Baa2 by Moody's Investors Service España S.A. ("Moody's"), BBB by Standard & Poor's Credit Market Services Europe Limited, ("Standard & Poor's") and BBB by Fitch Ratings Ltd. ("Fitch"), subject to confirmation at closing. A security rating is not a recommendation to buy, sell or hold the notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the notes and the market value of the notes is likely to be adversely affected. 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 Union and registered under the Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies (the "CRA Regulation") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Fitch was established and has been operating in the European Community prior to 7 June 2010 and, as of the date of this document, is registered as a credit rating agency in accordance with the CRA Regulation. Moody's and Standard & Poor's are registered under the CRA Regulation.

**Investing in the notes involves risks. See "Risk Factors" beginning on page 19 of this Prospectus.**

**Offering Price of the 2029 notes: 99.148% plus accrued interest, if any, from 8 November 2019.**

**Offering Price of the 2049 notes: 100.000% plus accrued interest, if any, from 8 November 2019.**

Neither the Notes nor the Guarantee have been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The Notes are being offered and sold (i) in the United States of America, its territories and possessions, any state of the United States and the District of Columbia (the "United States"), only to qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A under the Securities Act or on another exemption from the registration requirements of the Securities Act and (ii) outside the United States, to non-U.S. Persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act. Prospective purchasers that are QIBs are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "Notice to Investors" and "Book-Entry, Delivery and Form".

The Initial Purchasers expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company ("DTC"), against payment in New York, New York, on or about 8 November 2019. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Clearstream Banking, *société anonyme* ("Clearstream Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear").

*Joint Book-Running Managers*

| Barclays       |                    | Citigroup |                                  | J.P. Morgan |                    | Mizuho Securities |            |                     | Santander |
|----------------|--------------------|-----------|----------------------------------|-------------|--------------------|-------------------|------------|---------------------|-----------|
| BNP<br>PARIBAS | BofA<br>Securities | HSBC      | Lloyds Bank Corporate<br>Markets | MUFG        | NatWest<br>Markets | SEB               | SMBC Nikko | SOCIETE<br>GENERALE |           |

The date of this Prospectus is 7 November 2019.

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| NOTICES .....                                | 4           |
| AVAILABLE INFORMATION .....                  | 6           |
| FORWARD-LOOKING STATEMENTS .....             | 7           |
| DOCUMENTS INCORPORATED BY REFERENCE.....     | 9           |
| OVERVIEW .....                               | 10          |
| RISK FACTORS .....                           | 17          |
| USE OF PROCEEDS .....                        | 27          |
| CAPITALIZATION AND INDEBTEDNESS.....         | 28          |
| DESCRIPTION OF THE ISSUER .....              | 29          |
| DESCRIPTION OF THE GUARANTOR .....           | 31          |
| DESCRIPTION OF THE NOTES AND GUARANTEE ..... | 37          |
| BOOK-ENTRY, DELIVERY AND FORM .....          | 50          |
| TAXATION.....                                | 54          |
| CERTAIN ERISA CONSIDERATIONS .....           | 58          |
| PLAN OF DISTRIBUTION .....                   | 60          |
| NOTICE TO INVESTORS.....                     | 66          |
| LEGAL MATTERS .....                          | 69          |
| INDEPENDENT AUDITORS .....                   | 70          |
| GENERAL INFORMATION.....                     | 71          |

## NOTICES

**IMPORTANT:** Please read the following before continuing. The following applies to this Prospectus. No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Initial Purchasers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor and its consolidated subsidiaries, taken as a whole (the “Group”) since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or the Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Offering is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

**Prospective investors should not construe anything in this Prospectus as legal, business or tax advice. Each prospective investor should consult its own advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.**

No representation or warranty, express or implied, is made by the Initial Purchasers or the Trustee as to the accuracy or completeness of the information set forth in this Prospectus, and nothing contained in or incorporated by reference in this Prospectus is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Initial Purchasers nor the Trustee assumes any responsibility for the accuracy or completeness of the information set forth in this Prospectus. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer, the Guarantor and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investments.

None of the Issuer, the Guarantor, the Initial Purchasers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each prospective investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

This Prospectus has been prepared solely for use in connection with the proposed Offering described in this Prospectus. This Prospectus is personal to each offeree and do not constitute an offer or an invitation to any other person or to the public generally to subscribe for or otherwise acquire any of the Notes or the Guarantee. Distribution of this Prospectus to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any other disclosure of any of their contents, without the prior written consent of the Issuer, the Guarantor and the Initial Purchasers is prohibited. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing and to make no photocopies of or to reproduce this Prospectus or any documents referred to in this Prospectus in whole or in part.

The Issuer and the Guarantor reserve the right to withdraw the Offering at any time. The Issuer, the Guarantor and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective investor less than the full principal amount of the Notes sought by it.

***The Issuer and the Guarantor are responsible for the information contained in this Prospectus:*** Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

***MiFID II product governance / Professional investors and ECPs only target market:*** Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a

“distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

***PRIIPs Regulation / Prospectus Regulation / Prohibition of sales to EEA retail investors:*** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are subject to restrictions on resale and transfer except as permitted under the Securities Act and all other applicable securities laws as described under the sections in this Prospectus entitled “Plan of Distribution” and “Notice to Investors”. In particular, book-entry interests in the Notes may only be transferred to QIBs or non-U.S. persons outside the United States and such transfers may be subject to further restrictions. In addition, such transfers may, in certain circumstances, be required to settle in a manner that may not be customary for investors holding similar securities. Please refer to the sections in this Prospectus entitled “Book-Entry, Delivery and Form” and “Notice to Investors”.

#### **NO REVIEW BY THE SEC**

None of the Notes or the Guarantee have been approved or disapproved by the U.S. Securities and Exchange Commission (“SEC”) or any other state securities commission or regulatory authority in the United States. This Prospectus, as well as any other document produced in connection with this offering, has not been and will not be reviewed by the SEC. Any representation to the contrary is a criminal offence in the United States. There are no registration rights associated with the Notes and there is no present intention to offer to exchange the Notes for notes registered under the Securities Act or to file a registration statement with respect to the Notes. The indenture (including any amendments and supplements thereto) that will govern the Notes will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

#### **IMPORTANT NOTICE**

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO EITHER (1) ARE QIBs AS DEFINED UNDER RULE 144A UNDER THE SECURITIES ACT OR (2) ARE NOT U.S. PERSONS AND ARE LOCATED OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.**

This Prospectus is being provided on a confidential basis to QIBs in the United States and to persons who are not U.S. persons and are located outside the United States for use solely in connection with the offering of the Notes. Its use for any other purpose is not authorized. This Prospectus may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to any person other than the prospective investors to whom it is being provided.

**Prospective investors should note that there are further restrictions on the offering and sale of the Notes and the distribution of this Prospectus. See “Plan of Distribution” and “Notice to Investors”.**

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Guarantor, any of their respective affiliates or the Initial Purchasers. None of the Issuer, the Guarantor or the Initial Purchasers takes responsibility for, or provides any assurance as to the reliability of, any information that others may give. Neither the delivery of this Prospectus nor any sale made under it shall, under any circumstances, create any implication that there has been

no change in the affairs of the Issuer or the Guarantor since the date of this Prospectus or that the information contained in this Prospectus is correct as of any time subsequent to that date.

#### **AVAILABLE INFORMATION**

The Issuer has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule-144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section-13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule-12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

#### **ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

The Issuer and the Guarantor are public limited companies incorporated under the laws of England and Wales. The assets of the Issuer and the Guarantor are located in various jurisdictions and the majority of these assets are located in jurisdictions outside the United States.

The directors and key managers of the Issuer and the Guarantor are citizens of various countries, and most are not citizens of the United States. All or a substantial portion of the assets of such persons as well as the assets of the Group are located outside the United States. As a result, it may not be possible for investors in the Notes to effect service of process in jurisdictions outside the United States against the Issuer, the Guarantor or their respective directors or to enforce in such jurisdictions the judgment of a court outside such jurisdictions. It may be difficult for investors in the Notes to enforce, in original actions or in actions for enforcement brought in jurisdictions located outside the United States, judgments of US courts or civil liabilities predicated upon US federal securities laws. Further, it may be difficult for investors in the Notes to enforce judgments of this nature in many of jurisdictions in which the Group operates and in which its assets are situated and in the countries of which most of the directors and key managers of the Issuer and the Guarantor are citizens.



## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are forward-looking. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning:

- current and future years' outlook;
- adjusted EBITDA;
- normalised free cash flow;
- capital expenditure;
- shareholder returns including dividends and share buyback;
- net debt;
- credit ratings;
- the group-wide transformation and restructuring programme, cost transformation plans and restructuring costs;
- investment in and roll out of the Group's fibre network and its reach, innovations, increased speeds and speed availability;
- the Group's broadband-based service and strategy;
- investment in and rollout of 5G;
- the Group's investment in TV, enhancing its TV service and BT Sport;
- the investment in converged network;
- the recovery plan, operating charge, regular cash contributions and interest expense for the Group's defined benefit pension schemes;
- effective tax rate;
- growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice;
- growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities;
- expectations regarding competition, market shares, prices and growth;
- expectations regarding the convergence of technologies; plans for the launch of new products and services;
- network performance and quality;
- the impact of regulatory initiatives, decisions and outcomes on operations, including the regulation of the UK fixed wholesale and retail businesses and the impact of the Commitments the Group gave to Ofcom to provide Openreach with greater strategic and operational independence following Ofcom's Digital Communications Review;
- BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; adequacy of capital;
- financing plans and refinancing requirements;
- demand for and access to broadband and the promotion of broadband by third-party service providers;
- improvements to the control environment; and
- those preceded by, followed by, or that include the words "aims", "believes", "expects", "anticipates", "intends", "will", "should", "plans", "strategy", "future", "likely", "seeks", "projects", "estimates" or similar expressions.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to:

- market disruptions caused by technological change and/or intensifying competition from established players or new market entrants;
- unfavourable changes to the Group's business where Ofcom raises competition concerns around market power;
- unfavourable regulatory changes;
- disruption to the Group's business caused by an uncertain or adversarial political environment; geopolitical risks;
- adverse developments in respect of the Group's defined benefit pension schemes;
- adverse changes in economic conditions in the markets served by BT, including interest rate risk, foreign exchange risk, credit risk, liquidity risk and tax risk; financial controls that may not prevent or detect fraud, financial misstatement or other financial loss;
- security breaches relating to the Group's customers' and employees' data or breaches of data privacy laws;
- failures in the protection of the health, safety and wellbeing of the Group's people or members of the public or breaches of health and safety law and regulations;
- controls and procedures that could fail to detect unethical or inappropriate behaviour by BT's people or associates;
- customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth;
- failure to deliver, and other operational failures, with regard to BT's complex and high-value national and multinational customer contracts;
- changes to BT's customers' needs or businesses that adversely affect BT's ability to meet contractual commitments or realise expected revenues, profitability or cash flow; termination of customer contracts; natural perils, network and system faults or malicious acts that could cause disruptions or otherwise damage the Group's network;
- supply chain failure, software changes, equipment faults, fire, flood, infrastructure outages or sabotage that could interrupt the Group's services;
- attacks on the Group's infrastructure and assets by people inside BT or by external sources like hackers, criminals, terrorists or nation states;
- disruptions to the integrity and continuity of the Group's supply chain (including any impact of global political developments with respect to Huawei);
- insufficient engagement from the Group's people; and
- risks relating to the BT transformation plan.

All subsequent written or oral forward-looking statements attributable to us or any person acting on the Group's behalf are expressly qualified in their entirety by the factors referred to above.

No assurances can be given that forward-looking statements in this document will be realized. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events, or otherwise.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- a) the unaudited condensed consolidated financial information of the Issuer for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018 and the independent review report thereon by KPMG LLP from the Results for the Half Year to 30 September 2019, excluding the paragraph on page 3 beginning “Unaudited pro forma results for BT Group plc...” and the hyperlink included therein under the sub-heading “IFRS 16 pro forma restated historical financial information”;
- b) the Annual Report 2019 of the Issuer, which contains the auditors’ report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2019, from pages 1-35 and 46-157;
- c) the Annual Report 2018 of the Issuer, which contains the auditors’ report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2018, from pages 1-104 and 106-223;
- d) the unaudited condensed consolidated financial information of the Guarantor for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018 and the independent review report thereon by KPMG LLP from the Results for the Half Year to 30 September 2019, excluding the paragraph on page 9 beginning “Unaudited pro forma results for the year...” and the hyperlink included therein under the sub-heading “IFRS 16 pro forma restated historical financial information”;
- e) the Annual Report 2019 of the Guarantor which contains the auditors’ report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2019, from pages 1-45 and 54-192; and
- f) the Annual Report 2018 of the Guarantor which contains the auditors’ report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2018, from pages 1-199 and 201-320.

Copies of documents incorporated by reference in this Prospectus are available for viewing on the website of the Guarantor ([www.btplc.com](http://www.btplc.com)) and at the specified offices of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

## OVERVIEW

*This overview is a general description of the Issuer, the Guarantor and the Notes and should be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the information incorporated by reference. It is not and does not purport to contain the information required to be included in a "Summary" prepared in accordance with PR Art 7.*

*Words and expressions defined in the "Description of the Notes and Guarantee" below or elsewhere in this Prospectus have the same meanings in this overview. Reference to "Conditions" or "Description of the Notes and Guarantee" in this Prospectus are to the Description of the Notes and Guarantee.*

### **Overview of the Issuer**

British Telecommunications public limited company ("BT" or the "Company" or the "Issuer") is a wholly-owned subsidiary of the Guarantor and is its principal operating subsidiary. The Issuer holds virtually all businesses and assets of the Group.

BT's purpose is to use the power of communications to make a better world. BT is one of the world's leading communications services companies, serving the needs of customers in the United Kingdom and across the world, where BT provides fixed-line services, broadband, mobile and TV products and services as well as networked IT services.

In the United Kingdom, BT is a leading communications services provider, selling products and services to consumers, small and medium sized enterprises and the public sector, as well as communications providers ("CPs").

BT also sells wholesale products and services to CPs in the United Kingdom and around the world. Globally, BT supplies managed networked IT services to multinational corporations, domestic businesses and national and local government organisations.

BT's assets and resources include its brand and reputation, people, networks and platforms, properties, its innovation, expertise and intellectual property, and close relationships with people and organisations, including major customers and suppliers. BT deals with its resources in a responsible and sustainable way.

### ***How BT is organised***

BT has four customer-facing units: Consumer, Enterprise (bringing together Business and Public Sector and Wholesale and Ventures (reporting as a single unit from 1 October 2018)), Global and Openreach. They are supported by BT's internal service unit: Technology, as well as Corporate Functions.

Enterprise, Consumer and Openreach operate mainly within the United Kingdom, selling products and services to consumers, businesses, central and local government organisations and other public sector bodies, as well as CPs. Global operates in the United Kingdom and globally, working for enterprise customers in more than 180 countries worldwide.

In the United Kingdom, BT supports CPs through Enterprise, and through Openreach, and globally through Global.

### **Overview of the Guarantor**

BT Group plc is the listed holding company for an integrated group of businesses that provide communications solutions and services in the United Kingdom and globally.

## The Offering

|                            |  |
|----------------------------|--|
| <b>Issuer</b> .....        | British Telecommunications plc, a public limited company incorporated with limited liability under the laws of England and Wales (registered: number 1800000). |
| <b>Guarantor</b> .....     | BT Group plc, a public limited company incorporated with limited liability under the laws of England and Wales (registered: number 4190816).                   |
| <b>Notes Offered</b> ..... | \$1,000,000,000 aggregate principal amount of 3.250% senior notes due 2029 and \$500,000,000 aggregate principal amount of 4.250% senior notes due 2049.       |

### *2029 Notes:*

|  |   |
|--|---|
| <b>Stated Maturity</b> .....                         | 8 November 2029.  |
| <b>Principal Amount of Notes Being Offered</b> ..... | \$1,000,000,000.  |
| <b>Issue Date</b> .....                              | Expected to be on or about 8 November 2019.   |
| <b>Issue Price</b> .....                             | 99.148%   |
| <b>Interest Rate</b> .....                           | 3.250%  |
| <b>Date Interest Starts Accruing</b> .....           | 8 November 2019.  |
| <b>Interest Payment Dates</b> .....                  | Semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020.  |
| <b>First Interest Payment Date</b> .....             | 8 May 2020.   |
| <b>Day Count Convention</b> .....                    | 30/360.   |
| <b>Optional Redemption</b> .....                     | Prior to 8 August 2029 (the date that is three months prior to the scheduled maturity for the 2029 notes), the Issuer may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the aggregate amount of scheduled payment(s) of interest on such note for the remaining term of such note determined on the basis of the rate of interest applicable to such note from and including the date on which such note is to be redeemed by the Issuer on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the treasury rate plus 0.250%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 August 2029 (the date that is three months prior to the scheduled maturity date for the 2029 notes), the Issuer may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption. |
| <b>CUSIP</b> .....                                   | 144A: 11102AAE1   |

Reg S: G15820DY9

**ISIN**..... 144A: US11102AAE10  
Reg S: USG15820DY96

**2049 Notes:**

**Stated Maturity**..... 8 November 2049.

**Principal Amount of Notes Being Issued** ..... \$500,000,000.

**Issue Date** ..... Expected to be on or about 8 November 2019.

**Issue Price**..... 100.000%

**Interest Rate**..... 4.250%

**Date Interest Starts Accruing** ..... 8 November 2019.

**Interest Payment Dates** ..... Semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020.

**First Interest Payment Date**..... 8 May 2020.

**Day Count Convention**..... 30/360.

**Optional Redemption** ..... Prior to 8 May 2049 (the date that is six months prior to the scheduled maturity for the 2049 notes), the Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the aggregate amount of scheduled payment(s) of interest on such note for the remaining term of such note determined on the basis of the rate of interest applicable to such note from and including the date on which such note is to be redeemed by the Issuer on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the treasury rate plus 0.300%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 May 2049 (the date that is six months prior to the scheduled maturity date for the 2049 notes), the Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption.

**CUSIP** ..... 144A: 111021 AN1  
Reg S: G15820 DX1

**ISIN**..... 144A: US111021AN11  
Reg S: USG15820DX14

**Provisions Relating to the Notes:**

**Status of the Notes** ..... The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred

by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

**Restrictive Covenants** ..... The indenture relating to the Notes contains a negative covenant restricting the Group's ability to create, assume or incur liens to secure present or future capital markets indebtedness. For more information, see "Description of the Notes and Guarantee – Negative Pledge".

However, the indenture does not contain any negative covenants restricting the Group's ability to make payments, incur indebtedness, dispose of assets, enter into sale-leaseback transactions, issue and sell capital stock, enter into transactions with affiliates or engage in business other than the Group's present business.

**Change of Control and Put Event** ..... Unless the Issuer has given notice of redemption, the holder of each note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that note on the Optional Redemption Date at 101% of its principal amount together with interest accrued to (but excluding) the Optional Redemption Date upon a Change of Control and Put Event, as described under "Description of the Notes and Guarantee – Change of Control and Put Event".

**Additional Amounts; Optional Tax Redemption** ..... If the U.K. tax authorities require a deduction on a payment made on the notes, to the extent described in "Description of the Notes and Guarantee – Payment of Additional Amounts", an increased payment will be made such that the same amount as the original payment before the deduction will be received. If required to make such an increased payment, the relevant notes may be redeemed, in whole but not in part, at a price equal to 100% of their principal amount plus accrued interest

**Guarantee** ..... The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee with respect to the Notes will constitute direct, unconditional and unsecured obligations of the Guarantor, without preference among themselves and will rank at least equally with all other unsecured and unsubordinated obligations of the Guarantor subject, in the event of insolvency, to laws of general applicability relating to or affecting creditors' rights.

**Rating** ..... It is expected that the notes will be rated Baa2 by Moody's Investors Service España S.A. ("Moody's"), BBB by Standard & Poor's Credit Market Services Europe Limited, ("Standard & Poor's") and BBB by Fitch Ratings Ltd. ("Fitch"), subject to confirmation at closing.

**Form of Notes; Clearance and Settlement** ..... The Notes will be issued in registered form. The Notes will be represented by one or more global securities registered in the name of Cede & Co., as nominee of DTC and deposited with Delaware Trust Company, as depositary. Investors will hold a beneficial interest in the Notes through DTC in book-entry form. Indirect holders trading their beneficial interest in the notes through DTC must trade in DTC's same-day funds settlement system and pay in immediately available funds.

**Denomination** ..... The notes will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

|                                |  |
|--------------------------------|--|
| <b>Further Issuances</b> ..... | Additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Notes (except for the offering price and issue date) may be issued without the consent of the holders of the Notes; provided however that such additional notes shall be issued under a separate CUSIP, Common Code and/or ISIN number unless the additional notes are issued pursuant to a “qualified reopening” of the Notes, are otherwise treated as part of the same “issue” of debt instruments as the Notes, or the Notes and the additional notes are issued with no more than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes. Any such additional notes, together with the Notes, will constitute a single series of securities under the indenture relating to the Notes. There is no limitation on the amount of notes or other debt securities that may be issued under that indenture. |
| <b>Taxation</b> .....          | All payments in respect of the Notes will be made without deduction for or on the account of withholding taxes imposed by any tax jurisdiction, unless such deduction is required by law. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.  |
| <b>Listing</b> .....           | Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the notes to be admitted to trading on its main market.  |
| <b>Governing Law</b> .....     | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by the laws of the State of New York.  |
| <b>Use of Proceeds</b> .....   | The Issuer will receive net proceeds (after initial purchasers’ discounts and estimated net offering expenses) from this offering of approximately \$1,482 million. The Issuer intends to use the net proceeds from the sale of the notes offered hereby for general corporate purposes.   |
| <b>Risk Factors</b> .....      | There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes and/or the Guarantor’s obligations under the Guarantee. These are set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of the Notes and certain market risks.  |



### Selected Historical Financial Information of BT Group Plc

The selected financial information set out below has been extracted without material adjustment from the historical financial information relating to the Guarantor and its consolidated subsidiaries published in the Results for the Half Year to 30 September 2019 and the Annual Report 2019. Financial information for the Issuer is incorporated by reference into this Prospectus as set out under “Documents Incorporated by Reference”.

#### Consolidated income statement

|  | For the six months ended 30<br>September |               | For the year ended 31<br>March |               |
|--|--|---------------|--------------------------------|---------------|
|  | 2019                                     | 2018          | 2019                           | 2018          |
|  | (£ millions)                             |               |                                |               |
| <b>Revenue</b> .....   | <b>11,467</b>                            | <b>11,588</b> | <b>23,428</b>                  | <b>23,723</b> |
| Operating costs .....  | (9,705)                                  | (9,897)       | (20,007)                       | (20,342)      |
| <b>Operating profit</b>  | <b>1,762</b>                             | <b>1,691</b>  | <b>3,421</b>                   | <b>3,381</b>  |
| Finance expense  | (451)                                    | (364)         | (790)                          | (776)         |
| Finance income   | 20                                       | 12            | 34                             | 12            |
| <b>Net finance expense</b>   | <b>(431)</b>                             | <b>(352)</b>  | <b>(756)</b>                   | <b>(764)</b>  |
| Share of post tax profit (loss) of associates and joint ventures ..... | 2  | 1             | 1                              | (1)           |
| <b>Profit before taxation</b> .....                                    | <b>1,333</b>                             | <b>1,340</b>  | <b>2,666</b>                   | <b>2,616</b>  |
| Taxation .....   | (265)                                    | (288)         | (507)                          | (584)         |
| <b>Profit for the period</b> .....                                     | <b>1,068</b>                             | <b>1,052</b>  | <b>2,159</b>                   | <b>2,032</b>  |

#### Consolidated balance sheet

|  | At 30 September           |               | At 31 March   |               |
|--|---------------------------|---------------|---------------|---------------|
|  | 2019                      | 2018          | 2019          | 2018          |
|  | (£ millions)              |               |               |               |
|  | (restated) <sup>(1)</sup> |               |               |               |
| Intangible assets.....                             | 14,149                    | 14,610        | 14,385        | 14,447        |
| Property, plant and equipment.....                 | 18,129                    | 17,234        | 17,835        | 17,000        |
| <b>Total non-current assets</b>                    | <b>41,209</b>             | <b>35,091</b> | <b>35,843</b> | <b>34,493</b> |
| <b>Current assets</b>                              | <b>10,186</b>             | <b>10,173</b> | <b>10,444</b> | <b>8,349</b>  |
| <b>Current liabilities</b>                         | <b>9,752</b>              | <b>10,748</b> | <b>9,602</b>  | <b>10,185</b> |
| <b>Total assets less current liabilities</b> ..... | <b>41,643</b>             | <b>34,516</b> | <b>36,685</b> | <b>32,657</b> |
| Loans and other borrowings .....                   | 16,189                    | 14,256        | 14,776        | 11,994        |
| Retirement benefit obligations.....                | 6,091                     | 5,280         | 7,182         | 6,847         |
| Other payables .....                               | 707                       | 1,563         | 1,479         | 1,326         |
| <b>Total non-current liabilities</b>               | <b>31,358</b>             | <b>23,588</b> | <b>26,518</b> | <b>22,746</b> |
| <b>Equity</b>                                      |                           |               |               |               |
| Share capital .....                                | 499                       | 499           | 499           | 499           |
| Share premium.....                                 | 1,051                     | 1,051         | 1,051         | 1,051         |
| Own shares .....                                   | (240)                     | (171)         | (167)         | (186)         |

|                           |               |               |               |              |
|---------------------------|---------------|---------------|---------------|--------------|
| Other reserves .....      | 1,022         | 677           | 718           | 534          |
| Retained earnings .....   | 5,381         | 4,725         | 3,919         | 1,366        |
| <b>Total equity .....</b> | <b>10,285</b> | <b>10,928</b> | <b>10,167</b> | <b>9,911</b> |

(1) Certain results have been restated to reflect the update to the calculation of the Group's IAS 19 accounting valuation of retirement benefit obligations. BT Group plc restated its consolidated balance sheet as at 31 March 2018 following its notification that an error had been made by the Group's independent external actuary in the actuary's calculation of the Group's IAS 19 accounting valuation of retirement benefit obligations at 31 March 2018. The error resulted from the incorrect application of changes to demographic assumptions. BT Group plc published its restated balance sheet as at 31 March 2018 in its next published financial report (being its interim report for the six months ended 30 September 2018) and reproduced the restated figures in its Annual Report 2019.

### *Consolidated statement of cash flows*

|   | <b>For the six months ended 30<br/>September</b> |                | <b>For the year ended 31<br/>March</b> |                |
|---|--|----------------|--|----------------|
|   | <b>2019</b>                                      | <b>2018</b>    | <b>2019</b>                            | <b>2018</b>    |
|   | <i>(£ millions)</i>                              |                |  |                |
| <b>Cash generated from operations .....</b>                           | 2,256  | 964            | 4,687                                  | 5,400          |
| Income taxes paid .....   | (83)   | (210)          | (431)                                  | (473)          |
| <b>Net cash inflow from operating<br/>activities .....</b>            | <b>2,173</b>                                     | <b>754</b>     | <b>4,256</b>                           | <b>4,927</b>   |
| <b>Net cash outflow from investing<br/>activities .....</b>           | <b>(2,336)</b>                                   | <b>(2,060)</b> | <b>(3,800)</b>                         | <b>(4,833)</b> |
| <b>Net cash inflow (outflow) from<br/>financing activities .....</b>  | <b>(1,021)</b>                                   | <b>1,192</b>   | <b>634</b>                             | <b>(75)</b>    |
| <b>Net increase (decrease) in cash and cash<br/>equivalents .....</b> | <b>(1,184)</b>                                   | <b>(114)</b>   | <b>1,090</b>                           | <b>19</b>      |
| Opening cash and cash equivalents <sup>(1)</sup> .....                | <b>1,594</b>                                     | <b>499</b>     | <b>499</b>                             | <b>511</b>     |
| Net (decrease) increase in cash and cash<br>equivalents .....         | (1,184)  | (114)          | 1,090                                  | 19             |
| Effect of exchange rate changes .....                                 | 11   | 7              | 5                                      | (31)           |
| <b>Closing cash and cash equivalents<sup>(1)</sup> .....</b>          | <b>421</b>                                       | 392            | 1,594                                  | 499            |

(1) Net of bank overdrafts of £72 million (2017/18: £29 million, 2016/17: £17 million).

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

**Factors that may affect (i) the Issuer's ability to fulfil its obligations under Notes and (ii) the Guarantor's ability to fulfil its obligations with respect to the Notes under the Guarantee**

### STRATEGIC RISKS

*The Group faces strong competition in highly competitive markets and technology change which could negatively affect the Group's growth prospects*

The Group's strategy and business model could be disrupted by technology change and/or intensifying competition from established competitors and new entrants into the Group's markets. This competition compounds some of the external challenges in the market: fixed broadband and mobile connectivity nearing saturation; customers seeking fast migration from higher-margin legacy products to fully digitised, converged, secure, faultless solutions; efficient markets demanding clear differentiation for premium pricing, driving price deflation of basic connectivity and data; and high exit barriers, prolonging and intensifying competition even when selected companies in the sector are struggling to generate economic returns.

Technology change is also a key characteristic of the telecoms sector. The Group has to be able to identify emerging technologies, assess how customers will adopt these technologies and invest accordingly, frequently a long time before the demand materialises, in order to compete effectively. The Group also needs to respond to changes in use of existing technology, such as the exponential growth the sector has seen in data consumption and network capacity requirements.

The United Kingdom telecoms market has struggled to grow, and competition has increased as many of the Group's competitors have attempted to take more market share. Some alternative network providers have announced fibre network investment plans in the United Kingdom. United Kingdom sports rights competition increased, with Amazon winning a three-year broadcast package for the Premier League, and ITV winning a four-year package for the FA Cup. Competitors are also developing their future 5G propositions.

Intensified competition can result in lower volumes and/or prices than currently anticipated. If the Group fails to respond effectively to competition then it can lose market share, revenue and/or profit.

In addition, new technology developments can lead to accelerated obsolescence of the Group's current products, increased investment requirements, new sources of competition and/or the deterioration of its competitive position. This in turn can result in lower volumes and prices, stranded assets and higher costs. A failure to invest optimally in technology at the right time can have implications for the Group's market position and ability to generate future revenue and/or profit.

*Some of the Group's activities continue to be subject to significant price and other regulatory controls, which may affect the Group's market share, competitive position, future profitability*

Regulation impacts the Group's activities across all jurisdictions. In the United Kingdom, Ofcom (the independent regulator for the United Kingdom communications industries) can identify competition concerns in the communications markets and set rules requiring the Group to provide certain services on specified terms to its customers. Ofcom reviews markets regularly and can introduce, extend, relax or remove rules as a result of

its findings in a market review. Ofcom has powers to conduct specific investigations about market behaviour, including price levels. In addition, Ofcom can set out rules for spectrum auctions and to ensure consumer protection in the sector.

Ofcom will investigate the Group's compliance with regulatory requirements and can impose fines and restitution on the Group for non-compliance.

Ofcom also has powers to regulate the terms on which the Group is supplied with certain services by others — for example, mobile call termination from other suppliers - and can resolve disputes between the Group and other CPs about the terms on which services are supplied. Appeals of regulatory decisions can also give rise to risks as well as opportunities.

Outside the United Kingdom, regulation defines where and how the Group is able to compete through licensing rules and defining the terms on which it is able to access networks of incumbent operators.

Some of the Group's revenue is from the supply of wholesale services into markets where the Group has been found to have significant market power under various Ofcom market reviews. This includes revenue relating to services where regulation requires the Group to reduce average prices annually by a defined percentage for a three-year period. The regulatory controls will constrain revenues during that period.

Where CPs ask Ofcom to resolve disputes with the Group, there is a risk that Ofcom may set the prices at which services must be supplied by the Group and/or require the Group to provide additional services and/or have an impact on how the Group structures its business. In some circumstances, Ofcom can adjust historic prices and require the Group to make repayments to wholesale customers.

Ofcom has continued its cycle of market reviews, including consultations on the business connectivity and physical infrastructure markets and on its move to more holistic regulation of access across business and residential markets. Ofcom also published Digital Communications Review Implementation Reports in June and November 2018 reviewing BT's and Openreach's adoption of the Commitments and Governance Protocol (the agreement reached with Ofcom on the legal separation of Openreach). The Group will face risks and challenges from implementing a new operational structure, including operating Openreach as an independent business within the Group.

Consumer issues, such as the charges applied once a customer's minimum contract term expires, were part of a super-complaint made by Citizens Advice in September 2018 to the Competition and Markets Authority, which covered matters across the telecommunications and financial services sectors, and has been referred back to Ofcom.

The Department of Digital, Culture Media and Sport published its Future Telecoms Infrastructure Review in July 2018 as part of the United Kingdom Government's modern industrial strategy, setting out a longer-term vision for the United Kingdom's connectivity and associated infrastructure.

Regulation in the United Kingdom can result in reduced prices on products; increased costs of doing business due to the service standards the Group is required to meet; and limitations in the scope and competitiveness of the services the Group can provide, impacting the Group's revenue and/or profit.

Regulation outside the United Kingdom can also impact the Group's revenue. For example, overly-restrictive licensing requirements or ineffective regulation which restricts the Group's ability to access other networks on fair terms. Regulation can also define and control the terms of access to necessary regulated inputs, which raises the Group's costs.

***Political and geopolitical risks could affect the Group's business, financial condition, results of operations and prospects, as well as exacerbating the adverse effects of other risks to its business***

Across the Group's operations, it is exposed to the effects of political and geopolitical risks, in particular:

- In the United Kingdom, internet access is increasingly seen as an essential part of people's lives. As a result, the level of political debate continues to focus on network coverage, quality and speed of service as well as broader issues of online safety and security. As well as providing a critical element of the United Kingdom's national infrastructure, both fixed and wireless, the Group is also engaged in

supporting high profile programmes such as the Broadband Delivery United Kingdom regional fibre deployment programme and the Emergency Services Network.

- The result of the United Kingdom referendum to leave the European Union (“Brexit”) has significantly increased political uncertainty and instability that has included new political parties being established and the defection of Members of Parliament from both the Conservative and Labour parties. This continues to impact political debates around the United Kingdom, such as the possibility of a second Scottish independence referendum and the complex situation in Northern Ireland including border matters.
- Outside the United Kingdom, political and geopolitical risk can impact the Group’s business through changes in the regulatory and competitive landscape, but also as a direct threat to its people and assets as a result of social unrest or a break down in the rule of law.

Political uncertainty can have direct financial consequences across the economy, impacting, for example, foreign exchange rates, the availability and cost of capital, interest rates and also resulting in changes in the tax regime. In addition, the effects of political uncertainty and other political and geopolitical risks can exacerbate the effects of other risks to the Group’s business. For example, in the United Kingdom there is an increasing overlap between political debate and the regulatory environment, which increases the Group’s regulatory risk profile. In particular, there has continued to be high political interest and policy focus around communications – particularly fibre broadband and 5G, including the publication by the Department for Digital, Culture, Media and Sport of its Future Telecoms Infrastructure Review in July 2018. There has also been more political focus on issues like consumer pricing and contracts, as well as security and competition in the communications supply chain.

The impacts of Brexit are still uncertain while the United Kingdom’s future trading and transition relationship with the European Union is determined. The Group’s costs may increase as a result of, for example, changes required to its systems to reflect new taxes or customs duties; regulatory risk may increase as a result of any future divergence with the European Union regime, including where the Group’s suppliers may be disrupted as a result of challenges in its suppliers’ own organisations and supply chains; and it may become more difficult to recruit and retain skilled staff and source sufficient construction workers. The United Kingdom’s economy may also suffer as a result of this uncertainty.

Geopolitical risk outside the United Kingdom can also impact the Group’s regulatory risk profile, but also its security and resilience risks where it poses a threat to the continuity of the Group’s operations.

## FINANCIAL RISKS

*The Group has a significant funding obligation in relation to its defined benefit pension schemes. Low investment returns, high inflation, longer life expectancy and regulatory changes may result in the cost of funding the Group’s main defined benefit pension scheme, the BT Pension Scheme (“BTPS”), becoming a significant burden on the Group’s financial resources*

The BTPS, which represents over 97 per cent. of the Group’s pension obligations, faces similar risks to other defined benefit schemes in the United Kingdom. Future low investment returns, high inflation, longer life expectancy and regulatory changes may all result in the cost of funding the BTPS becoming a more significant burden on the Group’s financial resources.

The 30 June 2017 actuarial valuation of the BTPS was agreed in May 2018 and showed an increase in pension liability compared to the previous valuation in 2014, but also provides certainty as to the level of cash contributions required until the next triennial valuation, due to start in June 2020.

When a valuation is calculated, the funding position is affected by the financial market conditions at the valuation date. When determining expected future returns on the assets of the BTPS, different factors are taken into account, including yields (or returns) on government bonds. If the returns on the assets are lower than expected over the period to the next valuation, or a lower future investment return assumption is adopted at the next valuation, the deficit would likely increase, potentially leading to a higher level of future deficit payments.

In March 2019, the United Kingdom regulator of workplace pension schemes issued its annual statement, which increased the regulatory pressure on companies – for example, encouraging trustees of workplace pension

schemes to seek shorter recovery plans (of less than seven years) and to aim for contributions no lower than dividend payments. This could potentially have a negative impact on the level and timing of the Group's cash contributions following the next triennial valuation.

An increase in the pension deficit and/or higher deficit payments could limit the Group's ability to invest in its business, pay dividends or repay debt as it matures, which could in turn adversely affect the Guarantor's share price and the Group's credit rating.

***The Group faces a variety of financial risks which could adversely affect profitability, liquidity and reputation***

As a business with global operations, the Group is exposed to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and tax risk.

An adverse movement in foreign exchange and/or interest rates could negatively affect the Group's profitability, cash flow and balance sheet. In addition, unfavourable economic conditions may arise which could impact the Group's ability to generate sufficient cash flow or to access capital markets to enable the Group to service or repay its indebtedness or to fund its other liquidity requirements on commercially reasonable terms. If economic conditions worsen, the Group may find that its financial performance could be impacted by delays in its customers making purchasing decisions, reductions in customers' use of the Group's services, default of customers, counterparties and suppliers, or the redenomination of their contractual payment obligations.

Last year, Standard & Poor's and Fitch downgraded the Group's credit rating, due to concerns over the effect that competing pressures, including those related to the Group's pensions and its network investments, may have on the Group's cash flows.

The failure of the Group's treasury counterparties to honour financial obligations could also have an adverse impact on the Group's liquidity (for example, from the loss of cash deposits) and its profitability (for example, from increased finance expenses). A deterioration in the Group's liquidity could have an adverse effect on the Group's assessment of going concern, particularly if combined with an inability to refinance maturing debt.

Further, because the Group operates internationally, it is subject to a complex and evolving matrix of tax regimes. For example, the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting project and the United States tax reform, the European Commission's challenge to tax practices under state aid provisions and the European Commission and United Kingdom proposals for the introduction of an interim digital services tax, are changing the current and future tax consequences of business decisions. Failure to comply with these regimes could result in financial penalties and reputational damage. In addition, lack of adequate tax planning could result in deficient strategies resulting in financial losses and potentially financial misstatements, as well as reputational damage.

## **COMPLIANCE RISKS**

***Failures in the Group's financial control framework can result in financial misstatement and financial loss***

Financial controls, and the assurance that exists over them, are an important part of the Group's ability to prevent and detect inappropriate behaviour and error. This includes fraud, deliberate financial misstatement and improper accounting practices, as well as breaches of anti-corruption, bribery or sanctions legislation. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2018/19, the Group commenced a significant Sarbanes-Oxley control enhancement programme which identified two particular areas requiring remediation: IT general controls and risk assessment. Although significant improvements have been made, remediation and testing of all remediation plans was not complete at 31 March 2019 and are a continuing focus for 2019/20. The Group concluded that unremediated deficiencies in the two areas resulted in material weaknesses in the Group's internal control over financial reporting as at 31 March 2019 under the U.S. Sarbanes-Oxley Act. As a result, the Group's management concluded that the disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by the Group in the reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms.

Failures in the Group's financial control framework could result in financial misstatement, financial loss, including a failure to prevent fraud, or key decisions being taken based on incorrect information.

Notwithstanding anything stated in this risk factor, this risk factor should not be taken as implying that the Issuer or the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List.

***Failure to comply with relevant data protection and privacy laws could adversely affect the Group***

As a major data controller and processor of customer information around the world, the Group recognises the importance of adhering to data privacy laws. The Group wants individuals and businesses to be confident that when they give their data to the Group they can trust the Group to do the right thing with that data. This includes properly securing customer data, keeping it protected against both internal and external threats (such as cyber-attacks), preserving the integrity of the personal data processed, only keeping the data required to provide customers with the services for which they have signed up. It also includes ensuring transparency around how the Group uses and shares that data, ensuring personal data is processed in a way that is legal, fair and in line with customers' rights and wishes as well as ensuring that the Group fulfils its legal obligations when customers want to exercise their rights under data legislation. The ability to use data in a compliant manner is therefore critical to the future success of the Group.

As a communications provider, the Group currently operates under a stringent reporting regime to tell the UK Information Commissioner's Office ("ICO") if the Group becomes aware of a personal data security breach. The Group must also tell any affected individuals as quickly as possible if the incident is likely to have an impact on them. An individual's fundamental right to privacy is reflected in the fact that data privacy laws are in force in more than 100 countries. The nature of those laws varies across different parts of the world. Increasingly, the Group must show that it is handling personal data in line with a complex web of national data laws and society's ethical expectations.

Today the need to protect the privacy rights of the individual is reflected in data privacy laws in force in over 100 countries. The Group, and other multinational companies, are increasingly having to evidence that personal data is being handled in accordance with a complex matrix of national data laws and societal ethical expectations and, in the case of a personal data security breach, the Group will have varying reporting obligations (for instance, in the United Kingdom, the Group is required to report any such breaches to the Information Commissioner's Office and also report to the affected individuals as quickly as possible if the incident is likely to have a significant impact on them). Furthermore, on 25 May 2018 the European Union's General Data Protection Regulation (GDPR) came into force, which created a range of new compliance obligations, increased financial penalties for non-compliance and extended the scope of the European Union's data protection laws.

These regulatory regimes present a significant challenge. A number of major corporations have fallen victim to significant data breaches this year, which resulted in a significant impact to their share price and ongoing costs from non-compliance. Failure to comply with data protection and privacy obligations may result in regulatory enforcement action, significant fines, legal action (class-action or breach of contract), criminal sanctions (including prison sentences), significant reputational damage, customer churn and the Guarantor's shareholder divestment and financial loss. The sanctions for breaching the GDPR are significantly higher than under the previous regime, which could result in a substantial fine in the event of a breach.

***Failure to comply with health and safety legislation could adversely affect the Group***

The Group, and in particular its United Kingdom engineering workforce, undertakes activities that involve risk of injury or illness. Many of the Group's workforce, especially its United Kingdom engineers, often work in community settings where the Group has limited control over the working environment. Much of the network is carried above ground level and temporary work at height is a major risk for the Group.

The failure to implement and maintain effective health safety management could generate significant human and financial costs as a result of injury to the Group's workforce or members of the public, financial penalties, hindered or stopped operations and/or reputational damage. The Group aims to adapt technology and working practices to help reduce the physical risks to people, although there can be no assurances that these changes will be successful.

All of the Group's staff work in a fast-paced and highly competitive sector where change is constant and psychological pressures are significant. Managing physical and psychological hazards is therefore complex. Poor wellbeing amongst the Group's workforce could lead to increased absence and reduced performance levels.

A change in the Group's workforce is increasing risks in areas such as driving. The Group has had a mature workforce, with little labour turnover, for many years. That cadre is reaching retirement age and consequently the Group is recruiting large numbers of younger people. The new intake of younger people may have a different risk attitude, combined with less experience, resulting in the need for the Group to make sure it puts in place additional safeguards, with less reliance on expertise and individual judgment.

The pace of upgrading the network, fixed and mobile, has continued to accelerate. That increases the Group's civil engineering workload and the hazards and risks associated with that type of work.

The pace and scale of change within the Group's business has also continued to accelerate and the Group is aware this has a psychological impact on its people.

The wellbeing of the workforce is important if the Group is to transform its business while continuing to recruit, retain and engage its workforce to deliver a positive customer experience and achieve sustainable, profitable revenue growth. An adverse response to the change programme could impact the Group's ability to retain key staff, resulting in a loss of critical skills and a greater need for external recruitment, which would add cost to the business. Poor engagement also raises the risk of general industrial unrest and action.

***Failure to comply with legal requirements and ethical standards can have a significant impact and lead to damage to the brand and a loss of reputation***

The Group is committed to maintaining high ethical standards, and has a zero tolerance approach to fraud, bribery, any form of corruption or any illegal or unethical activity. The Group has to comply with a wide range of local and international laws, including anti-corruption and bribery laws. The United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act have extraterritorial reach and thereby cover the Group's global operations. The Group has seen a steady flow of significant cases under both the United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act ("FCPA"). The Group also has to ensure compliance with trade sanctions as well as import and export controls. The Group complies with the United Kingdom Modern Slavery Act and follows international standards on human rights, such as the International Labour Organisation's Principles and the United Nations Guiding Principles on Business and Human Rights. There has been a steady flow of significant cases from both the UK Bribery Act and the FCPA. There has also been an increase in legislation (either enacted or proposed) to address and report on human rights abuses by companies.

The Group also faces the risks associated with inappropriate and unethical behaviour in local and other markets by its employees or associates, such as suppliers or agents, which can be difficult to detect. There is also the risk that the Group's controls, which are designed to prevent, detect and correct such behaviour may be circumvented. Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions, regardless of how remote.

Failure by the Group's employees, or associated persons such as suppliers or agents, to comply with anti-corruption, bribery, sanctions or other legislation could result in significant penalties, criminal prosecution and damage to the Group's brand and reputation. This could in turn impact the Group's future revenue and cash flow, the extent of which would depend on the nature of the breach, the legislation concerned and any penalties. Allegations of corruption, bribery, abuse of human rights or violation of sanctions regulations or other laws could also lead to reputational damage with investors, regulators, civil society and customers. Further, if fraud is committed, there is a risk of financial misstatement which if undetected can have a material financial impact and potential litigation and regulatory consequences.

## **OPERATIONAL RISKS**

***The Group's customer experience may not be brand enhancing nor drive sustainable profitable growth***



Failure of the Group to deliver customers the positive experience they expect with respect to products and services, culture, brand, processes leadership, technology, employees and policies could damage the Group's brand or cause customers to leave, resulting in a reduction of revenue or leading to financial penalties. Any such failure could impact the experience of employees as well, including their pride in working for the Group. Perceptions around poor customer experience also have the potential to influence political and regulatory discussions and interventions, which can in turn impact the Group's business. In addition, as the Group progresses its change management programme, there is a risk that the volume of change across the Group could result in a loss of focus on delivering for the customer.

***The Group's business may be adversely affected if it fails to perform on major contracts***

The Group has a number of complex and high-value government, national and multinational customer contracts. The revenue arising from, and the profitability of, these contracts is subject to a number of factors including: variation in cost; achievement of cost reductions anticipated in the contract pricing (both in terms of scale and time); delays in the achievement of agreed milestones owing to factors either within or outside the Group's control; changes in customers' needs, their budgets, strategies or businesses; penalties for failing to perform against agreed service levels; and the performance of the Group's suppliers. Any of these factors could make a contract less profitable or even loss-making.

The degree of risk varies in proportion to the scope and life of the contract and is typically higher in the early stages of the contract. Some customer contracts require investment in the early stages, which is expected to be recovered over the life of the contract.

Major contracts often involve the implementation of new systems and communications networks, transformation of legacy networks and the development of new technologies. The recoverability of these upfront costs may be impacted by delays or failure to meet milestones. Substantial performance risk exists in some of these highly complex contracts particularly at the initial set-up and transformational contract phases.

Failure by the Group to manage and meet its commitments under these contracts, as well as changes in customers' requirements, their budgets, strategies or businesses, may lead to a reduction in the Group's expected future revenue, profitability and cash generation. Unexpectedly high costs associated with the fulfilment of particular transformational contracts could also negatively impact profitability.

Earnings may be reduced or contracts may even become loss-making through loss of revenue, changes to the customers' businesses (for example, due to mergers or acquisitions), business failure or contract termination. Failure to replace the revenue and earnings lost from such customers could lead to an overall reduction in the Group's revenue, profitability and cash flow.

One of the Group's largest contracts is the delivery of a key element of the United Kingdom Emergency Services Network, which is being delivered with several partners and is managed by the United Kingdom Home Office. In addition, the Group continues to deliver a number of contracts with local authorities through regional fibre deployment programmes including the Broadband Delivery United Kingdom programme. As with the Group's other major contracts, failure to deliver either of these contracts successfully may lead to a reduction in the Group's expected future revenue, profitability and cash generation. These contracts are high-profile and therefore carry a higher reputational risk, and they present specific risks around deployment, delivery and the Group's ability to recover public funding. The Group also has an obligation to potentially either re-invest or repay grant funding depending on a number of factors, including the level of customer take-up achieved.

***Failure to prevent or respond to interruptions to the Group's services could adversely affect the Group's reputation and market share as well as major financial loss***

The security and resilience of the Group's services are critical factors in its commercial success. There is a risk that the Group is unable to prevent and respond to incidents caused by natural perils, network and system faults, and malicious acts that threaten the Group's network. The Group faces a variety of hazards that could cause significant interruptions to the delivery of its services, including cyber-attacks, supply chain failure, software changes, equipment faults, fire, flood, infrastructure outages and sabotage.

Extreme weather always challenges the Group's IT and network estate. In this last year the Group had to keep its network operating through lightning storms and heavy rain.

The consequences of service interruptions can include major financial loss, long-term reputational damage and loss of market share. Regulatory sanctions, fines and contract penalties might be applied, contracts might be terminated and costly concessions might be required, together with unplanned and rapid improvements to retain business and rebuild trust. The Group might also miss opportunities to grow revenue and launch new services before its competitors.

#### ***Failure to manage cyber and information security threats***

The Group's networks and systems are exposed to a number of security threats, including cyber-attacks. Hacking tools, phishing scams and disruptive malware are becoming more sophisticated and more accessible to attackers. As noted above, the security and resilience of the Group's services are critical factors in its commercial success. The Group continues to develop its cyber defence capability and invest more in automatic detection and prevention systems to keep the likelihood of any 'successful' attack to an absolute minimum, but complete protection can never be guaranteed.

Cyber-attackers are learning how to defeat conventional defences such as anti-virus (AV), proxy servers, and basic authentication. They are changing malware signatures faster than AV vendors can deliver matching identity files, launching 'Denial of Service' attacks that are disguised as legitimate traffic at the application level, and using increasingly convincing phishing emails to trick users into giving access to restricted systems. Major corporates continue to fall victim to cyber-attack, with a number of high-profile incidents occurring in 2018 and 2019.

A failure of the Group's protective measures to prevent or contain a major security incident or business interruption or data being compromised could result in major financial loss, long-term reputational damage and loss of market share. Regulatory sanctions, fines and contract penalties might be applied, contracts might be terminated and costly concessions might be needed, together with unplanned and rapid improvements to retain business and rebuild trust. The Group might also miss opportunities to grow revenue and launch new services ahead of the Group's competition.

#### ***The integrity and continuity of the Group's supply chain is critical to its operations***

The Group operates in a global supply market, and its supply chains range from simple to very complex. There are often several links in the 'chain' of supply of a product or service to the Group. Guaranteeing the integrity and continuity of those links in the supply chain is critical to the Group's operations, and therefore a significant risk to its business. A global marketplace also exposes the Group to global risks, including different standards in labour, environmental and climate change practices, increasing regulation and geopolitical events. The Group evaluates the impact and likelihood of external market forces on suppliers' ability to support the Group.

A global supply market brings better sourcing opportunities but also brings its own challenges, if suppliers become more geographically and culturally remote from the Group's customers, or if governments put barriers in the way of doing business to protect national or regional economic interests.

The Group is committed to ensuring that all dealings with its suppliers, from selection and consultation through to contracting and payment, are in accordance with its trading and ethical policies. If any link in the Group's supply chain does not meet the applicable legal requirements or fails to meet the Group's ethical expectations, its reputation could be damaged and it may be subject to legal action, fines and lost revenue.

The financial costs and/or reputational damage associated with supplier failure could be significant, particularly if it results in the Group having to change a technology or system. If the substitution of a failing supplier caused disruption to the Group's business, that could cost a significant amount of time and money. If the Group is unable to contract with an alternative supplier, that could compromise the commitments the Group makes to its customers, which could lead to a contractual breach, loss of revenue or penalties. If the Group does not meet the expectations of regulators that govern the Group and the data it manages, it could result in significant penalties.

Threats to the supply chain include the impacts of the United Kingdom vote to leave the European Union, which has required extensive preparation on the part of the Group to understand its suppliers' readiness and the impact on the availability of goods and services. Other impacts of supplier risk include the threat of modern slavery and human trafficking; and the growing threat of cyber-attacks on the Group's systems and networks where its suppliers represent a source of vulnerability.

Over the course of the last year there has been significant geopolitical focus on Huawei, one of the Group's major suppliers whose products include mobile handsets and also equipment for both current networks and for future 5G networks. The Group has been monitoring these developments and will continue to do so as governments determine their future policies. In December 2018, the Group announced that, in line with its long-standing network architecture principles around the use of Huawei, the Group will replace the current Huawei 4G core (inherited through the EE acquisition). This will be implemented as the Group moves in the future to a new and combined 4G/5G core.

A failure to meet legal obligations or ethical expectations could adversely affect the Group's reputation or possibly lead to legal action, penalties and financial loss.

***Failure to recruit, retain and engage a talented workforce could impact the Group's ability to successfully deliver services and products to its customers***

The Group's people are central to its business and a vital part of its ambition to deliver a positive customer experience, and employee engagement is necessary to ensure the Group meets its strategic aims. The Group is transforming its business and at the same time continuing to recruit, retain and engage its workforce to deliver a positive customer experience and achieve sustainable, profitable revenue growth. An adverse response to the change programme could impact the Group's ability to retain key staff, resulting in a loss of critical skills and greater need for external recruitment, which would add cost to the business. Poor engagement also raises the risk of general industrial unrest and action, which in turn could cause disruption to the Group's operations and services that the Group provides to its customers.

***Failure to successfully implement its wide-ranging change programme could create risks for the Group's business***

The Group is implementing a wide-ranging change programme across the entire organisation known as One BT. In addition, the Group's transformation plan and reorganisation of its business has included establishing a new People Framework for management grades and work continues on delivering a new Digital Global Services with a new organisational structure. The Group is also reviewing its wider location strategy, including exiting its headquarters in Central London. These changes need to be managed carefully to ensure they deliver the desired outcomes and avoid distraction and uncertainty.

Failure to manage and implement the change programme successfully could result in poorer customer experiences, negative impacts on employee engagement or potential overspend on the projects themselves. In addition, the projects may not successfully achieve the efficient processes, cost savings or differentiated products and services intended. If the Group's transformation programmes do not deliver the intended customer benefits, or if they divert employees' attention away from the Group's customers, the Group may suffer a reduction in the quality of service it provides, and as a result incur customer churn and even financial penalties in some cases.

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

If the Issuer fails to maintain a listing on a “recognised stock exchange”, interest on the Notes may be subject to U.K. withholding tax and the Issuer’s liquidity and financial position may be adversely affected by the requirement to pay additional amounts on the Notes.

Interest payable on the notes on or after the date of this Prospectus will be paid free of U.K. withholding tax if the Issuer maintains a listing of the notes on a “recognised stock exchange” within the meaning of Section 1005 of the U.K. Income Tax Act 2007. The Issuer has applied to list the notes on the London Stock Exchange, which is currently designated as a “recognised stock exchange”. The inability to maintain such a listing may have an adverse effect on the Issuer’s liquidity and financial position by reason of the Issuer’s obligation to pay additional amounts as may be necessary so that the net amount received by the holders after such reduction will not be less than the amount the holders would have received in the absence of such withholding or deduction. While the Issuer will use its best efforts to obtain and maintain such a listing, as needed, it cannot guarantee that it will be successful. See “Description of the Notes and Guarantee – Payment of Additional Amounts” and “Taxation – United Kingdom Taxation – UK Withholding Tax on UK source interest”.

***US holders may be required to recognize gain or loss on substitution of the Issuer as obligor***

Subject to certain conditions, the Issuer or the Trustee may substitute in place of the Issuer as principal debtor under the Notes and Indenture another company, being a successor in business or a holding company (within the meaning of section 1159 of the Companies Act 2006) of the Issuer or a subsidiary of such holding company. See “Description of the Notes and Guarantee – Substitution of the Obligor”. Any such substitution might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes.

***The notes lack a developed public market***

There can be no assurance regarding the future development of markets for the Notes or the ability of the holders of the Notes to sell their Notes or the prices at which such holders may be able to sell their Notes. If such markets were to develop, the Notes would trade at prices that may be higher or lower than the initial offering price depending on many factors, including, among other things, prevailing interest rates, the Group’s operating results and the markets for similar securities. Initial Purchasers, broker-dealers and agents that participate in the distribution of the notes may make markets in the Notes as permitted by applicable laws and regulations but will have no obligation to do so, and any such market-making activities with respect to the Notes may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading markets for the Notes or that active public markets for the Notes will develop. See “Plan of Distribution”. The Issuer has applied for listing of the notes on the Official List of the FCA and for trading of the notes on the London Stock Exchange.

## **USE OF PROCEEDS**

The Issuer estimates that the net proceeds (after initial purchasers' discounts and estimated net offering expenses) from the sale of the notes will be approximately \$1,482 million. The Group intends to use the net proceeds from the sale of the notes offered hereby for general corporate purposes.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Issuer's capitalization and indebtedness as of 30 September 2019. The data included in the table below is prepared on the basis of International Financial Reporting Standards as adopted by the EU and as issued by the IASB ("IFRS").

|   | <b>As of 30 September 2019</b> |
|---|--------------------------------|
|   | <i>(in £ millions)</i>         |
| <b>Current loans and other borrowings:</b>                      |                                |
| Total listed bonds, debentures and notes, and other loans ..... | 1,525                          |
| Amounts due to ultimate parent company .....                    | 1,549                          |
| <b>Total current loans and other borrowings.....</b>            | <b>3,074</b>                   |
| <b>Non-current loans and other borrowings:</b>                  |                                |
| Total listed bonds, debentures and notes, and other loans ..... | 16,189                         |
| Amounts due to ultimate parent company .....                    | 1,083                          |
| <b>Total non-current loans and other borrowings.....</b>        | <b>17,272</b>                  |
| Lease liabilities .....   | 6,112                          |
| <b>Equity:</b>  |                                |
| Ordinary shares .....   | 2,172                          |
| Share premium.....  | 8,000                          |
| Other reserves .....  | 1,728                          |
| Retained earnings .....   | 9,675                          |
| Total equity.....   | 21,575                         |
| <b>Total capitalization<sup>(1)</sup> .....</b>                 | <b>48,033</b>                  |

Note:

(1) There has been no other material change to the Issuer's capitalization and indebtedness since 30 September 2019.

The following table sets forth the Guarantor's capitalization and indebtedness as of 30 September 2019. The data included in the table below is prepared on the basis of International Financial Reporting Standards as adopted by the EU and as issued by the IASB ("IFRS").

|   | <b>As of 30 September 2019</b> |
|---|--------------------------------|
|   | <i>(in £ millions)</i>         |
| <b>Current loans and other borrowings .....</b>     | <b>1,525</b>                   |
| <b>Non-current loans and other borrowings .....</b> | <b>16,189</b>                  |
| Lease liabilities .....                             | 6,112                          |
| <b>Equity:</b>                                      |                                |
| Ordinary shares .....                               | 499                            |
| Share premium.....                                  | 1051                           |
| Own shares .....                                    | (240)                          |
| Other reserves .....                                | 3594                           |
| Retained earnings .....                             | 5381                           |
| Total equity.....                                   | 10,285                         |
| <b>Total capitalization<sup>(1)</sup> .....</b>     | <b>34,111</b>                  |

Note:

(1) There has been no other material change to the Guarantor's capitalization and indebtedness since 30 September 2019.

## DESCRIPTION OF THE ISSUER

### Overview

British Telecommunications public limited company is a wholly-owned subsidiary of the Guarantor and is its principal operating subsidiary.

BT was incorporated with limited liability in England and Wales under the Companies Acts 1948 to 1981 on 1 April 1984 with registered number 1800000. The registered office of BT is located at 81 Newgate Street, London EC1A 7AJ, United Kingdom, and its telephone number is +44 20 7356 5000.

The Guarantor is the listed holding company for an integrated group of businesses that provide communications solutions and services in the United Kingdom and globally. The Company holds virtually all businesses and assets of the Group.

BT's purpose is to use the power of communications to make a better world. BT is one of the world's leading communications services companies, serving the needs of customers in the United Kingdom and across the world, where BT provides fixed-line services, broadband, mobile and TV products and services as well as networked IT services.

In the United Kingdom, BT is a leading communications services provider, selling products and services to consumers, small and medium sized enterprises and the public sector, as well as CPs.

BT also sells wholesale products and services to CPs in the United Kingdom and around the world. Globally, BT supplies managed networked IT services to multinational corporations, domestic businesses and national and local government organisations.

BT's assets and resources include its brand and reputation, people, networks and platforms, properties, its innovation, expertise and intellectual property, and close relationships with people and organisations, including major customers and suppliers. BT deals with its resources in a responsible and sustainable way.

### HOW BT IS ORGANISED

BT has four customer-facing units: Consumer, Enterprise (bringing together Business and Public Sector and Wholesale and Ventures (reporting as a single unit from 1 October 2018)), Global and Openreach. They are supported by BT's internal service unit: Technology, as well as Corporate Functions.

Enterprise, Consumer and Openreach operate mainly within the United Kingdom, selling products and services to consumers, businesses, central and local government organisations and other public sector bodies, as well as CPs. Global operates in the United Kingdom and globally, working for enterprise customers in more than 180 countries worldwide.

In the United Kingdom, BT supports CPs through Enterprise, and through Openreach, and globally through Global.

### REGULATION

Communications and TV services are regulated by governmental and non-governmental bodies in the United Kingdom and around the world. In EU countries, electronic communications networks and services are governed by directives and regulations set by the European Commission (EC). These create a Europe-wide framework (known as the European Common Regulatory Framework) covering services such as fixed and mobile voice, broadband, cable and satellite transmission. The United Kingdom telecoms and broadcasting industries are regulated primarily by Ofcom (the United Kingdom's independent regulator) within the framework set by the various European directives, the UK Communications Act 2003 and other United Kingdom and EU regulations and recommendations.

Overseas, the degree of regulation in international markets varies widely. This can hinder BT's ability to compete and provide the services BT's customers require.

#### **BOARD OF DIRECTORS OF THE ISSUER**

As at the date of this Prospectus, the directors of the Issuer, each having as their business address BT Centre, 81 Newgate Street, London EC1A 7AJ, United Kingdom, are as follows:

##### **Simon Lowth (appointed 17 October 2017)**

Simon Lowth is Group Chief Financial Officer ("CFO"). Simon was CFO and executive director of BG Group before the takeover by Royal Dutch Shell in February 2016. Previously, Simon was CFO and an executive director of AstraZeneca, and finance director and executive director of Scottish Power. Prior to that, Simon was a director of McKinsey & Company.

##### **Neil Harris (appointed 17 October 2017)**

Neil Harris is Group Director, Tax, Treasury & Insurance. Neil joined BT in May 2015 as Group Tax Director. Prior to that, Neil held similar leadership roles at Cable & Wireless, BHP Billiton, Centrica, AstraZeneca plc and Serco Group plc. Neil is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Tax Adviser, having trained with Arthur Andersen & Co.

##### **Ulrica Fearn (appointed 1 June 2018)**

Ulrica Fearn is Director, Group Finance. Before joining BT, Ulrica held regional international Finance Director, Financial Controller, Treasury and audit roles across different geographies at Diageo plc and was the General Manager for Diageo's Global Shared Services. The early part of her career was at General Motors, Sweden.

There are no potential conflicts of interest between any duties to the Company of any of the directors and their private interests or other duties outside the Group.



## DESCRIPTION OF THE GUARANTOR

### OVERVIEW

BT Group plc is the listed holding company for an integrated group of businesses that provide communications solutions and services in the United Kingdom and globally. The Issuer holds virtually all businesses and assets of the Group.

The Guarantor was incorporated with limited liability in England and Wales on 30 March 2001 as Newgate Telecommunications Limited with registered number 4190816. The Guarantor re-registered as a public limited company and changed its name to BT Group plc on 11 September 2001. The principal laws and legislation under which the Guarantor operates and the ordinary shares have been created are the Companies Act 2006, as amended and regulations made under it. The registered office of the Guarantor is located at 81 Newgate Street, London EC1A 7AJ, United Kingdom, and its telephone number is +44 20 7356 5000.

### BOARD OF DIRECTORS OF THE GUARANTOR

As at the date of this Prospectus, the directors of the Guarantor and members of the Executive Committee of the Guarantor, each having as their business address BT Centre, 81 Newgate Street, London EC1A 7AJ, United Kingdom, are as follows:

#### **Jan du Plessis (appointed chairman in November 2017 and on the Board since June 2017)**

##### *Chairman*

##### *Skills and experience*

Jan has significant experience on the boards of major UK public companies, having served as chairman and non-executive director of various FTSE100 companies across a range of sectors. Jan was chairman of Rio Tinto from 2009 to March 2018 and chairman of SABMiller from July 2015 until October 2016 having been with the company since 2014. He was also a director and senior independent director of Marks & Spencer from 2008 and 2012, respectively, until March 2015.

##### *Other appointments*

None outside the Group.

#### **Philip Jansen (appointed chief executive in February 2019 and on the Board since January 2019)**

##### *Chief executive*

##### *Skills and experience*

Philip has experience of leading and growing large private and publicly-listed UK and international businesses, delivering transformational change and large technology programmes. He joined from Worldpay where he had been CEO since April 2013. Before that he was CEO and then chairman at Brakes Group between 2010 and 2015. Philip spent the previous six years at Sodexo where he was group chief operating officer and chief executive, Europe, South Africa and India. Prior to that he was chief operating officer at MyTravel Group from 2002 to 2004 and managing director of Telewest Communications (now Virgin Media) from 2000 to 2002, after starting his career at Procter & Gamble.

##### *Other appointments include*

Senior adviser at Bain Capital and a trustee of Wellbeing of Women.

#### **Simon Lowth (appointed July 2016)**

##### *Chief financial officer*

### *Skills and experience*

Simon has experience in finance, accounting, risk, corporate strategy and mergers and acquisitions. He was CFO and executive director of BG Group before the takeover by Royal Dutch Shell in February 2016. Simon was CFO and an executive director of AstraZeneca from 2007 to 2013. Prior to that, he was an executive director of ScottishPower from 2003 to 2007, and was appointed finance director in 2005. Before 2003, Simon was a director of McKinsey & Company.

### *Other appointments*

None outside the Group.

### **Mike Inglis (appointed September 2015)**

#### ***Independent non-executive director***

### *Skills and experience*

Mike's technology experience includes serving as non-executive chairman of Ilika until January 2019 and on the board of ARM Holdings from 2002 to 2013. His roles there included chief commercial officer, executive vice president and general manager of the processor division and executive vice president of sales and marketing. Prior to joining ARM, Mike worked in management consultancy with AT Kearney and held a number of senior operational and marketing positions at Motorola. Mike was previously a director of Pace and an independent director of Advanced Micro Devices.

### *Other appointments*

None outside the Group.

### **Matthew Key (appointed October 2018)**

#### ***Independent non-executive director***

### *Skills and experience*

Matthew's telecoms experience includes various positions at Telefónica from 2007 to 2014 including chairman and CEO of Telefónica Europe and chairman and CEO of Telefónica Digital. From 2002 to 2004 he was the CFO, strategy and regulation director of O2 UK before becoming CEO in 2004. Matthew has also served as finance director at Vodafone UK and chairman of Tesco Mobile. He has previously held positions at companies including Kingfisher, Coca Cola and Schweppes Beverages and Grand Metropolitan.

### *Other appointments include*

Non-executive director of Burberry and chairman of the Dallaglio Foundation.

### **Allison Kirkby (appointed March 2019)**

#### ***Independent non-executive director***

### *Skills and experience*

Allison has valuable experience in the international telecoms sector and in driving performance, improving customer service and delivering shareholder value. Allison was previously group CFO and then president and group CEO of Tele2 AB, positions she held from 2014 and 2015 respectively. Alison was a non-executive director of Greggs until May 2019 and has also held roles within 21st Century Fox, Virgin Media, Procter & Gamble and Guinness.

### *Other appointments include*

President and Group CEO of TDC Group.

**Iain Conn (appointed June 2014)**

***Independent non-executive director***

*Skills and experience*

Iain has international experience, and an understanding of technology, energy and regulated consumer markets. Iain joined Centrica as chief executive in January 2015, having been with BP since 1986. From 2004 to 2014 Iain was executive director of BP and chief executive downstream from 2007 to 2014. Until May 2014, Iain was a non-executive director of Rolls-Royce for nine years and senior independent director.

*Other appointments include*

Member of the CBI President's Committee, chairman of the advisory board of the Imperial College Business School and member of the Imperial College Council.

**Tim Höttges (appointed January 2016)**

***Non-independent, non-executive director***

*Skills and experience*

Tim has international telecoms experience having been CEO of Deutsche Telekom since January 2014, and with the company since 2000. From 2009 until his appointment as CEO, he was a member of the board of management responsible for finance and controlling. From 2006 to 2009 he was a member of the board of management responsible for the T-Home unit. In this position, he was in charge of fixed network and broadband business, as well as integrated sales and service in Germany.

*Other appointments include*

Chairman of T-Mobile US and supervisory board member of FC Bayern München AG and Henkel AG & Co. KGaA.

**Isabel Hudson (appointed November 2014)**

***Independent non-executive director***

*Skills and experience*

Isabel has experience in the financial sector as well as pensions, risk, control, governance and international business. Isabel was previously a non-executive director of The Pensions Regulator, MGM Advantage, QBE Insurance, Standard Life and an executive director of Prudential Assurance Company in the UK.

*Other appointments include*

Non-executive chair of National House Building Council and senior independent director of RSA Insurance. Isabel is also an ambassador for the disability charity, SCOPE.

**Leena Nair (appointed July 2019)**

***Independent non-executive director***

*Skills and experience*

Leena brings broad functional HR expertise, and has experience driving large scale change and transformation. She has been Chief Human Resources Officer at Unilever since March 2016 where she is also a member of Unilever's leadership executive. Prior to her current role, Leena held a number of senior HR roles at Unilever.

*Other appointments include*

Leena has been a non-executive director of the UK Department for Business, Energy and Industrial Strategy since 2018 and is chair of its Nominations and Governance Committee.

**Nick Rose (appointed to the Board in January 2011 and senior independent director since March 2014)**

***Senior independent director and independent non-executive director***

*Skills and experience*

Nick brings experience in finance, risk, control, governance and international business. He was chief financial officer of Diageo prior to his retirement in December 2010, having joined the board in 1999.

*Other appointments include*

Chairman of Williams Grand Prix Holdings, senior independent director of BAE Systems and non-executive chairman of Loch Lomond Scotch Whisky.

**Jasmine Whitbread (appointed January 2011)**

***Independent non-executive director***

*Skills and experience*

Jasmine has experience in transforming large complex organisations in the UK and internationally and brings an understanding of corporate social responsibility and sustainable business. She was previously chief executive of Save the Children International and has a background in technology marketing.

*Other appointments include*

Chief executive of London First and non-executive director of Standard Chartered.

**Rachel Canham (appointed November 2018)**

***Company secretary & general counsel, governance***

Rachel is company secretary of the Guarantor. She joined BT in 2011 as a senior commercial lawyer before becoming chief counsel for mergers & acquisitions in 2013. Rachel was appointed company secretary & general counsel, governance in November 2018. Rachel attends all Executive Committee meetings.

**EXECUTIVE COMMITTEE OF THE GUARANTOR**

The Executive Committee provides input and recommendations to support the chief executive (or his delegate) in exercising their authority delegated by the Board to run the business of the group day-to-day. It meets weekly and is chaired by the chief executive.

The Executive Committee assists the chief executive in:

- (a) developing the group strategy and budget for the Board's approval;
- (b) executing the strategic plan once agreed by the Board; and
- (c) providing assurance to the Board in relation to overall performance and risk management.

All decisions are taken by the chief executive, or his delegate, in keeping with the principle of single point accountability.

**Philip Jansen (appointed as chief executive in February 2019 and on the Board since January 2019)**

***Chief executive***

Philip has experience of leading and growing large private and publicly-listed UK and international businesses, delivering transformational change and large technology programmes. He joined from Worldpay where he had been CEO since April 2013. Before that he was CEO and then chairman at Brakes Group between 2010 and 2015. Philip spent the previous six years at Sodexo where he was group chief operating officer and chief executive, Europe, South Africa and India. Prior to that he was chief operating officer at MyTravel Group from 2002 to 2004 and managing director of Telewest Communications (now Virgin Media) from 2000 to 2002, after starting his career at Procter & Gamble.

**Simon Lowth (appointed July 2016)**

*Chief financial officer*

Simon was CFO and executive director of BG Group before the takeover by Royal Dutch Shell in February 2016. Previously, Simon was CFO and an executive director of AstraZeneca, and finance director and executive director of ScottishPower. Prior to that, Simon was a director of McKinsey & Company.

**Gerry McQuade (appointed CEO, Wholesale and Ventures in March 2016 and became CEO, Enterprise in May 2018)**

*CEO, Enterprise*

Gerry was formerly chief sales and marketing officer at EE, responsible for the business, wholesale and product development areas which he had overseen since the merger in 2010 of Orange and T-Mobile. He joined the board of Orange in January 2008, and prior to Orange he was the founding director of Virgin Mobile.

**Howard Watson (appointed February 2016)**

*Chief technology and information officer*

Howard was formerly chief architect and managing director of global IT systems and led the technical teams behind the launch of BT Sport in 2013.

Howard joined BT in 2011 and has 30 years of telecoms experience having spent time at Telewest Communications (now Virgin Media) and Cartesian, a telecommunications consultancy and software company.

**Marc Allera (appointed February 2016 as CEO, EE and became CEO, Consumer in September 2017)**

*CEO, Consumer*

Marc was previously chief commercial officer for EE from 2011 to 2015. Marc spent ten years at Three UK as sales and marketing director and subsequently chief commercial officer. Prior to that, Marc was general manager of Sega UK and Europe.

**Bas Burger (appointed June 2017)**

*CEO, Global*

Bas was formerly president, BT in the Americas, BT Global Services. Bas joined BT in 2008 as CEO Benelux.

Before joining BT, Bas was executive president and a member of the management committee of Getronics NV where he ran global sales, channels and partnerships, developing the company's international business. He was also CEO and managing director of KPN Entercom Solutions.

**Sabine Chalmers (appointed April 2018)**

*General counsel*

Before joining BT Sabine was chief legal and corporate affairs officer and company secretary of Anheuser-Busch InBev for 12 years. She also held various legal leadership roles at Diageo. Sabine is qualified to practise law in England and Wales and New York State.

**Ed Petter (appointed November 2016)**

***Corporate affairs director***

Ed was formerly deputy director of corporate affairs at Lloyds Banking Group. Prior to that he held corporate affairs roles at McDonald's Europe, McKinsey & Company and the Blue Rubicon communications consultancy, having previously worked as a news producer and editor at the BBC.

**Cathryn Ross (appointed January 2018)**

***Regulatory affairs director***

Cathryn was formerly chief executive of Ofwat, the independent economic regulator for the water and waste water sector in England and Wales. Cathryn is an experienced regulatory and competition economist and has worked across a number of different sectors advising on economic, regulatory and competition issues.

**Michael Sherman (appointed May 2018)**

***Chief strategy and transformation officer***

Michael is responsible for developing BT's long-term strategy and guiding pan-BT business transformation. Prior to BT, Michael was a partner and managing director at Boston Consulting Group for 11 years. Before that, Michael spent eight years as an executive at Viewlocity, an enterprise software company.

**Alison Wilcox (appointed July 2015)**

***HR director***

Alison was formerly regional HR director for Vodafone Europe and before that, regional HR director for Vodafone's Africa, Middle East and Asia Pacific footprint. Alison joined Vodafone in 2006 as group director of leadership following a career in consulting.

**Clive Selley (appointed February 2016)**

***Invitee, CEO, Openreach***

Clive was appointed as CEO, Openreach in February 2016. He was formerly CEO, BT Technology, Service & Operations, CEO BT Innovate & Design and before that president, BT Global Services Portfolio & Service Design. The CEO of Openreach cannot be a member of the Executive Committee under the provisions of the commitments BT gave to Ofcom (the independent regulator for the United Kingdom communications industries) to provide Openreach with greater strategic and operational independence following Ofcom's strategic review of the digital communications market). Clive attends Executive Committee meetings as appropriate.

**Rachel Canham (appointed November 2018)**

***Company secretary & general counsel, governance***

Rachel is company secretary of the Guarantor. She joined BT in 2011 as a senior commercial lawyer before becoming chief counsel for mergers & acquisitions in 2013. Rachel was appointed company secretary & general counsel, governance in November 2018. Rachel attends all Executive Committee meetings.

There are no potential conflicts of interest between any duties to the Guarantor of any of the directors or any members of the Executive Committee of the Guarantor and their private interests or other duties outside the Group.

## DESCRIPTION OF THE NOTES AND GUARANTEE

*The following is a summary of the material provisions of the Indenture (as described below) and the Notes. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture. The Notes and the Indenture, not this summary, define the holder's rights as a holder of the Notes. A copy of the Indenture is available on request to the Issuer at [www.btplc.com](http://www.btplc.com). Any capitalized term used herein but not defined shall have the meaning assigned to such term in the Indenture.*

*There are no registration rights associated with the Notes and there is no present intention to offer to exchange the Notes for Notes registered under the Securities Act or to file a registration statement with respect to the Notes. The Indenture (including any amendments and supplements thereto) that will govern the Notes will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.*

### **General**

The Issuer will offer \$1,000,000,000 initial aggregate principal amount of 3.250% senior notes due 2029 (the "2029 notes") and \$500,000,000 initial aggregate principal amount of 4.250% senior notes due 2049 (the "2049 notes" and, together with the 2029 notes, the "Notes").

The 2029 notes will mature on 8 November 2029. The 2049 notes will mature on 8 November 2049. The Notes will be issued in registered form and will be represented by one or more global securities registered in the name of Cede & Co., as nominee of DTC, as applicable. The terms of the Notes will be set out in an indenture to be dated 8 November 2019 (the "Indenture") by and among British Telecommunications plc as Issuer, BT Group plc as guarantor (the "Guarantor"), Delaware Trust Company as trustee (the "Trustee") and as paying agent, registrar and transfer agent, and in each such several capacities as the "Paying Agent", "Registrar" and "Transfer Agent".

The obligations of the Issuer under the Notes and the Indenture will be fully and unconditionally guaranteed on a senior and unsecured basis by the Guarantor. If, for any reason, the Issuer does not make any required payment in respect of the Notes when due, whether on the maturity date, on acceleration, redemption or otherwise, the Guarantor will cause the payment to be made to or to the order of the Trustee. Holders of the Notes will be entitled to payment under the Guarantee without taking any action whatsoever against the Issuer.

In this "Description of the Notes and Guarantee", the terms "holder", "holder of Notes" and other similar terms refer to a "registered holder" of Notes, and not to a beneficial owner of a book-entry interest in any Notes.

Payment of principal of and interest on the Notes, so long as the Notes are represented by global securities, will be made in immediately available funds. Beneficial interests in the global securities will trade in the same-day funds settlement systems of DTC and secondary market trading activity in such interests will therefore settle in same-day funds.

For so long as any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which neither it nor the Guarantor is subject to Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any registered holder of Notes (or any beneficial owner of a book-entry interest in such Notes designated by the registered holder thereof) in connection with any sale thereof and to any prospective purchase of Notes or a book-entry interest in Notes designated by such holder, in each case upon request of such holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. As of the date of this Prospectus, the Guarantor is subject to the periodic reporting requirements of the Exchange Act.

### **Interest**

#### *Interest Rate*

The 2029 notes will bear interest from 8 November 2019 until their principal amount is paid or made available for payment, at a rate equal to 3.250% per year, calculated on the basis of a 360-day year of twelve 30-day months. The 2049 notes will bear interest from 8 November 2019 until their principal amount is paid or made available for payment, at a rate equal to 4.250% per year, calculated on the basis of a 360-day year of twelve 30-day months.

### *Interest Payment Dates*

Interest on the 2029 notes will be paid semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020 and interest on the 2049 notes will be paid semi-annually in arrears on 8 May and 8 November of each year, commencing on 8 May 2020 (each an “Interest Payment Date”). However, if an Interest Payment Date would fall on a weekend or on a legal or bank holiday in New York or London, the Interest Payment Date will be postponed to the next succeeding day that is a business day, but no additional interest shall be paid unless the Issuer fails to make payment on such date. Payment of interest on the Notes will be made to holders of the Notes on record as of the 1st day of the month in which payment is due.

### **Form and Denomination**

The Notes will be issued in fully registered form and will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes will be represented by one or more global securities.

### **Further Issues**

The Issuer may, without the consent of the holders of the Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Notes (except for the offering price and issue date); provided however that such additional notes shall be issued under a separate CUSIP, Common Code and/or ISIN number unless the additional notes are issued pursuant to a “qualified reopening” of the Notes, are otherwise treated as part of the same “issue” of debt instruments as the Notes, or the Notes and the additional notes are issued with no more than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes. Any such additional notes, together with the Notes, will constitute a single series of securities under the Indenture. There is no limitation on the amount of additional notes that the Issuer may issue under the Indenture.

### **Status of the Notes and Guarantee**

The Notes will be unsecured and unsubordinated indebtedness of the Issuer and will rank equally without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all of the Issuer’s present and future unsecured and unsubordinated indebtedness. The Guarantor will fully and unconditionally guarantee, on a senior and unsecured basis, the payment of principal, premium, if any, interest and additional amounts, if any, payable in respect of the Notes. The Issuer will be subject to a negative pledge with respect to certain types of indebtedness, as described in “ – Covenants of the Issuer – Negative Pledge” below.

### **Removal of the Guarantor**

The Guarantor may cease, at the request of the Issuer or the Guarantor, if no Event of Default is continuing, to be a guarantor under the Indenture by entering into a supplemental indenture at the cost of the Issuer in such form as the Trustee may reasonably require which shall discharge the Guarantor’s obligations as the guarantor under the Indenture.

The Guarantor undertakes promptly to notify the holders in accordance with the terms of the Indenture of any such cessation.

### **Substitution of the Obligor**

If so requested by the Issuer in writing, the Trustee shall, without the consent of the holders of the Notes, agree to the substitution in place of the Issuer (or any previous substitute under these terms) as the principal debtor under the Notes and the Indenture of another company, being a successor in business or a holding company (within the meaning of section 1159 of the Companies Act 2006) of the Issuer or a subsidiary of such holding company subject to

- the Notes being unconditionally and irrevocably guaranteed by the Issuer;
- the certification to the Trustee by two members of the board of directors of the Issuer that, in their opinion, the substitution will not be materially prejudicial to the interests of the holders of the Notes and will not have any adverse effect on the payment in a timely manner of all money payable under the terms of the Notes and the Indenture;



- confirmations being received by the Trustee from each rating agency which has, at the request of the Issuer, rated the Notes that the substitution will not adversely affect the then current rating of the Notes;
- an opinion of independent legal advisors of recognized standing being provided to the Trustee as further described in the Indenture; and
- certain other conditions set out in the Indenture being complied with.

The Issuer may substitute in place of the Issuer (or any previous substitute under these terms) as the principal debtor under the Notes and the Indenture of another company, being a successor in business or a holding company (within the meaning of section 1159 of the Companies Act 2006) of the Issuer or a subsidiary of such holding company subject to

- the Notes being unconditionally and irrevocably guaranteed by the Issuer;
- the interests of the holders of the Notes will not be materially prejudiced by the substitution; and
- certain other conditions set out in the Indenture being complied with.

A person's assumption of the obligations of the Issuer may be considered to be an exchange of the Notes for new debt securities under U.S. federal income tax law. This deemed exchange may result in holders of Notes recognizing gain or loss for U.S. federal income tax purposes and may have other tax consequences that are adverse to holders of Notes. Holders of Notes should consult their tax advisors about the potential tax consequences of an obligor substitution with respect to the Notes.

#### **Payment of Additional Amounts**

The Issuer or, if applicable, the Guarantor, will make payments of, or in respect of, principal, premium (if any) and interest on the Notes, or any payment pursuant to the Guarantee, as the case may be, without withholding or deduction for any taxes imposed by the United Kingdom, unless they are required by law to be withheld or deducted. If any deduction or withholding is required for any taxes imposed by the United Kingdom, then, subject to the exceptions described below, the Issuer or, if applicable, the Guarantor, will pay to holders of Notes the additional amounts necessary to ensure that the payment will not be less than the amount that such holders would have received in the absence of such withholding or deduction. However, the Issuer will not be required to make any payment to the holder of additional amounts to the extent any of the following circumstances (or any combination of these circumstances) applies:

- either the holder is or a person to whom a payment is made on the holder's behalf is liable for taxes on such holder's Notes because of some connection with the United Kingdom other than merely holding the Notes or receiving principal, interest or other amounts on the Notes;
- presentation is required and the holder presents its Notes for payment more than 30 days after the relevant date on which the payment first becomes due and payable, unless the holder would have been entitled to additional amounts if the holder presented its Notes for payment before the date 30 days after the relevant date;
- any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge is payable in respect of the Notes;
- any tax, duty, assessment or other governmental charge payable other than by withholding or deduction from any payment on the Notes applies in respect of the Notes;
- the holder is liable for any tax, duty, assessment or other governmental charge because of its failure to comply with the Issuer's request addressed to such holder to provide information pursuant to any reporting requirement;

- where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any regulations or agreements thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); or
- the holder is subject to tax, duty, assessment or other governmental charge because of its request for a definitive security after an Event of Default.

In addition, additional amounts will not be paid to the holder if it is a fiduciary or partnership or is not the sole beneficial owner of the payment to the extent that no additional amounts would have been payable had the payments been made directly to the beneficiary or settlor of such fiduciary or a member of such partnership, or to an owner of a beneficial interest in the Notes.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to the Issuer or the Guarantor, as applicable, is incorporated, domiciled or resident.

In certain circumstances, payments made to holders of Notes may be subject to withholding or deduction for or on account of U.K. tax. These circumstances might include, for example, if payments are made on debt securities issued by the Issuer that are not listed on a “recognised stock exchange” for U.K. tax purposes at the time of payment. For more information, see the section entitled “Taxation — United Kingdom Taxation — UK Withholding Tax on UK source interest”.

## **Redemption**

The Notes will be subject to optional redemption by the Issuer or the Guarantor as described below under “Optional Redemption” and will be subject to optional redemption by the Issuer in the event of certain changes in tax laws applicable to payments in respect of the Notes as described below under “Optional Tax Redemption”.

### ***Optional Redemption***

Prior to 8 August 2029 (the date that is three months prior to the scheduled maturity for the 2029 notes), the Issuer may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the Remaining Term Interest (as defined below) on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the Treasury Rate plus 0.250%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 August 2029 (the date that is three months prior to the scheduled maturity date for the 2029 notes), the Issuer may redeem the 2029 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption.

Prior to 8 May 2049 (the date that is six months prior to the scheduled maturity for the 2049 notes), the Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of such notes or (ii) the sum of the present values of the principal amount of such notes and the Remaining Term Interest (as defined below) on such notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis at the Treasury Rate plus 0.300%, plus in each case interest accrued to but excluding the date of redemption. On or after 8 May 2049 (the date that is six months prior to the scheduled maturity date for the 2049 notes), Issuer may redeem the 2049 notes, in whole or in part, at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of redemption.

In connection with such optional redemption, the following defined terms apply:

- “Comparable Treasury Issue” means the United States Treasury security or securities selected by one of the Reference Treasury Dealers as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and

in accordance with customary financial practice, in pricing new issues of U.S. dollar corporate debt securities of a comparable maturity to the remaining term of such Notes.

- “Comparable Treasury Price” means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.
- “Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.
- “Reference Treasury Dealer” means each of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC and a primary U.S. Government securities dealer in the United States (a “Primary Treasury Dealer”) selected by Santander Investment Securities Inc. or their respective affiliates or successors, each of which is a Primary Treasury Dealer; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, the Issuer shall not substitute therefor another Primary Treasury Dealer.
- “Remaining Term Interest” means, with respect to any note, the aggregate amount of scheduled payment(s) of interest on such note for the remaining term of such note determined on the basis of the rate of interest applicable to such note from and including the date on which such note is to be redeemed by the Issuer.
- “Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual yield to maturity or interpolated (on a day-count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

### ***Optional Tax Redemption***

The Notes are also redeemable by the Issuer, in whole but not in part, at 100% of the principal amount of such Notes plus any accrued and unpaid interest to the applicable Redemption Date (including any additional amount payable thereon) at the Issuer’s option at any time prior to their maturity if, due to any changes in U.K. (or the Issuer’s or Guarantor’s successor’s jurisdiction of incorporation, domicile or residence) tax law, the Issuer or the Guarantor, in accordance with the terms of the Notes or Guarantee has, or would, become obligated to pay any additional amounts to the holders or beneficial owners of the Notes.

Prior to giving notice of the redemption, the Issuer must deliver to the Trustee (i) an officer’s certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (ii) an opinion of independent legal counsel of recognized standing to the effect that the Issuer or Guarantor, if applicable, has, or would, become obligated to pay such additional amounts as a result of a change in tax law.

### ***General***

The Issuer will give notice to holders of any redemption if the Guarantor proposes to make at least 15 days, but not more than 30 days, before the redemption date.

Upon presentation of any Note redeemed in part only, the Issuer will execute and the Paying Agent will authenticate and deliver (or cause to be transferred by book-entry) to, or on, the order of the holder thereof, at the Issuer’s expense, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

Unless the Issuer or, if applicable, the Guarantor, defaults in payment of the redemption price, on and after the redemption date interest shall cease to accrue on the relevant Notes or portions thereof called for redemption.

## **Repurchases of the Notes**

The Issuer, the Guarantor or any of their respective subsidiaries may at any time and from time to time purchase the Notes of any series in the open market or by tender or by private agreement, if applicable law allows. The Notes of any such series purchased by the Issuer, the Guarantor or any of their respective subsidiaries may be held, resold or surrendered by the purchaser thereof through the Issuer to the Trustee or the Paying Agent for cancellation.

## **Sinking Fund**

There is no provision for a sinking fund for any of the Notes.

## **Covenants of the Issuer**

The Indenture governing the Notes does not contain any covenants restricting either the Issuer's or the Guarantor's ability to make payments, incur indebtedness, dispose of assets, enter into sale and leaseback transactions, issue and sell capital stock, enter into transactions with affiliates or engage in business other than their present business.

## ***Negative Pledge***

So long as any of the Notes is outstanding, the Issuer will not, and will cause its Subsidiaries not to, directly or indirectly, create, assume or incur or permit to be created, assumed or incurred, any Lien on or with respect to any of the Issuer's or its Subsidiaries' assets, whether now or hereafter owned, to secure any present or future Capital Markets Indebtedness issued or guaranteed by the Issuer or any other Person without at the same time providing to the Notes the same security or such other arrangement (whether or not comprising security) not materially less beneficial to the holders of the Notes, as evidenced by an officer's certificate and an opinion of counsel in accordance with the Indenture, or as shall have been approved by an extraordinary resolution of the holders of the Notes, as described in the Indenture.

In connection with the negative pledge covenant only, the following defined terms apply:

- "Capital Markets Indebtedness" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, Notes or other securities which are, or which the Issuer has publicly declared that it intends to have, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market.
- "Lien" means any mortgage, pledge, hypothecation, charge, assignment, deposit arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any agreement to give or grant a Lien or any lease, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).
- "Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.
- "Subsidiary" means (i) a corporation more than 50% of the outstanding voting shares of which is owned, directly or indirectly, by the Issuer, or by one or more of its other Subsidiaries, or by the Issuer and one or more of its other Subsidiaries; (ii) any general partnership, joint venture or similar entity, at least 50% of the outstanding partnership or similar interest of which is owned, directly or indirectly, by the Issuer, or by one or more of its other Subsidiaries, or by the Issuer and one or more of its other Subsidiaries, and (iii) any limited partnership of which the Issuer or any of its other Subsidiaries is a general partner.

For the avoidance of doubt, the negative pledge clause in the Indenture is limited and does not prevent the Issuer or the Guarantor from granting security or priority to other stakeholders (including lending banks, trade creditors and the BT Pension Scheme).

## **Events of Default**

The following will be Events of Default (each, an "Event of Default") with respect to the Notes:

- (a) *Non-payment*: the Issuer's or, if applicable, the Guarantor's failure to pay any interest on any Notes of that series when due, continued for 30 days, or the Issuer's or, if applicable, the Guarantor's failure to pay principal of or premium, if any, on any Notes of that series when due; or
- (b) *Breach of other obligations*: there is a failure in the performance of any obligation of the Issuer or the Guarantor, if applicable, under the Notes or the Indenture other than an obligation to make payment of principal or interest thereunder:
  - which in the opinion of the Trustee is incapable of remedy; or
  - which, being in the opinion of the Trustee capable of remedy, continues for more than 90 days after written notification requiring such failure to be remedied shall have been given to the Issuer by the Trustee; or
- (c) *Winding-up*: except for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or for the purposes of a consolidation or merger or conveyance, transfer or lease permitted by the terms of the Indenture, (i) an order is made (and not discharged or stayed within a period of 90 days) or an effective resolution is passed for the winding-up or administration of the Issuer or (ii) an administrative or other receiver is appointed of the whole or substantially the whole of the Issuer's assets and is not removed, paid out or discharged within 90 days or, following such 90 day period, the appointment is not being disputed in good faith; or
- (d) *Insolvency*: the Issuer is unable to pay its debts or make a general assignment for the benefit of its creditors; or
- (e) *Cross-default*: (i) any of the Issuer's loan or other indebtedness for borrowed money (if applicable, translated into sterling), amounting in aggregate to not less than the higher of £25,000,000 and 1% of the Adjusted Share Capital and Reserves (as defined below), becomes due and repayable prematurely by reason of an Event of Default (however described) or (ii) the Issuer fails to make any payment in respect thereof on the due date for such payment (as extended by any applicable grace period as originally provided); or
- (f) *Security enforced*: any security for any of the Issuer's loan or other indebtedness for borrowed money becomes enforceable and steps are taken to enforce the same or default is made by the Issuer in making any payment due (if applicable, translated into sterling), amounting in aggregate to not less than the higher of £25,000,000 and 1% of the Adjusted Share Capital and Reserves, under any guarantee or indemnity given by it in respect of any loan or other indebtedness for borrowed money.

The Indenture will provide that, if an Event of Default occurs and is continuing with respect to a series of Notes, the Trustee may at its discretion, and if so directed by extraordinary resolution (as defined in the Indenture) of the holders of the applicable series of Notes or in writing by the holders of at least 25% in nominal amount of the applicable series of Notes then outstanding shall, (but in the case of (b), (c), (d), (e) and (f) above only if it certifies that such event is, in its opinion, materially prejudicial to the interests of holders of the applicable series of Notes), give notice to the Issuer that the applicable Notes are, and they shall accordingly immediately become, due and repayable each at their early redemption amount, plus accrued interest, if any (calculated as provided in the Indenture).

In connection with the Events of Default, the following defined term shall apply:

- "Adjusted Share Capital and Reserves" means at any time the aggregate of:
  - (i) the amount paid up or credited as paid up on the Issuer's share capital; and
  - (ii) the total of the capital, revaluation and revenue reserves of the Issuer and its subsidiaries taken as a whole (the "Group"), including any share premium account, capital redemption reserve and credit balance on the profit and loss account, sums set aside for taxation and amounts attributable to minority interests but deducting any debit balance on the profit and loss account and the cost of any shares of the Issuer held in an employee share ownership trust or otherwise held by a member of the Group,

all as shown in the then latest audited consolidated balance sheet of the Group prepared in accordance with IFRS, but adjusted as may be necessary in respect of any variation in the Issuer's paid up share capital or share premium account since the date of that balance sheet in the subsidiaries comprising the

Group. A certificate of the Issuer signed by two directors of the Issuer as to the amount of the Adjusted Share Capital and Reserves as at any specified date may, in the absence of manifest error, be relied upon by the Trustee and, if so relied upon, shall be conclusive and binding on the Issuer and the holders of the applicable Notes.

At any time after a declaration of acceleration with respect to the applicable series of Notes has been made, but before a judgment or decree for payment of money has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the applicable series of Notes outstanding may, under certain circumstances, rescind and annul such acceleration.

Subject to the Indenture, the Trustee is under no obligation to exercise any of its rights at the request of the holders of the applicable Notes unless they have offered a reasonable security or indemnity. Subject to the Indenture, the holders of a majority of the aggregate principal amount of the applicable series of Notes outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the applicable series of Notes.

Holders of Notes will not have the right to institute any proceeding with respect to the Indenture or the Notes, other than proceedings for the payment of overdue principal, interest or other amounts due, unless:

- prior written notice has been given by a holder of Notes to the Trustee, pursuant to the Indenture, of a continuing Event of Default with respect to the applicable Notes;
- the holders of at least 25% in aggregate principal amount of the applicable Notes make a written request;
- such holders offer reasonable indemnity, to the Trustee to institute proceedings;
- the Trustee fails to institute the proceeding for 60 days; and
- the Trustee does not receive an inconsistent request during such 60 day period from the holders of a majority in aggregate principal amount of the outstanding applicable Notes.

This limitation does not apply to a suit by a holder for the enforcement of a payment on or after the due date for such payment.

The Issuer will file a certificate with the Trustee each year, regarding:

- its performance of certain of its obligations under the Indenture; and
- the absence of defaults (if there are none) or the specific defaults that exist as well as their nature and status.

### **Change of Control and Put Event**

If a Put Event (as defined below) occurs, the holder of each Note will have the option (a “Put Option”) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under the rights described above under “Redemption”) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Put Period (as defined below) (the “Optional Redemption Date”) at 101% of its principal amount (the “Optional Redemption Amount”) together with interest accrued to (but excluding) the Optional Redemption Date.

Promptly upon becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware, the Trustee may, and if so requested by the holders of at least 25% in principal amount of the Notes then outstanding or if so directed by an extraordinary resolution of the holders of the Notes, shall (subject in each case to the Trustee being indemnified and/or secured to its satisfaction), give notice (a “Put Event Notice”) to the holders of the Notes specifying the nature of the Put Event and the procedure for exercising the Put Option.

If the Note is issued in global form or is issued in definitive form and held through DTC to exercise the Put Option the holder of the Note must, within the period (the “Put Period”) of 45 days after a Put Event Notice is given, give notice to the Paying Agent in accordance with the standard procedures of DTC (which may include notice being given on his instruction by DTC or any common depositary for them to the Paying Agent by electronic means) in a form acceptable to DTC from time to time (an “Exercise Notice”) and, if the Note is represented by a global note, at the same time present or procure the presentation of the relevant global note to the Paying Agent for notation accordingly. The Paying Agent to which such notice is delivered will issue to the noteholder concerned a non-transferable receipt in respect of the notice received. Payment in respect of any Note will be made, if the holder duly specified a bank account in the Exercise Notice to which payment is to be

made, on the Optional Redemption Date by transfer to that bank account and, in every other case, on or after the Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of the Paying Agent. For the purposes of these terms, receipts issued to holders of Notes who give notice of the exercise of the Put Option shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the Notes in respect of which the Put Option has been validly exercised in accordance with the provisions described herein and in the Indenture on the Optional Redemption Date unless previously redeemed (or purchased) and cancelled.

Any Exercise Notice, once given, shall be irrevocable except where prior to the Optional Redemption Date an Event of Default shall have occurred and the Trustee shall have accelerated the Notes, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Exercise Notice and instead to treat its Notes as being forthwith due and payable pursuant to an Event of Default, as described above under “ – Events of Default”.

If 80% or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to the Put Option, the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the holders of Notes (such notice being given within 30 days after the Optional Redemption Date), redeem or purchase (or procure the purchase of), at the option of the Issuer, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any of Moody’s, Fitch or S&P are changed from those which are described in paragraph (i) of the definition of “Put Event” below, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Moody’s, Fitch or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody’s, Fitch or S&P and the Put Option shall be construed accordingly.

The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred, or to seek any confirmation from any Rating Agency pursuant to the definition of Negative Rating Event below, and, until it shall have actual knowledge or notice pursuant to the Indenture to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

In connection with a Change of Control and Put Event, the following defined term shall apply:

- A “Put Event” means an event which will be deemed to occur if a Change of Control has occurred and
  - (i) on the date (the “Relevant Announcement Date”) that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency (as defined below):
    - (A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better) and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) (a “Non-Investment Grade Rating”) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
    - (B) a Non-Investment Grade Rating and such rating from any Rating Agency is, within the Change of Control Period, either downgraded by one or more notches (by way of example, Ba1 to Ba2 being one notch) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
    - (C) no credit rating and a Negative Rating Event also occurs within the Change of Control period, provided that if at the time of the occurrence of the Change of Control the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub paragraph (A) will apply; and
  - (ii) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (A) and (B) above or not to award a credit rating of at least investment grade as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement:

- A “Change of Control” means a change of control in respect of the Company which will be deemed to have occurred 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 similar to the pre-existing shareholders of any of the Issuer’s direct or indirect holding companies, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50% of the Issuer’s issued or allotted ordinary share capital or (B) shares in the capital of the Issuer carrying more than 50% of the voting rights normally exercisable at a general meeting of the Issuer’s shareholders; or
  - (ii) 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 similar to the pre-existing shareholders of any of the Issuer’s direct or indirect holding companies, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50% of the issued or allotted ordinary share capital of any of the Issuer’s direct or indirect holding companies or (B) shares in the capital of any of the Issuer’s direct or indirect holding companies carrying more than 50% of the voting rights normally exercisable at a general meeting of the shareholders of any such direct or indirect holding company;
- “Change of Control Period” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes 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 public announcement of such consideration);
- “Negative Rating Event” means an event which shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (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 endeavors to obtain, a rating of the Notes, or any of its other unsecured and unsubordinated debt or (ii) if the Issuer does so seek and use such endeavors, the Issuer is unable to obtain such a rating of at least investment grade by the end of the Change of Control Period;
- “Rating Agency” means Moody’s Investors Service, Inc. (“Moody’s”), Fitch Ratings Ltd. (“Fitch”) or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. (“S&P”) or any of their respective successors or any 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 or behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

### **Defeasance and Discharge**

The Indenture provides that, if applicable, the Issuer and the Guarantor will be discharged from any and all obligations in respect of the applicable series of Notes (except for certain obligations to register the transfer or exchange of such Notes, to replace stolen, lost or mutilated Notes of such series, to maintain paying agencies and to hold monies for payment in trust) upon the deposit with the Trustee, in trust, U.S. money in an amount, or U.S. Government Obligations (which through the payment of interest and principal in respect of the applicable series of Notes in accordance with their terms will provide U.S. money in an amount) sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of and premium, if any, each installment of interest, if any, on the applicable series of Notes on the payment date or other payment date of such payments in accordance with the terms of the Indenture and such series of Notes. Such a trust may only be established if, among other things,

- the Issuer has delivered to the Trustee an opinion of counsel to the effect that (and, in the case of the applicable series of Notes being discharged, such opinion shall state that (i) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that) holders of the



applicable Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred, and

- the Issuer has delivered to the Trustee an opinion of counsel (who may be an employee of the Issuer or the Issuer's counsel) to the effect that the applicable series of Notes, if then listed on the London Stock Exchange, will not be delisted as a result of such deposit, defeasance and discharge.

### **Modification and Waiver**

Generally, to modify or amend the Indenture or the terms and conditions of the Notes of any series and to receive a waiver of future compliance or past defaults, consent is required of the holders of a 66 $\frac{2}{3}$ % majority in aggregate principal amount of the outstanding Notes of the series affected by the modification, amendment or waiver. The following actions, however, may only be taken with the consent of the holder of each Note of such series affected:

- a change in the due date for payment of the principal of, or any installment of principal of or interest on, any Note;
- a reduction in the principal amount of, or the premium, if any, or the rate of interest, if any, on any Note;
- a change in the obligation of the Issuer or the Guarantor to pay additional amounts, except as otherwise permitted by the Indenture;
- a reduction in the amount of principal of an original issue discount security payable upon acceleration of the payment date of the Notes;
- a change in the coin or currency in which any Note or any premium or interest on the Notes is payable;
- an impairment of the right to institute suit for the enforcement of any payment on or with respect to any Note;
- a reduction in the percentage in principal amount of Notes outstanding, the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- a reduction in the requirements contained in the Indenture for quorum or voting;
- a change in the Issuer's obligation to maintain an office or agency in the places and for the purposes required by the Indenture;
- any change that modifies or affects in any manner adverse to the interests of the holders of such Notes the Issuer's obligations regarding the due and punctual payment of the principal of the Notes, and premium, if any, with respect to such Notes; or
- to modify any of the above provisions.

The holders of at least two-thirds in aggregate principal amount of the Notes outstanding of the applicable series may, on behalf of all holders of Notes of such series, waive compliance with any covenant or condition with respect to the Notes of such series under the Indenture. The holders of not less than a majority in aggregate principal amount of the Notes outstanding of the applicable series may, on behalf of all holders of Notes of such series, waive any past default under the Indenture with respect to the Notes of such series, except a default:

- in the payment of the principal of, premium, if any, or interest, if any, on any Note of such series; or
- in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each Note outstanding of such series affected.

### **Restrictions on Transfer**

The Initial Purchasers propose to resell the Rule 144A Notes (as defined below) in the United States in reliance upon Rule 144A under the Securities Act. Notes that are initially offered and sold in the United States to "qualified institutional buyers", or "QIBs" (the "Rule 144A Notes") may not be sold or otherwise transferred except, in the United States, pursuant to registration under the Securities Act or in accordance with Rule 144A

or, outside the United States to persons who are not U.S. persons, pursuant to Rule 904 of Regulation S thereunder (the “Regulation S Notes”) or, in either case, in a resale transaction that is otherwise exempt from such registration requirements, and each of the Global Note Certificates will bear a legend to this effect. In light of current U.S. securities laws, subject to certain exceptions, an exemption should be available for a sale or transfer of a Rule 144A Note after its Specified Date. The “Specified Date” means, (A) with respect to any Rule 144A Note, the date following the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act (such period, the “applicable holding period”) after the later of (i) the date of acquisition of such Rule 144A Note from the Issuer or an affiliate of the Issuer, or (ii) any resale of such Rule 144A Note in reliance on Rule 144 under the Securities Act for the account of either the acquirer or any subsequent holder of such Rule 144A Note, in each case demonstrated to the reasonable satisfaction of the Issuer or Guarantor (which may require delivery of legal opinions); or (B) with respect to any Regulation S Note, the date which is 40 days after the later of the commencement of the offering or the closing date (such period, the “distribution compliance period”).

Unless a holder of a Rule 144A Note holds such Rule 144A Note for the entire applicable holding period, such holder may not be able to determine the Specified Date because such holder may not be able to determine the last date on which the Issuer, the Guarantor or any affiliate thereof, was the beneficial holder of such holder’s Rule 144A Note. The Registrar will not be required to accept for registration or transfer any Rule 144A Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer and the Guarantor may from time to time agree with such Registrar.

### **Notices**

So long as the Notes are listed on the Official List of the FCA and admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, all notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any note in definitive form) with the relative note or Notes, with the Paying Agent. Whilst any of the Notes are represented by a global note, such notice may be given by any holder of a note to the Paying Agent through DTC in such manner as the Paying Agent and DTC may approve for this purpose.

### **The Trustee**

The trustee for the Notes is Delaware Trust Company.

### **Listing**

The Issuer has applied to list the Notes on the Official List of the FCA and for admission to trading on the London Stock Exchange. Although the Issuer expects to obtain and maintain a listing for the Notes on the Official List of the FCA and that the Notes will be admitted to trading on the London Stock Exchange, there can be no guarantee that such applications will be successful or, if they are successful, that such Notes will remain listed for the entire term of the Notes. If the Issuer is unable to obtain or maintain such a listing, the Issuer may obtain and maintain listing for the Notes on another exchange in its sole discretion.

### **Governing Law**

The Notes and the Indenture are governed by the laws of the State of New York. Any action arising out of the Notes or the Indenture may be brought in any state or federal court in the Borough of Manhattan, The City of New York.

### **Consent to Service**

In the Indenture, the Issuer and the Guarantor will designate BT Americas Inc. as their authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture or the Notes brought in any U.S. federal or State court in the Borough of Manhattan, The City of New York, New York and irrevocably submit to the non-exclusive jurisdiction of such courts.

**Prescription**

There is no express term in the Indenture as to any time limit on the validity of claims of holders to interest and repayment of principal but any such claims will be subject to any statutory limitation period prescribed under the laws of the State of New York. Under New York's statute of limitations, any legal action upon the Notes in respect of interest or principal must be commenced within six years after the payment thereof is due.

## **BOOK-ENTRY, DELIVERY AND FORM**

### **The Global Note Certificates**

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Regulation S Global Note Certificate may be held only through DTC at any time. See “—Book-entry Procedures for the Global Note Certificates” below. By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is located outside the United States.

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See “—Book-entry Procedures for the Global Note Certificates” below. By acquiring a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the indenture. See “Notice to Investors”.

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the indenture, and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under “Notice to Investors”. A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the indenture) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the indenture) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Notes offered under Regulation S will be represented by one or more Regulation S Global Notes, which will initially be restricted as described above for a period ending 40 days after the later of the commencement of the offering and the closing date (the “distribution compliance period”). During the distribution compliance period, before any interest in the Global Notes may be offered, sold, pledged or otherwise transferred to a purchaser outside the United States in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the Transfer Agent with a written certificate (in the form provided in the indenture) as to compliance with the transfer restriction referred to above.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will thereafter be subject to any applicable transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will thereafter be subject to any applicable transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

### **Exchange and Registration of Title**

Owners of interests in the Notes in respect of which the Global Note Certificates are issued will only be entitled to have title to the Notes registered in their names and to receive individual definitive Notes if: (1) DTC notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or (2) if the owner of such an interest in the Global Note Certificates

requests such exchange in writing following an Event of Default (as defined in the indenture) and commencement of enforcement action under the indenture.

In such circumstances, the Issuer will cause sufficient individual definitive Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholders. A person with an interest in the Notes in respect of which the Global Note Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, authenticate and deliver such individual definitive Notes.

If only one of the Global Note Certificates (the “Exchanged Global Note Certificate”) becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

## **Legends**

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Certificate bearing the legend referred to under “Notice to Investors”, or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## **Book-Entry Procedures for the Global Note Certificates**

### ***DTC***

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants (“DTC Participants”) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerised book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate or the Regulation S Global Note Certificate directly through DTC if they are DTC Participants in DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Global Note Certificates as to which such DTC Participant or DTC Participants has or have given such direction. However, in the circumstances described under “*Book-entry Ownership*”, DTC will surrender the relevant Global Note Certificates for exchange for individual Definitive Certificates (which will bear any applicable legend as set forth in the indenture).

## **Book-Entry Ownership**

### ***DTC***

The Regulation S Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and the Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code. Each of the

Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be deposited with a custodian (the “Custodian”) for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within DTC system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### ***Relationship of Participants with Clearing Systems***

Each of the persons shown in the records of DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC (as the case may be) for his, her or its share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the rules and procedures of DTC . The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the custodian by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or account holders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants, as the case may be, in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants or DTC Participants, as the case may be, in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee, Paying Agent, Transfer Agent or Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

### **Settlement and Transfer of Notes**

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants, as the case may be, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “Beneficial Owner”) will in turn be recorded on the Direct Participants’ or DTC Participants’, as the case may be, records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or DTC Participants, as the case may be, through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants or DTC Participants, as the case may be, acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants, as the case may be, to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or DTC Participants, as the case may be, will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or DTC Participants, as the case may be; by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants, as the case may be, to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC can only act on behalf of DTC Participants, the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

### ***Trading between DTC Participants***

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement ("SDFS") system in same-day funds, if payment is effected in U.S. dollars or, free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between DTC Participants.

## TAXATION

### UNITED KINGDOM TAXATION

The following is a summary of the UK withholding taxation treatment in relation to payments of interest and certain types of principal in respect of the Notes based on current law and published practice of HM Revenue and Customs (“HMRC”) in the UK as at the date of this Prospectus, both of which are subject to change at any time, possibly with retrospective effect. The published practice of HMRC may not be binding on HMRC. The comments below are of a general nature and do not purport to be a complete analysis of all tax considerations relating to the Notes, and do not deal with other UK tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The summary set out below is a general guide and should be treated with appropriate caution. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisors. In particular, holders of the Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

#### *UK Withholding Tax on UK source interest*

The Notes issued by the Issuer will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 provided they carry a right to interest and they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange has been designated as a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are admitted to the Official List of the FCA and are admitted to trading on the London Stock Exchange. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

In cases falling outside the exemption described above, interest on the Notes will be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary by HMRC under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to holders of the Notes which the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which brings into account the interest in computing its UK taxable profits, or fall within various categories enjoying a special tax status (including charities and certain pension funds), or are partnerships consisting of such persons (unless HMRC direct otherwise).

#### *Payments by the Guarantor under the Guarantee*

Depending on the correct legal analysis of payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of UK tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

#### *Other Rules relating to UK Withholding Tax*

Where the Notes are to be, or may fall to be, redeemed at a premium any such element of premium may constitute a payment of interest. Payments of interest are subject to withholding or deduction on account of UK income tax as outlined above. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount.

Where interest has been paid under deduction of UK income tax, holders of the Notes who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.



The references to “interest” above mean “interest” as understood in UK tax law. 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 Notes or any related documentation.

## **THE PROPOSED FINANCIAL TRANSACTION 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 (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

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

However, the FTT proposal remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw. In any event, the United Kingdom’s position has been that it will not be a participating Member State and, assuming that the United Kingdom leaves the European Union as a result of Brexit, it will cease to be a Member State.

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

## **UNITED STATES TAXATION**

The following is a summary based on present law of certain material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original Offering at the original issue price, hold Notes as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary only; it is not a substitute for tax advice. This summary is not a complete description of all U.S. federal tax considerations relating to the purchase, ownership and disposition of Notes and does not address all of the U.S. federal income tax considerations that may be relevant in light of a U.S. Holder’s particular circumstances. This summary does not address the tax treatment of U.S. Holders subject to special rules, such as banks and certain other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, securities traders that elect to mark-to-market, certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt entities, pass-through entities (including S-corporations) persons using the accrual method of accounting for U.S. federal tax purposes and who are required to recognise income for such purposes no later than when such income is taken into account in an applicable financial statement, or investors that will hold Notes as part of a straddle, hedging, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment or fixed base outside of the United States. This summary does not address U.S. federal taxes other than the income tax (such as estate or gift taxes, the alternative minimum tax or the Medicare contribution tax), state, local, non-U.S. or other tax laws or matters. The Notes are debt in form and the following discussion assumes that the Notes will be characterised as indebtedness for U.S. federal income tax purposes.

For purposes of this discussion, a “**U.S. Holder**” is a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires, holds and disposes of Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Notes.

**EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISERS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF THE UNITED KINGDOM AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.**

### *Interest*

It is expected, and this discussion assumes, that the Notes will be issued with no more than a *de minimis* amount of original issue discount (“OID”) for U.S. federal income tax purposes. Accordingly, interest on the Notes (including any tax withheld therefrom and additional amounts paid, if any, in respect of such withheld tax) will be includible in the income of a U.S. Holder as ordinary income from sources outside the United States according to such U.S. Holder’s regular method of accounting for tax purposes. For purposes of the U.S. foreign tax credit, interest generally will be considered passive category income.

If the Notes were issued with OID, a U.S. Holder would be required to include OID in gross income, as ordinary income, under a constant yield to maturity basis whether or not such U.S. Holder had received a payment of stated interest attributable to such OID, regardless of such U.S. Holder’s regular method of tax accounting. The Notes will have been issued with OID to the extent that their stated redemption price at maturity exceeds their issue price. However, a U.S. Holder will generally not have to accrue the OID if such excess is less than ¼ of 1% of the Notes’ stated redemption price at maturity multiplied by the number of complete years to maturity (“*de minimis* OID”). The issue price of the Notes is the initial price at which a substantial amount of the Notes are first sold to the public (excluding sales to underwriters, placement agents, brokers or similar persons). The stated redemption price at maturity is generally the sum of all payments due on a Note other than payments of stated interest. Any redemption premium that the Issuer is required to offer to pay following a Change of Control is not part of the stated redemption price for this purpose because the Issuer does not believe that a Change of Control is significantly more likely than not to occur. The applicable make-whole premium or redemption premium, if any, due on an optional redemption of the Notes, in whole or in part, is not treated as part of the stated redemption price for this purpose because under applicable OID rules, an issuer option that would increase a debt instrument’s yield to maturity is presumed not to be exercised.

A U.S. Holder may elect to include in gross income all yield on a Note (including *de minimis* OID) using a constant yield method. The constant yield election will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the U.S. Internal Revenue Service (“IRS”).

### *Disposition*

A U.S. Holder generally will recognise gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will be the amount paid for the Note reduced by any payments on the Note other than payments of stated interest.

Gain or loss on disposition of a Note will generally be U.S. source capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder’s long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

### *Substitution of the Issuer*

Subject to certain conditions, the Issuer or the Trustee may substitute in place of the Issuer as principal debtor under the Notes and Indenture another company, being a successor in business or a holding company (within the meaning of section 1159 of the Companies Act 2006) of the Issuer or a subsidiary of such holding company. See “Description of the Notes and Guarantee—Substitution of the Obligor”. Any such substitution might be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a U.S. Holder in exchange for new

notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

***Reporting and backup withholding***

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these rules and any other reporting obligations arising from their investment in Notes.

**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 ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

## CERTAIN ERISA CONSIDERATIONS

*The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, “Similar Laws”), and entities whose underlying assets are considered to include “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of any such employee benefit plan, plan, account or arrangement (each, a “Plan”).*

### **General Fiduciary Matters**

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “ERISA Plan”) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan, including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. In addition, a fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary’s duties to the Plan, including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### **Prohibited Transaction Issues**

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of the Notes by an ERISA Plan with respect to which any of the Issuer, Guarantor or Initial Purchasers or any of their respective affiliates is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor (the “DOL”) has issued prohibited transaction class exemptions (“PTCEs”) that may apply to the acquisition and holding of the Notes. These exemptions include, without limitation, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by an “independent qualified professional asset manager”), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code could provide relief from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan; *provided that* neither the service provider nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than “adequate consideration” (as defined in such Sections) in connection with the transaction. Each of these exemptions contains conditions and limitations on its application, and there can be no assurance that all of the conditions will be satisfied. Therefore, each person that is considering acquiring or holding the Notes in reliance on an exemption should carefully review and consult with its legal advisors to confirm that it is applicable to the purchase and holding of the Notes.

In light of the above, the Notes should not be purchased or held by any person investing “plan assets” of any Plan, unless such purchase and holding will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or violate any applicable Similar Laws.

***Representation***

Accordingly, by acceptance of a Note, each purchaser, holder and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser, holder or transferee to acquire or hold the Notes, or any interest therein, constitutes assets of any Plan or (ii) the purchase, holding and subsequent disposition of the Notes by such purchaser, holder or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

Purchasers of the Notes have the exclusive responsibility for ensuring that their purchase and holding of the Notes complies with the fiduciary responsibility rules of ERISA, the Code or of applicable Similar Laws and does not violate the prohibited transaction rules of ERISA, the Code or applicable Similar Laws. Each of the Company, the Guarantor and the Initial Purchasers make no representation as to whether an investment in the Notes is appropriate for any Plan in general or whether such investment is appropriate for any particular plan or arrangement. Neither this discussion nor anything provided in this Prospectus is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of the Notes should consult and rely on their own counsel and advisers as to whether an investment in the Notes is suitable.

## PLAN OF DISTRIBUTION

Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC and Santander Investment Securities Inc. are acting as joint book-running managers of the Offering and as representatives of the Initial Purchasers named below.

Subject to the terms and conditions stated in the purchase agreement, dated 5 November 2019, each Initial Purchaser named below has severally, and not jointly, agreed to purchase, and the Issuer has agreed to sell to the Initial Purchasers, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

| Initial Purchaser                             | Principal<br>Amount of<br>2029 Notes | Principal<br>Amount of<br>2049 Notes |
|---|--------------------------------------|--------------------------------------|
| Barclays Capital Inc.....                     | \$71,429,000                         | \$35,715,000                         |
| Citigroup Global Markets Inc.....             | \$71,429,000                         | \$35,715,000                         |
| J.P. Morgan Securities LLC .....              | \$71,429,000                         | \$35,715,000                         |
| Mizuho Securities USA LLC .....               | \$71,429,000                         | \$35,715,000                         |
| Santander Investment Securities Inc. ....     | \$71,429,000                         | \$35,714,000                         |
| BNP Paribas Securities Corp. ....             | \$71,429,000                         | \$35,714,000                         |
| BofA Securities, Inc. ....                    | \$71,429,000                         | \$35,714,000                         |
| HSBC Securities (USA) Inc. ....               | \$71,429,000                         | \$35,714,000                         |
| Lloyds Bank Corporate Markets plc .....       | \$71,428,000                         | \$35,714,000                         |
| MUFG Securities Americas Inc. ....            | \$71,428,000                         | \$35,714,000                         |
| NatWest Markets Securities Inc. ....          | \$71,428,000                         | \$35,714,000                         |
| Skandinaviska Enskilda Banken AB (publ) ..... | \$71,428,000                         | \$35,714,000                         |
| SMBC Nikko Securities Americas, Inc. ....     | \$71,428,000                         | \$35,714,000                         |
| SG Americas Securities, LLC .....             | \$71,428,000                         | \$35,714,000                         |
| Total.....                                    | <u>\$1,000,000,000</u>               | <u>\$500,000,000</u>                 |

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed to purchase all of the Notes sold under the purchase agreement if any Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

The Issuer has agreed to indemnify the Initial Purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers have advised the Issuer that they propose initially to offer the Notes at the offering price set forth on the cover page of this Prospectus. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. Certain of the Initial Purchasers will conduct sales into the United States through their respective U.S. registered broker dealers.

### Notes Are Not Being Registered

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Unless they are registered, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, applicable state securities laws and applicable laws of other jurisdictions. Each purchaser of the Notes will be deemed to have made acknowledgements, representations and agreements as described under "Notice to Investors." In the purchase agreement, each Initial Purchaser has agreed that during the initial distribution of the

Notes, it will offer or sell the Notes only to (i) QIBs in compliance with Rule 144A or (ii) non-U.S. Persons participating in offshore transactions outside the United States in compliance with Regulation S.

The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The Initial Purchasers will not offer or sell the Notes except:

- in the United States to persons they reasonably believe to be QIBs; or
- outside the United States to non-U.S. Persons in offshore transactions in compliance with Regulation S.

### **New Issue of Notes**

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “Notice to Investors.” The Notes are expected to be listed on the London Stock Exchange, however there can be no assurance that the Notes will remain listed and that an active trading market for the Notes will develop.

The Initial Purchasers have advised that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. Accordingly, there can be no assurance that a liquid trading market will develop for the Notes, that the Notes will be able to be sold at a particular time or that the prices received when selling will be favourable.

The Issuer and the Guarantor have agreed that they will not at any time offer, sell, pledge, contract to sell, pledge or otherwise dispose of directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Rule 144A under the Securities Act or Regulation S under the Securities Act to cease to be applicable to the offer and sale of the Notes.

### **Settlement**

It is expected that delivery of the Notes will be made against payment therefor on or about 8 November 2019, which is the third business day following the date hereof (such settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing should consult their own advisors.

### **Other Relationships**

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities and have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Group or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. The Initial Purchasers and certain of their affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, in the ordinary course of their business activities, the Initial Purchasers 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 Group or its affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Group routinely hedge their credit exposure to the Group consistent with their customary risk management policies. Typically, such Initial Purchasers 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 the Issuer’s securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers 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.

## **Selling Restrictions**

### ***General***

No action has been or will be taken in any jurisdiction by any Initial Purchaser, the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Prospectus does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Prospectus comes are advised to inform themselves about, and to observe any restrictions relating to, the Offering, the distribution of this Prospectus and re-sales of the Notes.

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

Each Initial Purchaser has severally (and not jointly and severally) represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

### ***United States***

The Notes and the Guarantee have not been and will not be registered under the Securities Act or any state securities laws of any other jurisdiction and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Each Initial Purchaser has acknowledged that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or other relevant jurisdiction within the United States, 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 accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Each Initial Purchaser has agreed that it has not offered, sold or delivered Notes and it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes (the “Distribution Compliance Period”), within the United States or to, or for the account or benefit of U.S. persons and only in accordance with Rule 903 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution



compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

The purchase agreement provides that the Initial Purchasers may offer and sell the Notes within the United States to QIBs in reliance on Rule 144A under the Securities Act. Any offers and sales by the Initial Purchasers in the United States will be conducted by broker-dealers registered as such under the Exchange Act.

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

### ***United Kingdom***

Each Initial Purchaser has severally and not jointly or jointly and severally represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***Republic of Italy***

The offering of the Notes has not been registered with *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered and no copies of this Prospectus or any other document relating to any Notes may be distributed in the Republic of Italy (“Italy”), except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Initial Purchaser has severally and not jointly or jointly and severally represented, warranted and undertaken that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in Italy other than:

- to qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of Legislative Decree No. 58, 24 February 1998 (the “Financial Services Act”) and Article 34-ter, paragraph 1 (b), of CONSOB Regulation 11971, 14 May 1999 (the “Regulation No. 11971”), all as amended and restated from time to time; or
- in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter, first paragraph of Regulation No. 11971.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB regulation No. 16190, 29 October 2007, all as amended; and
- in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB and/or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

This Prospectus and the information contained herein is intended only for the use of its recipient and is not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this Prospectus may rely on it or its contents.

### ***Japan***

Each Initial Purchaser has represented, warranted and agreed that the Notes and this Prospectus have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”), and the Notes have not been offered or sold and will not be offered or sold directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person or to, or for the benefit of, others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of any Japanese Person, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with applicable laws, regulations ministerial guidelines of Japan. For the purpose of this paragraph “Japanese Person” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### ***Hong Kong***

Each Initial Purchaser has represented, warranted and agreed that it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (“SFO”) and any rules made thereunder, or (b) in circumstances which do not result in such document being a “prospectus” as defined in the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and it has not issued or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined within the meaning of the SFO and any rules made thereunder.

### ***Singapore***

Each Initial Purchaser has acknowledged that this Prospectus has not been registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Pursuant to Section 309B(1)(c) of SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any reference above to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

### ***Switzerland***

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes direct or indirect distribution of collective investment schemes, i.e. any offering of or advertising for collective investment schemes, as such term is defined in the Swiss Collective Scheme Act. The Issuer will not distribute, directly or indirectly, in, into or from Switzerland shares of the Issuer at the same time as the Notes are offered.

Neither this Prospectus nor any other offering or marketing material relating to the Offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g. the Swiss Financial Market Supervisory Authority FINMA and investors in the Notes will not benefit from protection or supervision by such authority.

## NOTICE TO INVESTORS

Purchasers of the Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

By its purchase of Notes, each purchaser of Notes (other than the Initial Purchasers) will be deemed to:

1. Represent that it is not an “affiliate”, as defined under Rule 144A, of the Issuer or the Guarantor or acting on their behalf and that it (A)(i) is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it, (ii) is a QIB, and (iii) is aware that the sale to it is being made in reliance on Rule 144A (and is acquiring such Notes for its own account or for the account of another QIB) or (B) is not a U.S. person and is purchasing the Notes in an offshore transaction pursuant to Regulation S.
2. Acknowledge and understand that the Notes (including the Guarantee) have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
3. Understand and agree that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes (including the Guarantee) or any beneficial interest in the Notes, it will only do so (i) to the Issuer or the Guarantor or any of their respective subsidiaries, (ii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 904 under the Securities Act, (iv) pursuant to another available exemption from registration under the Securities Act, (v) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (v) in accordance with any applicable securities laws of any state of the United States. Subject to the procedures set forth under “Book-Entry, Delivery and Form”, prior to any proposed exchange or transfer of any Note the holder thereof must check the appropriate box set forth on its Note relating to the manner of such exchange or transfer and submit the Note to the Transfer Agent, together with any certificates required in connection with such exchange or transfer.
4. Agree that it will deliver to each person to whom it transfers Notes notice of any restrictions on transfer of such Notes.
5. If it is not a U.S. person outside the United States, understand that the Notes offered under Regulation S will be represented by one or more Regulation S Global Notes, which will initially be restricted as described under “Book-Entry, Delivery and Form” for the distribution compliance period. During the distribution compliance period, before any interest in the Global Notes may be offered, sold, pledged or otherwise transferred to a purchaser outside the United States in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the Transfer Agent with a written certificate (in the form included in the indenture) as to compliance with the transfer restriction referred to above.
6. Understand that the Notes will, unless otherwise agreed by the Issuer and holder thereof, bear a legend to the following effect unless otherwise agreed by the Issuer and the holder thereof:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”); (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT (A) IN THE CASE OF SECURITIES SOLD IN RELIANCE ON REGULATION S, PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS SECURITY) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) AND (B) IN THE CASE OF SECURITIES SOLD IN RELIANCE ON RULE 144A, IN EACH CASE, OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (i) TO THE ISSUER OR THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, (ii) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (iii) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iv) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW IN ANY STATE OF THE UNITED STATES; (3) AGREES THE NOTES HAVE NOT BEEN OFFERED TO IT BY MEANS OF ANY DIRECTED SELLING EFFORTS AS DEFINED IN REGULATION S; AND (4) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO THE TRANSFER AGENT. THE INDENTURE CONTAINS PROVISIONS REQUIRING THE TRANSFER AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT”.

7. Represent and agree that: (i) 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 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.
8. Represent and agree that: (i) it is able to fend for itself in the transactions contemplated by this Prospectus; (ii) no other representation with respect to the offer or sale of the Notes has been made, other than the information contained in this Prospectus; (iii) the investment decision is solely based on the information contained in the Prospectus; (iv) the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Prospectus; and (v) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment and can afford the complete loss of such investment.
9. Represent and agree that it has received a copy of this Prospectus and acknowledge that it has had access to such financial and other information and has been afforded the opportunity to ask questions of the Issuer and the Guarantor and receive answers thereto, as it deemed necessary in connection with its decision to purchase the Notes.

10. Acknowledge that this Prospectus has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of securities.
11. Acknowledge that this Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) through (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.
12. Acknowledge that the Issuer, the Guarantor, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agree that, if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent of one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.
13. Represent that either (i) no portion of the assets used by it or any subsequent transferee to acquire and hold the Notes, or any interest therein, constitutes assets of any Plan or (ii) the purchase, holding and subsequent disposition of the Notes by it or any subsequent transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any applicable Similar Law.
14. Represent, if it is purchasing or holding the Notes on behalf of an ERISA Plan, that (1) none of the Transaction Parties has acted as the ERISA Plan’s fiduciary (within the meaning of ERISA or the Code), or has been relied upon for any advice, with respect to the purchaser or transferee’s decision to acquire and hold the Notes, and none of the Transaction Parties shall at any time be relied upon as the ERISA Plan’s fiduciary with respect to any decision to acquire, continue to hold or transfer the Notes, and (2) the decision to purchase the Notes has been made by a duly authorized Plan Fiduciary who is independent (as that term is used in 29 C.F.R. 2510.3-21(c)(1)) of the Transaction Parties, which Plan Fiduciary (A) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase the Notes, (B) is not the IRA owner (in the case of a purchaser which is an IRA), (C) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes, (D) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the Notes, (E) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control and (F) has been informed by the Transaction Parties that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, (G) has been informed by the Transaction Parties the Transaction Parties have financial interests in the ERISA Plan’s purchase and holding of the Notes, which interests may conflict with the interest of the ERISA Plan, as more fully described in this Offering Memorandum, and (H) is not paying any Transaction Party, any fee or other compensation directly for the provision of investment advice (as opposed to other services) in connection with the ERISA Plan’s purchase and holding of the Notes. For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfer of interests in the Global Notes, see “Book-Entry, Delivery and Form”.

## **LEGAL MATTERS**

The validity of the Notes and the Guarantee and certain legal matters will be passed upon for the Issuer and the Guarantor by Freshfields Bruckhaus Deringer LLP, English and U.S. counsel for the Issuer and the Guarantor. Certain U.S. legal matters in connection with the Notes and the Guarantee will be passed upon for the Initial Purchasers by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel for the Initial Purchasers.

## INDEPENDENT AUDITORS

KPMG LLP are the Issuer and the Guarantor's independent auditors, with an address of 15 Canada Square, London E14 5GL, United Kingdom, as stated in their reports incorporated by reference. The report of KPMG with respect to the audited consolidated financial statements of the Issuer and the Guarantor as of and for the year ended 31 March 2019 is in accordance with International Standards on Auditing (UK) and applicable law, and with respect to the unaudited condensed consolidated financial statements as of 30 September 2019, are in accordance with the International Standard on Review Engagements (UK and Ireland) 2410. The KPMG report with respect to the audited consolidated financial statements states that: "This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the agreed terms with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed" The KPMG report with respect to the unaudited condensed consolidated financial statements states that: "This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached."

PricewaterhouseCoopers LLP ("PwC") were previously the Issuer and the Guarantor's independent auditors. The report of PwC with respect to the audited consolidated financial statements of the Issuer and the Guarantor as of 31 March 2018 are in accordance with guidance issued by The Institute of Chartered Accountants in England and Wales. The PwC report states that: "This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing".

Investors in the Notes should understand these statements are intended to disclaim any liability to parties (such as the purchasers of the Notes) other than the Group, with respect to these reports. In the context of the offering of the Notes, KPMG and PwC have reconfirmed to that they do not intend their duty of care to extend to any party other than those to whom their reports were originally addressed (i.e., the Group).

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against KPMG UK or PwC, as applicable, based on their applicable reports or the consolidated financial statements to which they relate could be limited.



## GENERAL INFORMATION

### Listing

Application has been made to the FCA in its capacity as competent authority under the Financial Services and Markets Act 2000 for the notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market

### Authorization

The issue of notes has been duly authorized by resolutions of the Board of Directors of the Issuer dated 31 October 2019. The issue of notes has been duly authorized by resolutions of the Board of Directors of the Guarantor dated 28 and 29 October 2019.

### Documents Available

For the life of this Prospectus, copies of the following documents will be available on the website of the Issuer ([www.btplc.com](http://www.btplc.com)):

- a) the Memorandum and Articles of Association of the Issuer and the Guarantor;
- b) the unaudited condensed consolidated financial information of the Issuer for the six months ended 30 September 2019;
- c) the unaudited condensed consolidated financial information of the Guarantor for the six months ended 30 September 2019;
- d) the Annual Report 2019 of each of the Issuer and the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Issuer and the Guarantor in respect of the financial year ended 31 March 2019;
- e) the Annual Report 2018 of each of the Issuer and the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Issuer and the Guarantor in respect of the financial year ended 31 March 2018; and
- f) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

In addition, a copy of this Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

### Clearing Systems

The address of DTC is 55 Water Street, New York, NY 10041, United States.

### Yield

The yield of the 2029 notes is 3.351% per annum calculated on the basis of the issue price and as at the date of this document. The yield of the 2049 notes is 4.250% per annum calculated on the basis of the issue price and as at the date of this document.

### Significant or Material Change

There has been no significant change in the financial performance of the Issuer and its consolidated subsidiaries (considered as a whole) since 30 September 2019 and there has been no material adverse change in the prospects of the Issuer since 31 March 2019. There has been no significant change in the financial position of the Issuer and its consolidated subsidiaries (considered as a whole) since 30 September 2019.

There has been no significant change in the financial performance of the Guarantor and its consolidated subsidiaries (considered as a whole) since 30 September 2019 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2019. There has been no significant change in the financial position of the Guarantor and its consolidated subsidiaries (considered as a whole) since 30 September 2019.

### **Litigation**

Save as disclosed in note 10, note 29 and note 30 to the Issuer's consolidated financial statements on pages 81 to 83, pages 122 to 124 and page 124, respectively, of its Annual Report 2019, incorporated by reference in this Prospectus, and in note 10 and note 30 to the Guarantor's consolidated financial statements on pages 130 to 132 and pages 171 to 172, respectively, of its Annual Report 2019, incorporated by reference in this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Prospectus which may have or have in the recent past had a significant effect on the financial position or profitability of the Issuer or the Guarantor and their respective consolidated subsidiaries.

### **Expenses**

The total expenses related to the admission of the notes to the Official List and to the London Stock Exchange's main market is expected to amount to approximately £6,250.

### **Material Contracts**

Excluding contracts entered into in the ordinary course of business, the Group is not party to any contracts which could result in its being under an obligation or entitlement that is material to its ability to meet its obligations under the Notes.

### **Auditors**

#### *The Issuer*

The consolidated financial statements of British Telecommunications plc and its subsidiaries as of 31 March 2019, and for the year then ended, incorporated by reference in this prospectus, have been audited by KPMG LLP, independent auditors, as stated in their report incorporated by reference.

The auditors of the British Telecommunications plc and its subsidiaries for the financial year ended 31 March 2018 were PricewaterhouseCoopers LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 31 March 2018. PricewaterhouseCoopers LLP have no material interest in the Issuer.

#### *The Guarantor*

The consolidated financial statements of BT Group plc and its subsidiaries as of 31 March 2019, and for the year then ended, incorporated by reference in this prospectus, have been audited by KPMG LLP, independent auditors, as stated in their report incorporated by reference.

The auditors of the BT Group plc and its subsidiaries for the financial year ended 31 March 2018 were PricewaterhouseCoopers LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 31 March 2018. PricewaterhouseCoopers LLP have no material interest in the Guarantor.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Dealer transacting with the Issuer and/or the Guarantor**

The Dealer and its affiliates may 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 Guarantor and their respective affiliates in the ordinary course of business.

### **Websites**

In this Prospectus, references to websites or uniform resource locators (“URLs”) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated by reference into, this Prospectus.

**ISSUER**

**British Telecommunications public limited company**  
81 Newgate Street  
London EC1A 7AJ

**GUARANTOR**

**BT Group plc**  
81 Newgate Street  
London EC1A 7AJ

**TRUSTEE, PAYING AGENT, TRANSFER AGENT AND NOTE REGISTRAR**

**Delaware Trust Company**  
251 Little Falls Drive  
Wilmington, Delaware 19808

**INITIAL PURCHASERS**

**Barclays Capital Inc.**  
745 Seventh Avenue  
New York, New York 10019

**Citigroup Global Markets Inc.**  
388 Greenwich Street  
New York, New York 10013

**J.P. Morgan Securities LLC**  
383 Madison Avenue  
New York, New York 10179

**Mizuho Securities USA LLC**  
320 Park Avenue, 12<sup>th</sup> Floor  
New York, New York 10022

**Santander Investment Securities Inc.**  
45 East 53<sup>rd</sup> Street, 5<sup>th</sup> Floor  
New York, New York 10022

**BNP Paribas Securities Corp.**  
787 Seventh Avenue  
New York, New York 10019

**BofA Securities, Inc.**  
One Bryant Park  
New York, New York 10036

**HSBC Securities (USA) Inc.**  
452 Fifth Avenue  
New York, New York 10018

**Lloyds Bank Corporate Markets plc**  
10 Gresham Street  
London EC2V 7AE

**MUFG Securities Americas Inc.**  
1221 Avenue of the Americas  
6<sup>th</sup> Floor  
New York, New York 10020-1001

**NatWest Markets Securities Inc.**  
600 Washington Boulevard  
Stamford, Connecticut 06901

**Skandinaviska Enskilda Banken AB  
(publ)**  
Kungsträdgårdsgatan 8  
106 40 Stockholm

**SMBC Nikko Securities Americas,  
Inc.**  
277 Park Avenue  
New York, New York 10172

**SG Americas Securities, LLC**  
245 Park Avenue  
New York, New York 10167

**LEGAL ADVISERS**

*To the Issuer and the Guarantor as to English and U.S. law*

**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS

*To the Initial Purchasers as to U.S. law*

**Cleary Gottlieb Steen & Hamilton LLP**  
2 London Wall Place  
London EC2Y 5AU

## AUDITORS

*To the Issuer and Guarantor (for the financial year ended 31  
March 2018)*

**PricewaterhouseCoopers LLP**  
1 Embankment Place  
London WC2N 6RH

*To the Issuer and Guarantor (for the financial year ended 31  
March 2019)*

**KPMG LLP**  
15 Canada Square  
Canary Wharf  
London, E14 5GL