



STAGECOACH GROUP PLC

(incorporated with limited liability in Scotland with registered number SC 100764)

£400,000,000 4.00 per cent. Bonds due 2025

Issue Price 98.979 per cent.

The £400,000,000 4.00 per cent. Bonds due 2025 (the “**Bonds**”) will be issued by Stagecoach Group plc. Interest on the Bonds is payable annually in arrear on 29 September in each year at the initial rate of interest of 4.00 per cent. per annum, subject to adjustment as described in “Terms and Conditions of the Bonds – Interest”. Payments on the Bonds will be made without deduction for or on account of taxes imposed or levied by or on behalf of the United Kingdom to the extent described under “Terms and Conditions of the Bonds - Taxation”.

The Bonds mature on 29 September 2025 and are subject to redemption or purchase at the option of the Issuer, as further described in “Terms and Conditions of the Bonds – Redemption and Purchase – Redemption or purchase at the option of the Issuer”. Also, the Issuer may purchase or redeem all (but not some only) of the Bonds at their principal amount outstanding together with interest accrued to (but excluding) the date of such purchase or, as the case may be, redemption, in the event of certain tax changes as described under “Terms and Conditions of the Bonds – Redemption and Purchase — Redemption or purchase for tax reasons”. The Bonds are also subject to redemption at the option of the holders of the Bonds (the “**Bondholders**”) upon a change of control, as further described under “Terms and Conditions of the Bonds – Redemption and Purchase — Redemption at the Option of the Bondholders upon a Change of Control Event”.

The Bonds will constitute direct, unconditional and (subject to “Terms and Conditions of the Bonds – Negative Pledge”) unsecured obligations of the Issuer and rank without any preference among themselves and *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer. See “*Terms and Conditions of the Bonds — Status*”.

Application has been made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for the Bonds to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Bonds to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). References in this Prospectus to the Bonds being “listed” (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The denomination of the Bonds shall be £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000.

The Bonds will initially be represented by a Temporary Global Bond, without interest coupons, which will be issued in new global note (“**NGN**”) form and will be delivered on or prior to 29 September 2015 to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). The Temporary Global Bond will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a Permanent Global Bond, without interest coupons, on or after a date which is expected to be 9 November 2015, upon certification as to non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable for definitive Bonds in the limited circumstances set out in it. See “*Summary of Provisions relating to the Bonds while in Global Form*”.

The Bonds are expected, on issue, to be rated Baa2 by Moody’s Investors Service Limited (“**Moody’s**”), BBB- by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) and BBB by Fitch Ratings Ltd (“**Fitch Ratings**”). Each of Moody’s, S&P and Fitch Ratings is established in the European Union (the EU) and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

All investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Bonds.

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Barclays

BNP PARIBAS

HSBC

CO-LEAD MANAGERS

BofA Merrill Lynch

Crédit Agricole CIB

Lloyds Bank

The Royal Bank of Scotland

This Prospectus is dated 25 September 2015

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and for the purpose of giving information with regard to Stagecoach Group plc (the “**Issuer**”), the Issuer and its subsidiaries and affiliates taken as a whole (the “**Group**”) and the £400,000,000 4.00 per cent. Bonds due 2025 (the “**Bonds**”) which according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and rights attaching to the Bonds. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in “Subscription and Sale” below) to subscribe or purchase, any of the Bonds. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions.

For a description of further restrictions on offers and sales of Bonds and distribution of this Prospectus, see “*Subscription and Sale*” below.

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 or the Managers. 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 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 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 Bonds 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.

To the fullest extent permitted by law, neither the Managers, the Principal Paying Agent nor the Trustee accept any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by a Manager or the Trustee or on its behalf in connection with the Issuer or the issue and offering of the Bonds. Each Manager, the Principal Paying Agent and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

In the ordinary course of business, each of the Managers has engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

Unless otherwise specified or the context requires, references to “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the United Kingdom.

In connection with the issue of the Bonds, Barclays Bank PLC (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager) may over-allot Bonds or effect transactions with a view to

supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer for the financial years ended 30 April 2014 and 30 April 2015, respectively, together, in each case, with the audit report thereon, which have been previously published or are published simultaneously with this Prospectus and which have been filed with the Financial Conduct Authority. The 30 April 2014 audited consolidated financial statements (together with the audit report) are contained on pages 59 – 117 of the Issuer's 2014 Annual Report and the 30 April 2015 audited consolidated financial statements (together with the audit report) are contained on pages 53 – 116 of the Issuer's 2015 Annual Report, all of which have been filed with the Financial Conduct Authority.

Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of 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.

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

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and/or at www.stagecoach.com.

TABLE OF CONTENTS

	Page
OVERVIEW	6
RISK FACTORS	9
TERMS AND CONDITIONS OF THE BONDS.....	16
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM	30
DESCRIPTION OF THE ISSUER.....	34
USE OF PROCEEDS.....	42
TAXATION	43
SUBSCRIPTION AND SALE	47
GENERAL INFORMATION	49

OVERVIEW

The following is an overview of the principal features of the Bonds and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus and, in particular, “Terms and Conditions of the Bonds” (the “Conditions”). Potential purchasers of the Bonds are urged to read this Prospectus in its entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in the Conditions.

Issuer	Stagecoach Group plc (the “ Issuer ”)
Bonds	£400,000,000 4.00 per cent. Bonds due 2025
The Offering	The Bonds are being offered by Barclays Bank PLC, BNP Paribas and HSBC Bank plc (together, the “ Joint Lead Managers ”) and Crédit Agricole Corporate and Investment Bank, Merrill Lynch International, Lloyds Bank plc and The Royal Bank of Scotland plc (together the “ Co-Lead Managers ” and together with the Joint Lead Managers, the “ Managers ”) outside the United States in compliance with Regulation S.
Trustee	HSBC Corporate Trustee Company (UK) Limited
Principal Paying Agent	HSBC Bank plc
Issue Price	98.979 per cent. of the principal amount of the Bonds
Form and Denominations	<p>The Bonds will be in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No definitive Bonds will be issued with a denomination above £199,000.</p> <p>The Bonds will initially be represented by the Temporary Global Bond which will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg.</p> <p>Interests in the Temporary Global Bond will be exchangeable for interests in the Permanent Global Bond on or after 9 November 2015 upon certification as to non-U.S. beneficial ownership.</p>
Maturity	29 September 2025
Interest	The Bonds bear interest from (and including) 29 September 2015 at the rate of 4.00 per cent. per annum payable annually in arrear on 29 September in each year. See Condition 4 (Interest).
Coupon step-up	The interest rate payable on the Bonds will, subject to and in accordance with Condition 4 (Interest), be increased by 1.25 per cent. per annum in the event that the Bonds are not rated at least BBB- (in relation to S&P) or Baa3 (in relation to Moody’s) by at least two Rating Agencies (as defined in Condition 4) with effect from the Interest Payment Date next following the Bonds ceasing to be so rated until such time as a subsequent rate adjustment shall become effective pursuant to the provisions of Condition 4 (Interest) provided that only one

interest rate adjustment downwards and one interest rate adjustment upwards is permitted pursuant to Condition 4 (Interest).

Status of the Bonds

The Bonds are direct, unconditional and (subject to the provisions of the negative pledge described below) unsecured obligations of the Issuer and rank without any preference among themselves, and *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer as described in Condition 2 (Status).

Negative Pledge

The Bonds will have the benefit of a negative pledge, as described in Condition 3 (Negative Pledge).

Cross Acceleration

The Bonds will have the benefit of a cross acceleration provision, as described in Condition 8 (Repayment upon Event of Default).

Redemption at the option of the Issuer

The Issuer may, subject to and in accordance with Condition 5(c) (Redemption and Purchase — Redemption or purchase at the option of the Issuer), on giving notice to the Bondholders, (i) at any time on or after 29 June 2025 redeem all (but not some only) of the Bonds at their principal amount (together with interest accrued to the date fixed for redemption); and (ii) at any time prior to 29 June 2025 redeem or purchase (or procure the purchase of) all (but not some only) of the Bonds for the time being outstanding at any time at the Redemption Price (as defined in Condition 5(c)) together with interest accrued to (but excluding) the date of redemption or, as the case may be, purchase.

Redemption for tax reasons

The Issuer may, subject to and in accordance with Condition 5(b) (Redemption and Purchase — Redemption or purchase for tax reasons), on giving notice to the Bondholders, redeem or purchase all (but not some only) of the Bonds at their principal amount outstanding together with interest accrued to (but excluding) the date of such purchase or, as the case may be, redemption if, on the occasion of the next payment of principal or interest in respect of the Bonds, the Issuer has or will become obliged to pay additional amounts (as provided in Condition 7 (Taxation) as a result of any actual or proposed change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, or in the application or official interpretation of such laws, regulations or treaties, which change or amendment becomes effective after the date of this Prospectus.

Redemption at the option of the Bondholders upon a Change of Control

The Bondholders may, subject to and in accordance with Condition 5(d) (Redemption and Purchase — Redemption at the option of the Bondholders upon a Change of Control Event), on the occurrence of a Put Event (as defined in

Condition 5(d)), exercise an option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Bonds on the Put Date (as defined in Condition 5(d)) at their principal amount, together with interest (if any) accrued up to (but excluding) the Put Date.

Taxation

All payments in respect of the Bonds and Coupons will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the United Kingdom or any political subdivision thereof, or by any authority therein or thereof having power to tax, save as may be required by law. In the event that any such withholding or deduction is required by law, the Issuer will, save in certain customary circumstances provided in Condition 7 (Taxation), be required to pay additional amounts to cover the amounts so deducted.

Governing Law

The Bonds and the Trust Deed constituting the Bonds will be governed by English law.

Listing and Trading

The Issuer has applied for the Bonds to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market.

Ratings

The Bonds are expected, on issue, to be rated Baa2 by Moody's, BBB- by S&P and BBB by Fitch Ratings. Each of Moody's, S&P and Fitch Ratings is established in the European Union (the EU) and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

ISIN:

XS1298002244

Common Code:

129800224

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Bonds are also described below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes the factors described below represent the material risks inherent in investing in the Bonds but there may be other risks of which the Issuer is not aware or which it believes to be immaterial which may have an adverse effect on the business, financial condition, results or future prospects of the Group and/or its businesses.

Risks related to the Group

Legislative and Regulatory changes

The Group's businesses are subject to wide ranging legislation and regulation covering matters including safety, equipment, employment, the environment, insurance and various other operating issues and considerations. These laws and regulations are subject to change on an on-going basis. The costs associated with complying with the adoption of new legislation or regulation or changes in the interpretation of existing legislation or regulation could adversely impact the Group's businesses, results of operations and financial position. The current UK Government's plans for greater devolution of powers within the UK could see the introduction of franchised bus networks in areas where the Group currently operates commercialised bus operations, which could adversely affect the Group's business, results of operations and financial position.

Availability of public funding

Many of the Group's businesses benefit from government investment in bus and train services, including tax rebates, the provision of equipment, contracted services and concessionary travel schemes for passengers. There is a risk that the availability of government financing changes due to regulatory or other reasons.

Sustainability of rail profit

A significant element of the Group's revenue and profit is generated by UK rail franchises, which have a finite duration. The Group's revenue and profit could be adversely affected as a result of the Group failing to win new franchises or failing to retain its existing franchises.

Pension scheme funding

The Group has a number of defined benefit pension schemes. The reported net pension asset/liability and/or the cash contributions required to be made to these schemes may increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and life expectancies. Intervention by regulators could also affect the contributions required. Any increase in contributions will reduce the Group's cash flows. Any significant increase in pension liabilities could affect the Group's credit ratings. The Group formally updates the measurement of these items for accounting purposes twice yearly as at 30 April and 31 October. The most recent formal update was at 30 April 2015 and the figures were reflected in the Group's consolidated financial statements as of that date.

Litigation

The Group is exposed to the risk of commercial and consumer litigation arising from the legal environment in some markets, particularly the United States (see "*Description of the Issuer – Litigation*").

Competition

The Group faces competition for customers not only from other operators of trains, trams, coaches and buses but also from other modes of transport. The Group regards its primary competitor as the private car and aims to encourage modal shift from car to public transport. A reduction in the cost of travel by car, as a result of a fall in fuel prices, for example, can give cars a competitive advantage and may affect demand for the Group's services. Developments in new technology and/or new business models could adversely affect the competitive environment in which the Group operates. Competitive pressure from existing competitors or new entrants to the markets in which the Group operates could reduce passenger numbers and adversely impact the Group's business, results of operations and financial position. Other train operators may gain new access to operate train services on parts of the UK railway network where the Group's and/or other franchises operate. Such new "open access" entrants to the UK rail market could reduce demand for the franchised rail services operated by the Group and adversely affect its business, results of operations and financial position.

Economy

The economic environment in the geographic areas in which the Group operates affects the demand for the Group's bus and rail services. In particular, the revenue of the UK rail operations of the Group is historically correlated with factors such as UK Gross Domestic Product ("GDP") and employment in Central London. In North America, a greater proportion of the revenue from bus operations is derived from tour, charter, and sightseeing services than in the UK and these services tend to be more susceptible to economic changes. A prolonged or severe economic downturn in any of the geographic areas in which the Group operates could adversely affect the revenue and profit of the Group.

Fuel and traction costs

All of the businesses of the Group are exposed to fuel costs, primarily diesel for buses and coaches and either diesel or electricity for rail traction. Fuel prices are subject to significant volatility due to economic, political and climate circumstances. An increase in fuel and traction costs could adversely impact the Group's financial performance and/or financial condition.

Rail cost base

A substantial part of the cost base of the Group's UK Rail Division is fixed as a result of its UK rail franchise agreements under which the Group is obliged to provide a minimum level of train services and is therefore unable to flex supply in response to short-term changes in demand. In addition, a significant part of the cost base is comprised of payments to the infrastructure provider, Network Rail, and payments under train operating leases which are committed and do not vary with revenue. Accordingly, a significant proportion of any adverse change in the Group's revenue (arising, for example, as a result of the circumstances described in respect of terrorism or the economy) will adversely impact profit from the UK Rail Division.

Information technology

The Group relies on information technology ("IT") systems for critical elements of its business, including sales, operations and back office functions. IT failures or interruptions could interrupt the Group's operations and adversely affect its ability to conduct its business.

These IT systems may be disrupted by events including telecommunications and network failures, security breaches, fraud, process failures, computer viruses, computer hacking, malicious attacks or similar events. An increasing proportion of the Group's sales are made digitally. The Group may be unable to process sales or meet sales demand levels in the event of a failure or disruption to the Group's IT systems.

Internet sales are a fundamental part of the Group's strategy with respect to its investment in the megabus.com coach operations. A failure of the Group's IT systems could therefore have a significant

negative impact on the Group's revenues. A major and prolonged website failure could adversely affect the megabus.com brand and provide the Group's competition with a competitive advantage during any period of IT failure or disruption.

The Group relies on third party service providers for IT support and the continued performance and security of these service providers is critical to the Group's business. A failure by third party service providers or the termination of third party contractual arrangements may have an adverse effect on the Group's ability to conduct its business.

Insurance and claims environment

The Group receives claims in respect of traffic, third party liabilities, incidents and employee claims. The Group protects itself against the cost of such claims through third party insurance policies. A portion of the claims is not insured as a result of the "excess" on insurance policies.

There is a risk that the number or magnitude of claims may not be as expected and that the cost to the Group of settling these claims may be significantly higher or lower than expected. In the US, in particular, there is a risk that, given the size of the "excess", a small number of large-value claims could have a material impact on the Group's financial performance and/or financial position.

Management and Board succession

The Group values the continued services of its senior employees, including its directors and management who have skills that are important to the operation of the Group's business. Succession planning for the directors and senior management is an important issue and as such is considered by the Nomination Committee and the Board of Directors of the Issuer. Failure to achieve adequate succession planning could adversely impact the Group's financial performance and/or financial condition.

Terrorism

There have been multiple acts of terrorism on public transport systems and other terrorist attacks that whilst not directly targeting public transport have discouraged travel. There is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident. Such a fall in demand would have a negative effect on the Group's revenue and financial performance.

Catastrophic events

There is a risk that the Group will be involved (directly or indirectly) in a major operational incident resulting in significant human injuries or damage to property. In extreme cases, services could be suspended or structural changes imposed on the Group as a result of regulatory or other action. A series of less severe incidents could have similar consequences. Such events could have a significant impact on claims against the Group, the reputation of the Group and its chances of winning and retaining contracts or franchises and therefore adversely affect the financial performance and financial condition of the Group.

Disease

As a public transport business, the Group could be adversely affected by the outbreak of communicable disease. In recent years there has been concern about the risk of a swine flu pandemic, which follows previous concerns over bird flu and SARS. Since 2014, there has been a heightened risk of an outbreak of Ebola. An outbreak of any such disease could result in reduced demand for the Group's services. Such a fall in demand would have a negative impact on the Group's revenue and financial performance.

Structural Subordination and Dependencies

The Issuer is a holding company and many of the Group's assets and risks attach to companies throughout the Group. The Issuer's ability to meet its financial obligations is dependent upon the availability of cash flows

from members of the Group through dividends, inter-company loans and other payments. Claims by creditors on the assets of subsidiaries and risks affecting subsidiary companies may affect the ability of those subsidiaries to pay dividends or repay inter-company loans and generally to support the Issuer in meeting its obligations under the Bonds.

Breach of rail franchise agreements

The Group is required to comply with certain conditions as part of its rail franchise agreements. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of one or more of the rail franchise agreements. This may result in the relevant operating company losing the right to continue operating the affected operations and, consequently, adversely impact related revenues and cash flows which would in turn adversely impact the Group's business, results of operations and financial position. The Group may also lose the right to continue operating other UK rail operations. The Group may also lose some or all of the amounts set aside as security for the loan facilities, the performance bonds and the season ticket bonds resulting in a requirement to refinance these amounts, which would increase its gross debt and adversely impact the Group's business, results of operations and financial position. The Group can prevent breaches of franchise where it has sole control over operations more effectively than where it has joint control. As the holder of a 49 per cent. joint venture interest in Virgin Rail Group, the Group has less control over the joint venture's operations and this means that the Group's management may be less able to prevent a breach of the Virgin Rail Group franchise agreement.

In addition, the Group's UK rail businesses are subject to complex contractual arrangements. The way in which these contracts are managed can be a significant factor in determining the Group's financial performance.

Treasury risks

The activities of the Group expose it to a variety of financial risks, including the following:

- effects of changes in debt and equity market prices, and interest rates;
- limited transactional currency risk due to the small number of foreign currency transactions entered into by subsidiaries in currencies other than their functional currency; and
- the movement in the underlying price of crude oil, which is the major driver of diesel prices.

In particular, an increase in the price of crude oil will likely increase the Group's operating expenses and could have a negative impact on the Group's financial performance. In addition, a material reduction in the availability of fuel supplies will likely reduce the Group's ability to operate its services and/or result in an increase in the price of fuel, which in each case could have a negative impact on the Group's financial performance.

Risks relating to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds are subject to optional redemption by the Issuer

The Bonds contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks related to the Bonds generally

Set out below is a brief description of certain risks relating to the Bonds generally:

Modification, waivers and substitution

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer in the circumstances described in Condition 11 (Meetings of Bondholders, Modification, Waiver and Substitution).

EU Directive on the Taxation of Savings Income

EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident or to (or secured for) certain other types of entity established in that other EU Member State except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories including Switzerland have adopted similar measures to the Savings Directive (a withholding system in the case of Switzerland).

The Council of the European Union has adopted a Directive (the “**Amending Savings Directive**”) which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the “**Amending Cooperation Directive**”) amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard

released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax.

Pursuant to the conditions of the Bonds, the Issuer is required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

Change of law

The conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Denominations involve integral multiples: definitive Bonds

The Bonds have denominations consisting of a minimum of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. It is possible that the Bonds may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to £100,000.

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Eligibility of the Bonds for Eurosystem Monetary Policy

The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Bonds are upon issue deposited with one of the international central securities depositories (ICSDs) as common safekeeper and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (Eurosystem Eligible Collateral) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer does not give any representation, warranty, confirmation or guarantee to any investor in the Bonds that the Bonds will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in the Bonds should make their own conclusions and seek their own advice with respect to whether or not the Bonds constitute Eurosystem Eligible Collateral.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Bonds are especially sensitive to interest rate, currency or market risks. As such, the Bonds generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

Exchange rate risks and exchange controls

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

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

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit ratings may not reflect all risks

Moody's, Fitch Ratings and S&P have assigned credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to minor amendment, are the Terms and Conditions of the Bonds, substantially as they will appear on the Bonds in definitive form (if issued).

The £400,000,000 4.00 per cent. Bonds due 2025 (the “**Bonds**” which expression shall, in these Terms and Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 12 and forming a single series therewith) of Stagecoach Group plc (the “**Issuer**”) are constituted by a trust deed as at the date of the issue of the Bonds (the “**Issue Date**”), (the “**Trust Deed**”) dated on or about 29 September 2015 between the Issuer and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the “**Bondholders**”). The statements in these Terms and Conditions (“**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed.

The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 28 August 2015 and by resolutions of a duly authorised committee thereof passed on 21 September 2015.

Payments in respect of the Bonds will be made pursuant to an agency agreement (the “**Agency Agreement**”) dated on or about 29 September 2015 and made between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”) and the other paying agents (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional paying agents or successor, successors, assign or assigns as Paying Agents under the Agency Agreement) referred to therein. Copies of the Trust Deed and the Agency Agreement are available for inspection at the specified office for the time being of the Principal Paying Agent, being at the Issue Date, 8 Canada Square, London E14 5HQ. The Bondholders and the holders of the interest coupons (the “**Couponholders**”) appertaining to the Bonds (the “**Coupons**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Agency Agreement.

Capitalised terms used but not defined in these Conditions shall have the meanings provided in the Trust Deed unless, in any case, the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

These Bonds are issued in bearer form, serially numbered, with Coupons attached on issue, in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No definitive Bonds will be issued with a denomination above £199,000.

Title to the Bonds and the Coupons will pass by delivery. The Issuer, the Trustee and the Paying Agents may deem and treat the bearer of any Bond or Coupon as the absolute owner thereof (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or other writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment thereon or on account thereof and for all other purposes.

2 Status

The Bonds and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank without any preference among themselves. The payment obligations of the Issuer under the Bonds and the Coupons shall (subject as aforesaid) rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but in the event of insolvency only to the extent permitted by applicable laws relating to creditors' rights.

3 Negative Pledge

So long as any Bond or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and it will procure, so far as it can by the proper exercise of voting and other rights or powers of control exercisable by it in relation to Subsidiaries, that no Material Subsidiary will, create or have outstanding, any mortgage, charge, lien, pledge or other equivalent or similar security interest (each a “**Security Interest**”) upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee or indemnity in respect of Relevant Indebtedness, without at the same time or prior thereto according to the Bonds, the Coupons and all amounts payable under the Trust Deed, to the satisfaction of the Trustee, either the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness or guarantee or indemnity, as the case may be, or such other Security Interest or other arrangement (whether or not involving the creation of a Security Interest) as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, provided that the provisions of this Condition 3 shall not apply to any Permitted Security Interest.

In these Conditions:

“**Group**” means the Issuer and its Subsidiaries;

“**Material Subsidiary**” means, at any time,

- (a) any Subsidiary of the Issuer whose turnover (excluding intra-Group turnover), as shown in its most recent audited annual accounts (or, where a Subsidiary is not otherwise required to produce annual audited accounts, the latest finalised annual accounts of such Subsidiary, whether audited or not and whether published or not (the “**Relevant Accounts**”)), and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts, exceeds 10 per cent. of the consolidated turnover of the Group, as shown in the Group's most recent consolidated audited annual accounts, and
- (b) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets and undertaking of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) the transferor shall immediately cease to be a Material Subsidiary and (ii) the transferee shall immediately become a Material Subsidiary, provided that on or after the date on which the audited annual accounts (or, if applicable, the Relevant Accounts) for the financial period current at the date of such transfer are published or finalised, whether the transferor or the transferee is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A certificate by two directors of the Issuer (whether or not addressed to the Trustee) that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any particular period a Material Subsidiary may be relied upon by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

“**Permitted Security Interest**” means any Security Interest in respect of any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness, where the Security Interest is over the assets of any company becoming a Material Subsidiary after 29 September 2015, which Security Interest exists at the time such company becomes a Material Subsidiary (other than any such Security Interest created in contemplation thereof) and any such Security Interest created thereafter by such Material Subsidiary in

substitution for the aforesaid Security Interest over assets the value of which, in the opinion of the Trustee (and the Trustee may consult and rely absolutely on advice from a reputable financial and/or legal adviser in this regard and shall not be liable for such reliance), does not exceed the value of the assets subject to such Security Interest immediately prior to such substitution;

“**Relevant Indebtedness**” means any indebtedness for borrowed money which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be (with the agreement of the issuer thereof), quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

“**Subsidiary**” has the meaning ascribed thereto in Section 1159 of the Companies Act 2006.

4 Interest

- (a) The Bonds bear interest from (and including) 29 September 2015 payable annually in arrear on 29 September in each year (each an “**Interest Payment Date**”).
- (b) The interest rate payable on the Bonds shall be the Initial Rate of Interest, subject to adjustment in accordance with the Interest Ratchet (each such adjustment, a “**Rate Adjustment**”). Any Rate Adjustment shall apply in respect of the Interest Period commencing on the Interest Payment Date immediately following the date of the relevant Step Up Event or Step Down Event or, in the case of an Initial Step Up Event, on the Issue Date, until the date on which either a further Rate Adjustment becomes effective or the Bonds cease to bear interest, as the case may be. For the avoidance of doubt, (i) if a Step Up Event and a Step Down Event occur during the same Interest Period, there shall be no adjustment to the rate of interest applicable to the next following Interest Period or thereafter; and (ii) notwithstanding the effect of the other provisions of this Condition 4, a Step Up Event and a Step Down Event may each only occur once during the term of the Bonds.
- (c) The Issuer will cause each Rate Adjustment to be notified to the Principal Paying Agent and the Trustee and notice thereof to be published in accordance with Condition 15 as soon as possible after the occurrence of the relevant Step Up Event or the Step Down Event, as the case may be, but in no event later than the tenth Business Day thereafter.
- (d) Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused. In such event, interest will continue to accrue (after as well as before any judgement) as provided in the Trust Deed.
- (e) If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a day count fraction: (a) the numerator of which is the number of days from (and including) the most recent Interest Payment Date (or from the Issue Date if such period is before the first scheduled Interest Payment Date) to (but excluding) the date of payment; and (b) the denominator of which is the number of days (including the first and excluding the last) in the scheduled Interest Period in which the relevant calculation period falls.
- (f) If one or more of the rating designations employed by each of Moody’s or S&P are changed from those which are described in the definition of “Specified Threshold” below, or if a rating is assigned by another Rating Agency, the Issuer shall determine the rating designation(s) of Moody’s or S&P or such other Rating Agency (as appropriate) as are most equivalent to the prior rating designation(s) of Moody’s or S&P, and this Condition 4 shall be construed accordingly.

The Trustee and the Principal Paying Agent is under no obligation to ascertain whether a Step Down Event or a Step Up Event or any event which could lead to the occurrence of or could constitute a Step

Down Event or Step Up Event has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed or the Agency Agreement to the contrary, the Trustee and the Principal Paying Agent may assume that no change in the Rating or such Step Down Event or Step Up Event or other event has occurred.

In these Conditions:

“**Initial Rate of Interest**” means 4.00 per cent. per annum.

“**Interest Period**” means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

“**Interest Ratchet**” means the following rates of interest:

- (a) upon the occurrence of a Step Up Event: the Initial Rate of Interest plus 1.25 per cent. per annum; and
- (b) upon the occurrence of a Step Down Event: the Initial Rate of Interest.

“**Minimum Rating Requirement**” means that there shall be in existence Ratings equal to or higher than the Specified Threshold from at least two Rating Agencies at any particular time.

“**Moody’s**” means Moody’s Investors Service Limited.

“**Rating**” means a rating of the Bonds.

“**Rating Agency**” means Moody’s or S&P or any other rating agency of equivalent standing specified by the Issuer from time to time and, in each case, their successors but excluding any rating agency providing a Rating on an unsolicited basis.

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

“**Specified Threshold**” means, in relation to Moody’s, Baa3 and in relation to S&P, BBB-.

“**Step Down Event**” means:

- (a) the reinstatement of the Minimum Rating Requirement following the occurrence of a Step Up Event; or
- (b) following an Initial Step Up Event, if the Minimum Rating Requirement is subsequently satisfied.

“**Step Up Event**” means:

- (a) the Bonds do not satisfy the Minimum Rating Requirement on the Issue Date (an “**Initial Step Up Event**”); or
- (b) a failure to meet the Minimum Rating Requirement at any time, unless the Minimum Rating Requirement is again satisfied on the day before the Interest Payment Date immediately following the relevant failure to meet the Minimum Rating Requirement.

5 Redemption and Purchase

(a) *Scheduled redemption*

Unless previously redeemed or purchased and cancelled as provided below, each of the Bonds shall be redeemed at its principal amount on 29 September 2025.

(b) *Redemption or purchase for tax reasons*

If, as a result of any actual or proposed change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, or in the application or official interpretation of such laws, regulations or treaties, which change or amendment becomes effective after 25 September 2015, on the occasion of the next payment of principal or interest in respect of the Bonds, the Issuer would be unable to make such payment, without having to pay additional amounts as provided or referred to in Condition 7, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable) and to the Trustee, purchase or redeem all (but not some only) of the Bonds (other than any Bonds in respect of which a notice has been given pursuant to Condition 5(c)) at their principal amount outstanding together with interest accrued to (but excluding) the date of such purchase or, as the case may be, redemption, provided that no such notice of purchase or, as the case may be, notice of redemption may be given earlier than 45 days before the earliest date on which the Issuer would be required to pay the additional amounts were a payment in respect of the Bonds then due.

It shall be sufficient to establish the existence of the circumstances required to be established pursuant to this Condition 5(b) if the Issuer shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee and in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax or in the application or official interpretation thereof, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Bonds would otherwise be made, becoming so effective, such circumstances would exist and the Trustee shall accept such certificate in which event it shall be conclusive and binding on the Bondholders and Couponholders and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying and/or acting on such certificate.

(c) *Redemption or purchase at the option of the Issuer*

The Issuer may at any time on or after 29 June 2025, on giving not less than 15 nor more than 30 days' notice to Bondholders in accordance with Condition 15, redeem all, but not some only, of the Bonds at their principal amount, together with interest accrued to the date fixed for redemption.

At any time prior to 29 June 2025, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 15, the Issuer may redeem or purchase, and any of its Subsidiaries may purchase, all (but not some only) of the Bonds for the time being outstanding at any time at the Redemption Price (as defined below) together with interest accrued to (but excluding) the date of redemption or, as the case may be, purchase (the “**Repurchase Date**”).

The “**Redemption Price**” shall be the higher of (a) the principal amount outstanding of the Bonds and (b) the principal amount outstanding of the Bonds multiplied by the price (as reported in writing to the Issuer and the Trustee by an independent financial adviser appointed by the Issuer and approved by the Trustee) at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of 2.00 per cent. UK Treasury Gilt due September 2025 (or, where such financial adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend) plus 0.50 per cent. For such purposes, “**Calculation Date**” means the date which is the second Business Day prior to the Repurchase Date

and “**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by such financial adviser.

Any notice given pursuant to this Condition 5(c) shall be irrevocable and shall specify the Repurchase Date. If any such notice has been given, references in these Conditions and the Trust Deed to “principal”, “principal moneys” and “principal amount” shall, unless the context otherwise requires, be deemed to include references to the Redemption Price in relation to any redemption or purchase pursuant to such notice. Upon the expiry of any such notice, the Issuer or the relevant Subsidiary, as the case may be, shall be bound to purchase (and the Bondholders shall be bound to sell) or, as the case may be, redeem the Bonds so called for purchase or, as the case may be, redemption at the applicable Redemption Price on the Repurchase Date together with accrued interest as aforesaid unless previously purchased or redeemed. The Trustee shall rely absolutely on the advice of any financial adviser appointed as provided in this Condition 5(c) and shall not be liable to any person for so doing.

(d) *Redemption at the option of the Bondholders upon a Change of Control Event*

A “**Put Event**” will occur if while any of the Bonds remains outstanding (as defined in the Trust Deed):

- (i) a Change of Control Event occurs; and
- (ii) at any time during the Change of Control Period any rating agency which was a Rating Agency at the commencement of the Change of Control Period or becomes a Rating Agency during the Change of Control Period rates the Bonds as non-investment grade (being at or below, in relation to Moody’s, Ba1 and in relation to S&P, BB+, or their respective equivalents for the time being) and such Rating is not within the Change of Control Period restored to an investment grade rating (being at or above, in relation to Moody’s, Baa3 and in relation to S&P, BBB-, or their respective equivalents for the time being) by such Rating Agency or replaced by an investment grade rating of another Rating Agency, or any rating agency which was a Rating Agency at the commencement of the Change of Control Period or becomes a Rating Agency during the Change of Control Period withdraws its Rating and that Rating is not within the Change of Control Period replaced by an investment grade rating of another Rating Agency, and in each case such Rating Agency announces or publicly confirms or informs the Issuer in writing that such non-investment grade rating or withdrawal of Rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control Event (whether or not the Change of Control Event shall have occurred at the time such Rating is given or such Rating is withdrawn).

Further, (1) if at the time of the commencement of the Change of Control Period the Bonds carry a non-investment grade credit rating (as described above) from any Rating Agency or no credit rating from any Rating Agency, a Put Event will be deemed to occur upon the occurrence of a Change of Control Event alone; provided that (2) if at the time of the commencement of the Change of Control Period the Bonds carry a rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (ii) above will apply, save that for the purposes of this proviso, references in sub-paragraph (ii) above to “any rating agency” shall be deemed not to include any rating agency which did not assign an investment grade rating to the Bonds at the commencement of the Change of Control Period.

If a Put Event occurs (unless the Issuer has given notice under Condition 5(b) or Condition 5(c)):

- (i) the Issuer shall give notice (a “**Put Event Notice**”) to the Bondholders in accordance with Condition 15 and the Trustee specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(d); and
- (ii) the holder of each Bond will have the option to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Bond on the Put Date (as defined below) at its principal amount, together with any interest accrued up to (but excluding) the Put Date.

For the purpose of this Condition 5(d):

A “**Change of Control Event**” shall occur if any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person(s) acting on behalf of any such person(s) (the “**Relevant Person**”) at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or a Holding Company or (b) such number of shares in the capital of the Issuer or a Holding Company as carry more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer or such Holding Company, as the case may be, *provided that* a Change of Control Event shall not occur if all or substantially all of the shareholders of the Relevant Person immediately after the event which would otherwise have constituted a Change of Control Event are the shareholders of the Issuer or any Holding Company in either case immediately prior to the event which would otherwise have constituted a Change of Control Event with the same (or substantially the same) *pro rata* interests in the share capital of the Relevant Person as such shareholders had in the share capital of the Issuer or such Holding Company immediately prior to such event;

“**Change of Control Period**” means the period:

- (a) commencing on the date that is one Business Day before the earlier of (a) the date of the relevant Change of Control Event and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any); and
- (b) ending 90 days after the date of the Change of Control Event or such longer period for which the Bonds are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control Event and such period not to exceed 60 days after the public announcement of such consideration);

“**Holding Company**” means any company of which the Issuer is a Subsidiary;

“**Relevant Potential Change of Control Announcement**” means any formal public announcement or statement by or on behalf of the Issuer or any Holding Company, or any actual or potential bidder or any adviser thereto relating to any potential Change of Control Event where, within 90 days of the date of such announcement or statement, a Change of Control Event occurs.

Such option may be exercised by the holder delivering its Bond(s), on any Business Day falling within the period (the “**Put Period**”) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Notice**”) and in which the holder may specify a bank account (in the currency of the Bonds) to which payment is to be made under this Condition 5(d).

The Bonds should be delivered together with all Coupons appertaining thereto maturing after the date (the “**Put Date**”) falling seven days after the expiry of the Put Period. The Paying Agent to which such Bond and Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in

respect of the Bond so delivered. Payment in respect of any Bond so delivered will be made, if the holder duly specified a bank account (in the currency of the Bonds) in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of Condition 6 and certain other purposes specified in the Trust Deed, receipts issued pursuant to this Condition 5(d) shall be treated as if they were Bonds. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Bonds on the Put Date at their principal amount, together with any interest accrued up to (but excluding) the Put Date unless previously redeemed or purchased.

If 80 per cent. or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to the foregoing provisions of this Condition 5(d), the Issuer may, on not less than 30 or more than 60 days' notice to the Bondholders given within 30 days after the Put Date, redeem or, at the option of the Issuer, purchase (or procure the purchase of) the remaining Bonds as a whole at a redemption price of the principal amount thereof plus interest accrued to but excluding the date of such redemption.

If the rating designations employed by Moody's or S&P are changed from those which are described in this Condition 5(d), or if a Rating is assigned by another Rating Agency, the Issuer shall determine the ratings designation(s) of Moody's or S&P or such other Rating Agency (as appropriate) as are most nearly equivalent to the prior rating designations of Moody's or S&P, and this Condition shall be construed accordingly.

(e) *Purchases*

Notwithstanding Conditions 5(a),(b), (c) and (d) above, the Issuer or any of its Subsidiaries may at any time purchase Bonds at any price and in any manner, provided that all unmatured Coupons are purchased therewith. Bonds held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle the holder to vote at any meetings of the Bondholders and such Bonds shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Bondholders or for the purposes of Condition 8, Condition 9 and Condition 11.

(f) *Cancellation*

All Bonds redeemed by the Issuer will be cancelled or held for cancellation (together with all unmatured Coupons attached thereto or surrendered therewith) and may not be re-issued or re-sold. Bonds purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or the relevant Subsidiary, be cancelled (together with all unmatured Coupons purchased therewith) or may be held, re-issued or re-sold.

6 Payments

Payments of principal and interest in respect of Bonds will be made against presentation and surrender or (in the case of part payment only) endorsement of Bonds, or in the case of payments of interest due on each 29 September against presentation and surrender or (in the case of part payment only) endorsement of Coupons, at the specified office of any Paying Agent. All such payments shall be made at the option of the holder by transfer to a sterling account maintained by the payee with, a bank in London. Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions in Condition 7.

Each Bond should be presented for payment together with all unmatured Coupons appertaining thereto. Upon the date on which any Bond becomes due and payable, all unmatured Coupons appertaining to the Bond (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

If the date for redemption is not 29 September in any year, the interest accrued from the last preceding 29 September shall be payable only against presentation of the relevant Bond.

If the due date for payment of any Bond or Coupon or any later date upon which a Bond or Coupon is presented for payment is not a Business Day then the holder thereof shall not be entitled to payment of the amount due until the next following day which is a Business Day or to any further interest or other payment in respect of such delay.

In these Conditions, “**Business Day**” shall mean, in relation to any Bond or Coupon, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) (i) (in the case of Condition 5(d)) in the place where such Bond or Coupon is delivered; (ii) (in the case of this Condition 6) in the place where such Bond or Coupon is presented for payment, and, in the case of payment by transfer to a sterling account as referred to above, in London; or (iii) in any other case, in London.

The names of the initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to terminate or to vary the appointment of any Paying Agent and may appoint additional or other Paying Agents, provided that: (a) there will at all times be a Principal Paying Agent; (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Bonds are admitted to official listing on the London Stock Exchange, shall be London or such other place as the UK Listing Authority may approve; (c) the Issuer ensures that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive and (d) insofar as the Issuer would be obliged (but for the provisions of Condition 7(a)) to pay additional amounts pursuant to Condition 7 upon presentation of the Bonds or Coupons (as the case may be) for payment in the United Kingdom, there will at all times be a Paying Agent within continental Europe. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will promptly be given by the Issuer to the Bondholders in accordance with Condition 15.

7 Taxation

All payments in respect of the Bonds and Coupons shall be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by, or on behalf of, the United Kingdom or any political sub-division thereof or by any authority therein or thereof having the power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds or Coupons after such withholding or deduction shall equal the amounts which would have been received in respect of the Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (a) presented for payment in the United Kingdom; or
- (b) presented for payment by, or on behalf of, a holder who is liable for or subject to such Taxes in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or

- (c) to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction if such holder presented any form or certificate or made a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except and to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Business Day (as referred to in Condition 6); or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive; or
- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union.

As used herein the “**Relevant Date**” means the date on which such payment first becomes due, but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 15. Any reference herein to amounts in respect of the Bonds and Coupons shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 or under any undertakings given in addition, or in substitution to this Condition 7 pursuant to the Trust Deed.

8 Repayment upon Event of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), subject (save for the event referred to in paragraphs (a) and (g) or, in relation to the Issuer, (c), (d), (e) and (f) below) to the Trustee having certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders, give notice to the Issuer that the Bonds are, and they shall accordingly immediately become, due and payable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an “**Event of Default**”) shall occur:

- (a) if default is made for a period of five Business Days or more in payment of any principal or interest due in respect of the Bonds or Coupons or any of them; or
- (b) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation or notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (c) if a final order is made or an effective resolution is passed for the winding up of, or an administration order is made in relation to, the Issuer or a Material Subsidiary and, where possible, not discharged or stayed within a period of 60 days (save (a) with the prior written consent of the Trustee or the prior sanction of an Extraordinary Resolution of the Bondholders in each case for the purposes of or in

connection with an amalgamation, reconstruction or merger, or (b) for a voluntary solvent winding-up where surplus assets are available for distribution and are distributed to the Issuer and/or a Subsidiary or Subsidiaries); or

- (d) if the Issuer ceases to carry on the whole or substantially the whole of its business, or if the Issuer or any Material Subsidiary stops payment to its creditors generally (save (a) with the prior written consent of the Trustee or with the prior sanction of an Extraordinary Resolution of the Bondholders in each case for the purposes of or in connection with an amalgamation, reconstruction or merger, or (b) for a voluntary solvent winding-up where surplus assets are available for distribution and are distributed to the Issuer and/or a Subsidiary or Subsidiaries); or
- (e) if an encumbrancer takes possession or an administrative or other receiver is appointed of the Issuer or any Material Subsidiary or of the whole or substantially the whole of the undertaking, property and assets of the Issuer or any Material Subsidiary or if a distress or execution is levied or enforced upon or sued out against the whole or substantially the whole of the chattels or property of the Issuer or any Material Subsidiary and, in the case of any of the foregoing events, is not discharged within 30 days (or such longer period as the Trustee may permit); or
- (f) if the Issuer or any Material Subsidiary is, or is deemed to be, unable to pay its debts within the meaning of Section 123 (1) (e) or Section 123 (2) of the Insolvency Act 1986; or
- (g) if any Indebtedness of the Issuer or any Material Subsidiary is not paid on its due date (or, in the case of Indebtedness of the Issuer or any Material Subsidiary payable on demand, is not paid within five Business Days of such demand (or, in either case, if later and if applicable, by the expiry of any originally applicable grace period)) or becomes due and payable prior to its stated maturity by reason of default, or if any guarantee or indemnity in respect of Indebtedness of any third party given by the Issuer or any Material Subsidiary is not honoured when due and called upon (or, if later and if applicable, by the expiry of any originally applicable grace period) provided that no event described in this Condition 8(g) shall constitute an Event of Default unless the Indebtedness or other relevant liability (either alone or when aggregated with other Indebtedness and/or other relevant liabilities of the Issuer and any Material Subsidiaries in respect of which any such non-payment, default or dishonour has occurred) shall amount to at least £50,000,000 (or its equivalent in any other currency).

For the purposes of this Condition 8, “**Indebtedness**” means indebtedness for borrowed money.

9 Enforcement

The Trustee may at its discretion institute such proceedings as it may think fit to enforce the obligations of the Issuer under the Bonds, the Coupons and Trust Deed, but it shall not be bound to institute any such proceedings or to take any other step or action unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

10 Prescription

Bonds and Coupons will become void unless presented for payment within ten years and five years respectively from the Relevant Date (as defined in Condition 7) for payment thereof.

11 Meetings of Bondholders, Modification, Waiver and Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than one half in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds for the time being outstanding so held or represented. An Extraordinary Resolution will be passed if approved by three-quarters or more of the votes cast at the relevant meeting, and will be binding on all Bondholders, whether or not they were present at the meeting, and on all Couponholders. The Trust Deed does not contain any provisions requiring higher quorums in any circumstances.

The Trust Deed contains provisions for an Extraordinary Resolution to take the form of an instrument or instruments signed by the holder or the holders of three-quarters or more in principal amount of the Bonds for the time being outstanding.

(b) Modification and Waiver

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error.

(c) Substitution

The Trustee may also agree without consent of the Bondholders or Couponholders as aforesaid to the substitution of a Subsidiary or successor in business or holding company (each as defined in the Trust Deed) of the Issuer in place of the Issuer (or of any previous substitute) as principal debtor under the Trust Deed, the Bonds and the Coupons, subject to the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced thereby and to such other amendments to the Trust Deed and such other conditions as the Trustee may require.

(d) Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or to the Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to

the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Bondholders and Couponholders and, unless the Trustee agrees otherwise, any such substitution shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

12 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds or notes either ranking *pari passu* in all respects (or in all respects save for the amount of and/or the date from which interest accrues thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds or notes of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may at the time of issue thereof determine. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

13 Replacement of Bonds and Coupons

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, upon payment by the claimant of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses incurred in connection therewith (including the fees and expenses of the Principal Paying Agent and its designated agents) and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

14 Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from instituting proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction.

15 Notices

All notices regarding the Bonds shall be valid if published in a newspaper of general circulation in London (which is expected to be the *Financial Times*) or any other daily newspaper in London approved by the Trustee. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If notices cannot be given by publication as aforesaid they will be given in such other manner, and be deemed to have been given on such date, as the Trustee shall approve.

16 Governing Law and Jurisdiction

The Trust Deed, the Bonds and the Coupons and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Bonds or the Coupons and accordingly any legal action or proceedings arising out of

or in connection with the Trust Deed, the Bonds or the Coupons (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

17 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

*The Bonds will be represented initially by a single temporary global bond in bearer form, without interest coupons (the “**Temporary Global Bond**”) which will be issued in new global note (“**NGN**”) form. The Temporary Global Bond will be exchangeable on or after 9 November 2015 for a permanent global bond in bearer form, without interest coupons, (the “**Permanent Global Bond**” and, together with the Temporary Global Bond, the “**Global Bonds**”) upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Bond. The Global Bonds will be exchangeable for definitive Bonds with Coupons attached only in the limited circumstances specified therein (the “**Definitive Bonds**”).*

Bonds and Coupons will bear the following legend: ‘Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.’

The Global Bonds contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of certain of those provisions.

1 Nominal Amount and Exchange

The nominal amount of the Bonds shall be the aggregate amount from time to time entered in the records of Euroclear and/or Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (the “**Alternative Clearing System**”) (each a “**relevant Clearing System**”). The records of each relevant Clearing System shall be conclusive evidence of the nominal amount of Bonds represented by the Global Bonds and a statement issued by any relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time.

The Temporary Global Bond is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing System in the Permanent Global Bond on or after a date which is expected to be 9 November 2015 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for Definitive Bonds only if:

- (a) an Event of Default (as set out in Condition 8 (Repayment in Event of Default)) has occurred; or
- (b) any relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no Alternative Clearing System satisfactory to the Trustee is available; or
- (c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) of the United Kingdom or as a result of a change in the practice of any relevant Clearing System which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Bondholders, of its intention to exchange the Permanent Global Bond for Definitive Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Bond may or, in the case of (c) above, shall surrender the Permanent Global Bond to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of Definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Bond, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Bonds.

In the event that a Global Bond is exchanged for Definitive Bonds, such Definitive Bonds shall be issued in minimum denominations of £100,000 and higher integral multiples of £1,000 up to a maximum of £199,000, but will in no circumstances be issued to Bondholders who hold Bonds in the relevant Clearing System in amounts that are less than £100,000.

In this Prospectus, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant Clearing System is located.

2 Payments

On and after 9 November 2015, no payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal, premium and interest in respect of Bonds represented by a Global Bond will be made to its holder. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System, and, in the case of payments of principal, the nominal amount of the Bonds will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Payments of interest on the Temporary Global Bond (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3 Notices

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of a relevant Clearing System, notices to Bondholders may be given by delivery of the relevant notice to that relevant Clearing System for communication to the relative Accountholders rather than by publication as required by Condition 15 (Notices) provided that, so long as the Bonds are admitted to listing by the UK Listing Authority and admitted to trading on the London Stock Exchange, the requirements of the UK Listing Authority have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day which is one business day, being a day on which banks are generally open, in Brussels or Luxembourg, as the case may be, after the date on which such notice is delivered to the relevant Clearing System as aforesaid.

Whilst any of the Bonds held by a Bondholder are represented by a Global Bond, notices to be given by such Bondholder may be given by such Bondholder (where applicable) through the relevant Clearing System and otherwise in such manner as the Principal Paying Agent and the relevant Clearing System may approve for this purpose.

4 Accountholders

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of a relevant Clearing System, each person (other than a relevant Clearing System) who is for the time being shown in the records of the relevant Clearing System as the holder of a particular principal amount of such Bonds (each an “**Accountholder**”) (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders and giving notice to the Issuer pursuant to Condition 5(d) (Redemption and Purchase — Redemption at the option of the Bondholders upon a Change of Control Event) and Condition 8 (Repayment in Event of Default) other than with respect to the payment of principal, premium and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to the relevant Clearing System for its share of each payment made to the bearer of the relevant Global Bond.

5 Prescription

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (Taxation)).

6 Cancellation

On cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing System and, upon such entry being made, the principal amount of the applicable Global Bond recorded in the records of the relevant Clearing System shall be reduced by the aggregate principal amount of the Bonds so cancelled.

7 Put Option

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of any relevant Clearing System, the option of the Bondholders provided for in Condition 5(d) (Redemption and Purchase — Redemption at the option of the Bondholders upon a Change of Control Event) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of the relevant Clearing System (which may include notice being given on his instructions by any relevant Clearing System for them to the Principal Paying Agent by electronic means) of the principal amount of the Bonds in respect of which such option is exercised.

The Issuer shall procure that any exercise of any option or any right under the Bonds, as the case may be, shall be entered in the records of the relevant Clearing System and upon any such entry being made, the principal amount of the Bonds represented by the Permanent Global Bond shall be adjusted accordingly.

8 Meetings

At any meeting of Bondholders the holder of a Global Bond will be treated as having one vote in respect of each £1,000 in principal amount of Bonds for which such Global Bond may be exchanged.

9 Authentication and Effectuation

The Temporary Global Bond and the Permanent Global Bond shall not become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Principal Paying Agent and effectuated by the entity appointed as Common Safekeeper by the Principal Paying Agent.

10 Euroclear and Clearstream, Luxembourg

Bonds represented by a Global Bond are transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

DESCRIPTION OF THE ISSUER

Company overview

Stagecoach Group plc is the ultimate parent company of the Stagecoach group of companies. The Group is a leading international public transportation group, with extensive operations in the UK, continental Europe, the United States and Canada. The Group employs approximately 39,000 people, and operates bus, coach, train and tram services.

The Group has four main divisions - UK Bus (regional operations), UK Bus (London), North America and UK Rail. Stagecoach Group plc is a public limited company that is incorporated, domiciled and has its registered office in Scotland with registered number SC100764. Its ordinary shares are publicly traded and it is not under the control of any single shareholder.

Stagecoach Group plc is referred to as the “**Company**” or the “**Issuer**” and the Group headed by it is referred to as “**Stagecoach**” or the “**Group**”.

History of the Group

The Group was founded by Brian Souter and Ann Gloag in 1980. Stagecoach Group plc was incorporated as a private company under the laws of Scotland on 4 September 1986 under the name Stage-Coach Holdings Limited and re-registered as a public company in 1991. The Company’s ordinary shares were listed on the London Stock Exchange in 1993. The Company’s name was changed to Stagecoach Group plc in 2001. The Company has an indefinite life.

The Group has grown rapidly through both acquisition and organic growth. Initial growth was built on the deregulation of inter-city bus services in the UK under the UK Transport Act 1980. The UK Transport Act 1985 deregulated all bus services in the UK other than in London and resulted in the privatisation of a number of publicly owned companies. Following consolidation within the UK bus market the Group began to pursue expansion opportunities overseas. The Group subsequently withdrew from a number of markets but continues to operate in the United States and Canada. In 1995 and 1996 the Group was active in the privatisation of British Rail and expanded into the UK Rail market.

Stagecoach has a strong record of delivering shareholder value through a combination of organic growth, acquisitions and returning significant cash to shareholders. A key driver of growth in profits has been the UK bus business and Stagecoach has been highly successful at driving organic growth and improving margins within that business. Stagecoach has also invested significant capital in ensuring that its bus fleet remains one of the youngest and most modern in the UK. In addition, Stagecoach has been opportunistic in successfully acquiring and integrating UK regional bus businesses to further drive growth.

UK Bus (regional operations)

The Group’s UK Bus (regional operations) division connects communities in more than 100 towns and cities across the UK on bus networks stretching from the Highlands of Scotland to south west England. These include major city bus operations in Liverpool, Newcastle, Hull, Manchester, Oxford, Sheffield, Cambridge and Exeter.

The current structure of the bus market in Great Britain (outside London) was established by the Transport Act 1985. This is essentially a deregulated structure: any holder of a Public Service Vehicle operator’s licence may operate bus services, having first registered various details with the relevant traffic commissioner. The

traffic commissioners are responsible for enforcing compliance with these registered details, including standards of maintenance, reliability and punctuality.

The Group's UK Bus (regional operations) division operates a fleet of around 7,200 buses across a number of regional operating units. Each regional operating unit is managed independently and is led by a managing director.

Stagecoach also operates inter-urban services linking major towns within its regional operating company areas. The Group also runs the budget inter-city coach service, megabus.com, and a small but growing proportion of the division's services are megabus.com links to and within continental Europe. The UK Bus (regional operations) division's bus and coach services are operated on a commercial basis in a largely deregulated market. The division also operates tendered services, including schools contracts, on behalf of local authorities. Around 11 per cent. of the UK Bus (regional operations) revenue is receivable from local authorities in respect of such tendered and school services. Around 24 per cent. of the UK Bus (regional operations) division's revenue is earned from concessionary fare schemes, whereby the Group is reimbursed by public authorities for carrying the elderly and disabled free of charge.

UK Bus (London)

In October 2010, Stagecoach re-entered the London bus market through the acquisition of the bus business formerly owned by East London Bus Group Limited (in administration), acquiring four companies that together operate the business.

The Group is the fourth largest operator in the London bus market, with an estimated 15 per cent. share of that market. The business operates from nine depots and has a fleet of around 1,300 buses serving routes in and around east and south-east London.

The UK Bus (London) business operates bus services under contract to Transport for London, receiving a fixed fee (subject to adjustment for certain inflation indices) in exchange for the cost and capital risk involved in running such services. Bus operators tender to win contracts and each contract is typically for a five-year period with the potential for it to be extended by two years. The UK Bus (London) division currently has over 80 separate contracts to provide bus services on behalf of Transport for London – this spreads the division's risk of financial performance being adversely affected when a contract expires and the business is unsuccessful in winning the replacement contract.

North America

Stagecoach's North America division provides bus and coach transport services in the United States and Canada through, among others, its Coach USA and Coach Canada brands. The Group's businesses include commuter/transit services, inter-city services, tour, charter and sightseeing operations. The North America business also operates megabus.com, a low-cost inter-city coach operator. The Group disposed of its main North American school bus interests in 2011.

The North America business is headed by a chief operating officer. Stagecoach (excluding its joint ventures) operates approximately 2,400 vehicles in the United States and Canada.

The North America business operates some businesses on a commercial basis in a largely deregulated market. It also operates some tendered services for local authorities and services contracted by corporations.

UK Rail

The Group has major rail operations in the UK. The UK rail operating market is split into a number of separate franchises, which are awarded by the UK Government for set time periods to a specification set by the UK Department for Transport (“**DfT**”) on the basis of competitive bids. Train operating companies operate passenger trains on the UK rail network. The UK railway infrastructure is owned and operated by Network Rail, a “not for dividend” company that invests any profits into improving the railway. Network Rail runs, maintains and develops tracks, signalling systems, bridges, tunnels, level crossings and key stations.

The Group’s principal wholly owned rail businesses are South West Trains and East Midlands Trains. South West Trains runs train services in south west England out of London Waterloo railway station, and operates Island Line services on the Isle of Wight. The South West franchise is contracted to run until February 2017 and the DfT has indicated that it expects to exercise its pre-contracted option to extend the franchise to June 2017. Since 11 November 2007, the Group has operated the East Midlands Trains franchise. The franchise comprises main line train services running to London St Pancras, regional rail services in the East Midlands area and inter-regional services between Norwich and Liverpool. The East Midlands Trains current franchise is contracted to run until October 2015 with a new franchise agreed with the DfT which will commence on 18 October 2015 and run until 4 March 2018, with the option for a one-year extension at the discretion of the DfT. Stagecoach has a 90 per cent. share in the Virgin Trains East Coast business with the Virgin Group of Companies holding the remaining 10 per cent. The Virgin Trains East Coast franchise began in March 2015 and is planned to run until 31 March 2023, with the option for a one-year extension at the discretion of the DfT. It provides inter-city train services between London and a number of locations including Edinburgh, Newcastle, Leeds and York. The Group also operates Supertram, a 28km light rail network incorporating three routes in the city of Sheffield, on a concession running until 2024.

South West Trains, East Midlands Trains, Virgin Trains East Coast and the Supertram operation each has a managing director, who reports to the Group’s Chief Executive.

The Group has submitted its bid for a new Transpennine Express franchise and its joint venture with Abellio is shortlisted to bid for a new East Anglia franchise. The successful bidder for Transpennine Express is expected to be announced in December 2015, with the franchise commencing in April 2016. The winner of the new East Anglia franchise is expected to be announced in June 2016, with the franchise commencing in October 2016.

Joint Ventures

Virgin Rail Group

The Group has a 49 per cent. shareholding in Virgin Rail Group, which operates the West Coast Trains rail franchise. The current West Coast Trains rail franchise runs until March 2017 and the UK Government has an option to extend it by a further year. The other shareholder in Virgin Rail Group is the Virgin Group of Companies.

Stagecoach’s Chief Executive is Joint Chairman of Virgin Rail Group. Virgin Rail Group has a managing director, who reports to the Virgin Rail Group board, which includes Stagecoach Group and Virgin Group representatives.

Scottish Citylink Coaches Limited

In Scotland, Stagecoach has a joint venture (Scottish Citylink Coaches Limited) with international transport group, ComfortDelGro, to operate the Scottish Citylink express network and megabus.com branded services to, from and within Scotland. Stagecoach owns 35 per cent. of the share capital of Scottish Citylink Coaches Limited and ComfortDelGro owns the remaining 65 per cent. The joint venture is the leading provider of

express coach services in Scotland. Stagecoach is responsible for the day-to-day operational management of the business, which is overseen by a joint board.

Twin America

In North America, Stagecoach has a joint venture, Twin America LLC (“**Twin America**”), with CitySights NY. The joint venture principally operates sightseeing bus services in New York under both the Gray Line and CitySights brands. The Group holds 60 per cent. of the economic rights and 50 per cent. of the voting rights in the joint venture. Twin America is headed by a chief executive and overseen by a joint Board.

Resources and relationships

The Group has a range of resources and relationships that underpin its business and support its strategy. These assist in giving the Group a competitive advantage in the markets in which it operates. The Group continues to invest in the areas listed below to maintain its position among the market leaders in the public transportation sector:

Customers

Millions of people use the Group’s services and relationships with customers are therefore important to Stagecoach. To deliver organic growth in revenue, a key element of the Group’s strategy, Stagecoach needs to provide services that people want to use.

The Group conducts customer research to monitor its performance and to determine how it can improve the delivery and accessibility of its services. The Group is passionate about providing good customer service and its businesses have regular and on-going discussions with bus and rail user groups. This includes presentations from managers on detailed aspects of its service as well as consultation and information sharing on particular issues.

An important element of the Group’s success in growing its customer base lies in its record of product innovation and new ideas on developing effective public transport systems. The Group has an on-going programme of market research. The Group has a dedicated telemarketing unit in the UK that communicates with current customers and non-users to build a detailed profile of what attracts people to use its services.

Employees

Human resources are key to the Group’s business and the Group’s relationship with its employees is therefore fundamental to achieving its objectives. The Group aims to recruit and retain the best employees in its sector, offering an excellent package of benefits, which allows it to deliver good customer service to its passengers. The Group’s individual divisions invest significantly in the training and development of its people and the Group operates a successful graduate training scheme which provides one source of training for the managers of the future. The Group has established strong working relationships with trade unions and works in partnership with them on a range of issues, including training and development, occupational health matters, pensions and other employee benefits. The Group also communicates with its people face to face and through a number of internal publications.

The financial community

The Group’s shareholders and lenders are critical to its business success. The Group has a regular programme of meetings with investors and provides frequent updates to the markets and financial community on its performance.

The Group has contractual arrangements with banks and other finance providers for the provision of funds and financial products to the Group.

Government and regulatory bodies

The Group's managers have on-going relationships with national and local government in its main countries of operation to ensure the effective delivery of government transport policy and to assist in meeting wider objectives. Stagecoach works with local authorities, including passenger transport executives, regional transport committees and transit authorities, in the delivery and planning of bus and rail services. Many of the Group's businesses have partnership agreements in place to improve the delivery of public transport in their areas. In the UK, the Group works closely with the DfT, the Scottish Government, Transport Scotland, the Welsh Government, and Transport for London.

The Group contracts with local authorities, government bodies and other parties for the supply of bus services on a contracted or tendered basis. It has franchise agreements with the DfT governing the supply of franchised rail services in the UK.

The Group has constructive dialogue with organisations such as the Commission for Integrated Transport, which provides advice to the UK Government, and lobbying groups such as the Campaign for Better Transport.

Suppliers

The Group relies on a range of suppliers to provide goods and services linked to its bus and rail operations. All of its businesses have various contractual relationships with suppliers, including purchase contracts with fuel suppliers, vehicle suppliers, IT companies and spare part suppliers.

The operation of the Group's rail franchises depends upon a number of contractual relationships with suppliers, including contracts with Network Rail governing station and track access arrangements, leases with rolling stock companies for the lease of trains and maintenance contracts for the maintenance of trains.

IT is increasingly important to effectively operate the Group's services and to meet customer expectations. Significant investment, internal management resource and external supplier input is made in developing and operating IT systems.

Corporate reputation, brand strength, and market position

Stagecoach is one of the best-known public transport operators in the UK and is consistently rated highly for the quality of its services in research by independent organisations. The Group values its reputation, both as a public transport provider and as a key part of the communities in which it operates. Stagecoach has a strong set of brands that support its strategy of organic growth in its business and that help maintain its leading market position.

Natural resources and manufacturing technology

Operating the Group's bus and rail services requires considerable use of natural resources, including diesel, and electricity. The Group has arrangements in place to ensure that these resources are sourced as efficiently as possible and that its supplies are maintained to ensure the smooth functioning of the business. A number of experienced manufacturers supply the Group's buses, coaches, trains and trams, which are produced to detailed specifications relevant to the individual markets in which they are required.

Licences

Various licences are held by Stagecoach giving authority to operate its public transport services and these are maintained up to date as required.

Transport and Industry Representation Groups

The Group is an active member of industry groups, such as the Confederation of Passenger Transport UK (which covers buses and light rail), the Rail Delivery Group and the American Bus Association.

Group business objectives and long-term strategy

The key elements of the Group's business strategy to deliver long-term shareholder value are:

- To deliver organic growth across all of the Group's operations by providing safe, reliable, good quality, customer-focused transport services that deliver a positive customer experience at a reasonable price;
- To acquire businesses that are complementary to the Group's existing operations, in areas where the Group's management has proven expertise and which offer prospective returns on capital in excess of the Group's weighted average cost of capital;
- In addition to organic and acquisition growth, to maintain and grow the Group's business by bidding for selected rail franchises and bus contracts and to seek to secure new franchises and contracts where the risk/return trade-off is acceptable.

Recent Developments

Trading update

On 26 August 2015, the Group published a trading update, covering available information for the period to the date of the announcement. The Group stated in that announcement, among other matters, that:

- i) "Recent trading has been consistent with our expectations and there is no change to the adjusted earnings per share that we are anticipating for the year ending 30 April 2016".
- ii) "Consolidated net debt has, as expected, increased from 30 April 2015, reflecting additional investment in our bus fleet and the reversal of some favourable UK Rail working capital timing difference in the previous financial year, partly offset by continued strong cash generation from operations".

The announcement also included brief comments on the performance of each of the Group's major divisions.

Litigation

In December 2012, the United States Department of Justice (the "**Department of Justice**") and the Attorney General of the State of New York initiated legal proceedings against Twin America and its joint venture parties, which include two Stagecoach US subsidiaries, and others alleging that the formation of Twin America in 2009 was anticompetitive. Several private actions were also filed in relation to this matter.

In March 2014, Twin America and lawyers for the private plaintiffs reached agreement on a settlement of US\$19m (without any admission of liability by Twin America). The court has approved this settlement. The settlement binds all claimants except those that expressly opted out of the class of plaintiffs. The deadline for opt-outs and for objections to the settlement has passed. Four individuals opted out, and there were no objections.

The Group is pleased that a settlement has now also been agreed with the Department of Justice and the New York Attorney General's office. The settlement envisages cash payments by the defendants of US\$7.5m and the relinquishment of certain bus stop rights. Costs associated with the litigation were previously recognised as exceptional items. An exceptional pre-tax charge of £2.5m was recognised in the second half of the year ended 30 April 2015 in respect of the Group's share of the additional costs associated with this litigation. For the year ended 30 April 2015 as a whole, the Group has recorded exceptional pre-tax charges of £5.8m in respect of litigation related to Twin America. Related to the Twin America litigation, the Department of Justice is continuing to investigate the conduct of company personnel in responding to discovery obligations

in the investigation and litigation. The Department of Justice has not taken any enforcement action related to these issues, and the Group is co-operating with the investigation. The Group will continue to co-operate fully with the authorities in respect of any further matters related to the Twin America litigation.

Directors and Business Address of the Issuer

The business address of the Issuer is 10 Dunkeld Road, Perth, Perthshire, Scotland PH1 5TW and its telephone number is +44(0)1738 442111.

The directors of the Issuer, whose business addresses are the same as the business address of the Issuer, are:

Name	Title and principal activities outside the Group (if any)
Sir Brian Souter.....	Chairman Souter Investments (Chairman) Vice-President of the Institute of Chartered Accountants of Scotland
Martin Griffiths	Chief Executive Virgin Rail Group Holdings Limited (Co-Chairman) AG Barr plc (Non-Executive Director) Rail Delivery Group Limited (Chairman)
Ross Paterson.....	Finance Director Virgin Rail Group Holdings Limited (Director and Chairman of Audit Committee) Business Policy Committee of the Institute of Chartered Accountants of Scotland (Member)
Sir Ewan Brown CBE	Non-Executive Director Scottish Financial Enterprise (Chairman) Noble Grossart Holdings Limited (Non-Executive Director) Senior Governor of the University of St Andrews
Gary Watts MBE.....	Non-Executive Director Spire Healthcare Group plc (Non-Executive Chairman) BTG plc (Chairman) Foxtons Group plc (Chairman) Coca-Cola Enterprises, Inc (Non-Executive Director)
Gregor Alexander	Non-Executive Director SSE plc (Finance Director) Scotia Gas Networks (Chairman)
Ann Gloag OBE.....	Non-Executive Director Mercy Ships (International Board Member)
Helen Mahy CBE.....	Non-Executive Director The Renewables Infrastructure Group Limited (Chair) Bonheur ASA (Non-Executive Director) Ganger Rolf ASA (Non-Executive Director) SVG Capital plc (Non-Executive Director)
Phil White CBE.....	Non-Executive Director Lookers plc (Non-Executive Chairman)

Name	Title and principal activities outside the Group (if any)
	Kier Group plc (Non-Executive Chairman)
	Unite Group plc (Non-Executive Chairman)
	Vp plc (Non-Executive Director)
Will Whitehorn.....	Non-Executive Director
	Speed Communications (Chairman)
	Scottish Exhibition Centre Limited (Chairman)
	ILN Group (Non-Executive Director)
	First Minister of Scotland's 'GlobalScot' Business Mentoring Network (Member)
	Writtle Holdings Limited Advisory Board (Member)
	Science Technology Facilities Council (STFC) (Member)
	Economic Impact Advisory Board of STFC (Chairman)
	STFC Innovations Limited (Non-Executive Director)
	Transport Systems Catapult Limited (Chairman)
	Chartered Institute of Logistics and Transport (Vice-President and Fellow)

Potential conflicts

Noble Grossart Holdings Limited

Sir Ewan Brown is a former executive director and current non-executive director of Noble Grossart Holdings Limited. Noble Grossart Investments Limited, a subsidiary of Noble Grossart Holdings Limited, holds shares in the Issuer.

Alexander Dennis Limited

The Group purchases vehicles, spare parts and other services from Alexander Dennis Limited. Sir Brian Souter and Ann Gloag hold shares and voting rights in Alexander Dennis Limited (collectively 55.1 per cent. as at 30 April 2015). Noble Grossart Investments Limited controls further shares and voting rights of Alexander Dennis Limited (33.2 per cent. as at 30 April 2015). None of Sir Brian Souter, Ann Gloag or Sir Ewan Brown is a director of Alexander Dennis Limited nor do they have any involvement in the management of Alexander Dennis Limited. Furthermore, they do not participate in deciding on and negotiating the terms and conditions of transactions between the Group and Alexander Dennis Limited. For new orders placed with Alexander Dennis Limited for vehicles, the Group has consulted with the UK Listing Authority and taken the appropriate measures to ensure that the transactions with Alexander Dennis Limited comply with the Listing Rules of the UK Listing Authority.

Except as disclosed in "Potential conflicts" above, there are no potential conflicts of interest between any duties to the Issuer of any member of the Board of Directors of the Issuer and their private interests or other duties.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds will be applied by the Issuer for its general corporate purposes including the repayment of existing debt.

TAXATION

United Kingdom Taxation

The following is a general description of certain United Kingdom (“UK”) tax considerations relating to the Bonds. It does not purport to be a complete analysis of all UK tax considerations relating to the Bonds, relates only to persons who are the absolute beneficial owners of the Bonds and hold the Bonds as an investment, does not deal with certain classes of persons (such as persons connected with the Issuer, dealers in securities and those who are treated for tax purposes as having received their Bonds by reason of their employment) and, save as specifically mentioned, applies only to Bondholders who are resident in the UK for tax purposes.

This summary is based upon the Issuer's understanding of UK tax law and HM Revenue and Customs (“HMRC”) practice as in effect on the date of this Prospectus and is subject to any change in such law or practice that may take effect after such date (possibly with retrospective effect).

Prospective purchasers of Bonds who may be subject to tax in any jurisdiction other than the UK, or who have any doubt whatsoever as to their tax position, should consult an appropriate professional adviser without delay.

A. Withholding Tax and Interest on Bonds

The Bonds will constitute "quoted Eurobonds" so long as 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 is a recognised stock exchange for these purposes. On the basis of HMRC's published interpretation of the relevant legislation and the application of Section 1005(3) of the Income Tax Act 2007, securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of FSMA) by the UKLA and are admitted to trading on the London Stock Exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Bonds may be made without withholding or deduction for or on account of UK income tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the person beneficially entitled to the income is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the conditions above are not satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, interest that has a United Kingdom source will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any other exemption that may be available to particular Bondholders.

If interest is paid under deduction of UK income tax (for example, if the Bonds cease to be listed on a recognised stock exchange), Bondholders 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 an applicable double taxation treaty.

Interest on the Bonds that constitutes United Kingdom source income for tax purposes may, as such, be chargeable to UK tax by direct assessment even where paid without withholding. In this event, where the interest is paid without withholding or deduction, the interest will not be assessed to UK tax in the hands of holders of the Bonds who are not resident for tax purposes in the UK, except where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of corporate holders,

carry on a trade through a permanent establishment in the UK in connection with which the interest is received or to which the Bonds are attributable, in which case tax may be levied on the UK branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agents (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Interpretation

References to “interest” above are to “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” which may prevail under any other law.

B. Information Reporting

HMRC has powers to obtain information and documents relating to the Bonds, including in relation to issues of and other transactions in the Bonds, interest, payments treated as interest and other payments derived from the Bonds. This may include details of the beneficial owners of the Bonds, of the persons for whom the Bonds are held and of the persons to whom payments derived from the Bonds are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Bonds, persons who make, receive or are entitled to receive payments derived from the Bonds and persons by or through whom interest and payments treated as interest are paid or credited.

Information relating to the Bonds may also be required to be provided automatically to HMRC by “financial institutions” under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including U.S. Foreign Account Tax Compliance Act (FATCA), Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

C. United Kingdom Corporation Tax Payers

In general, Bondholders who are within the charge to UK corporation tax will (including non-resident Bondholders where Bonds are used, held or acquired for the purposes of a trade carried on in the UK through a permanent establishment) be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

D. Other United Kingdom Tax Payers

Taxation of Chargeable Gains

The Bonds are “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of a Bond by a Bondholder resident for tax purposes in the UK or who carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which the Bond is attributable and who is not within the charge to UK corporation tax (for the purposes of this section, a “UK income tax payer”) will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued Income Scheme

A disposal of a Bond (including a disposal occurring on redemption) by a Bondholder who is a UK income tax payer may give rise to a charge to UK income tax in respect of an amount treated under the provisions of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses) as representing interest accrued on the Bonds at the time of transfer. The Bonds will constitute "variable rate securities" for these purposes and therefore the accrued income for tax purposes in respect of a transfer of the Bonds will be computed on a just and reasonable basis. A transferee of the Bonds will generally not be entitled to any relief for any amount of income that has accrued prior to the date of transfer, except to the extent that it falls to be taken into account in the application of the just and reasonable basis of charge on a subsequent disposal of the Bonds.

E. Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will be payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

EU Information Reporting and Withholding

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of non-EU countries and territories including Switzerland have adopted similar measures to the Savings Directive (a withholding system in the case of Switzerland).

The Council of the European Union has adopted a Directive (the "**Amending Savings Directive**") which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the "**Amending Cooperation Directive**") amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

SUBSCRIPTION AND SALE

Barclays Bank PLC, BNP Paribas and HSBC Bank plc (together, the “**Joint Lead Managers**”) and Crédit Agricole Corporate and Investment Bank, Merrill Lynch International, Lloyds Bank plc and The Royal Bank of Scotland plc (the “**Co-Lead Managers**” and together with the Joint Lead Managers, the “**Managers**”) have, pursuant to a Subscription Agreement dated 25 September 2015 (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Bonds at 98.979 per cent. of their principal amount, subject to the adjustments set out in the Subscription Agreement. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The yield of the Bonds is 4.127 per cent. on an annual basis. The yield is calculated as at the Issue Date on the basis of the issue price. It is not an indication of future yield.

General

None of the Issuer and the Managers has made any representation that any action will be taken in any jurisdiction by any of them that would permit a public offering of the Bonds, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager has agreed that it will comply, to the best of its knowledge and belief, in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Manager in any such jurisdiction as a result of any of the foregoing actions.

United Kingdom

Each Manager has represented and agreed that:

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

United States

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

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

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of,

U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

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

GENERAL INFORMATION

1. The listing of the Bonds on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Bonds on the Official List and admission of the Bonds to trading on the Market will be granted on or around 29 September 2015, subject only to the issue of a Temporary Global Bond.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 28 August 2015 and by resolutions of a duly authorised committee thereof passed on 21 September 2015.
3. There has been no significant change in the financial or trading position of the Issuer since 30 April 2015 (the date of its most recent financial statements) and there has been no material adverse change in its prospects since 30 April 2015.
4. Except as disclosed on page 39 of this Prospectus under the section “Description of the Issuer — Litigation”, neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. The Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 129800224. The International Securities Identification Number (ISIN) for the Bonds is XS1298002244.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

6. The Issuer estimates that the expenses related to the admission to trading of the Bonds will be approximately £4,200.
7. For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available, during usual business hours on any day (Saturdays and public holidays excepted), for inspection at the office of the Issuer:
 - (a) the Trust Deed (which includes the form of the Global Bonds, the definitive Bearer Bonds and the Coupons) and the Agency Agreement;
 - (b) the Memorandum and Articles of Association of the Issuer;
 - (c) the audited consolidated financial statements of the Issuer for the two financial years ended 30 April 2015; and
 - (d) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

8. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or any of its affiliates in the ordinary course of business.
9. PricewaterhouseCoopers LLP of 141 Bothwell Street, Glasgow G2 7EQ (Chartered Accountants and Registered Auditors) have audited, and rendered unqualified reports on, the financial statements of the Issuer

for the two financial years ended 30 April 2015. The report of the auditors on the financial statements of the Issuer for the year ended 30 April 2015 contained the following wording: *“This report, including the opinions, has been prepared for and only for the [Issuer’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.”*

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