

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES AND THE GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR UNDER ANY RELEVANT SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

THE PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED THEREIN.

Confirmation of Your Representation: You have been sent the Prospectus on the basis that you have confirmed to BNP Paribas, J.P. Morgan Securities plc, RBC Europe Limited and The Royal Bank of Scotland plc (together, the "**Joint Lead Managers**"), being the senders of the attached, (i) that you and any customers that you represent are not resident in the United States, (ii) that the electronic mail (or e-mail) address to which the Prospectus has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia (where "**possessions**" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) that you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of any of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of Royal Mail plc and Royal Mail Group Limited in such jurisdiction. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Prospectus to any other person.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Joint Lead Managers and any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any Joint Lead Manager.

PROSPECTUS DATED 25 JULY 2014



ROYAL MAIL PLC

(Incorporated in England with limited liability, registered number 08680755)

€500,000,000

2.375 per cent. Guaranteed Notes due 2024

guaranteed by

ROYAL MAIL GROUP LIMITED

(Incorporated in England with limited liability, registered number 4138203)

Issue Price: 99.482 per cent.

The €500,000,000 2.375 per cent. Guaranteed Notes due 2024 (the "**Notes**") will be issued by Royal Mail plc (the "**Issuer**") and guaranteed by Royal Mail Group Limited (the "**Guaranteee**" and the "**Guarantor**", respectively).

Application has been made to the Financial Conduct Authority ("**FCA**") in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000 (the "**FSMA**") for the Notes to be admitted to listing on the Official List of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes 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 Notes bear interest from and including 29 July 2014 (the "**Issue Date**") at the rate of 2.375 per cent. per annum, payable annually in arrear on 29 July in each year, as described under "Terms and Conditions of the Notes—Condition 5 (*Interest*)". Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of United Kingdom taxes, to the extent described under "Terms and Conditions of the Notes—Condition 8 (*Taxation*)".

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 29 July 2024. The Notes are subject to early redemption, in whole but not in part, (i) at the option of the Issuer at any time at the Relevant Early Redemption Amount (as defined in the Terms and Conditions of the Notes (the "**Conditions**")), (ii) at the option of the Issuer at any time in the event of certain changes affecting taxes of the United Kingdom at their principal amount together with accrued interest and (iii) at the option of Noteholders if a Change of Control (as defined in Condition 7 (*Redemption and Purchase*)) shall occur. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BBB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the European Union and is registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 as amended (the "**CRA Regulation**") on credit rating agencies and is included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Joint Lead Managers

BNP PARIBAS

J.P. Morgan

RBC Capital Markets

The Royal Bank of
Scotland

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "Prospectus Directive") and relevant implementing measures in the United Kingdom. This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the "Group" or "Royal Mail"), the Guarantor and the Notes, which according to the particular nature of the Issuer, the Guarantor, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor. The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each of 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 documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Neither the Joint Lead Managers (as described under "Subscription and Sale", below) nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person has been authorised to give any information or to make any representation, other than those contained in this Prospectus, in connection with the offering of the Notes and any such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Trustee (as defined below). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change since the date hereof in the affairs of the Issuer, the Group or the Guarantor or that information contained herein has remained accurate and complete.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for, or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under any relevant securities laws of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit, of U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. For a description of certain restrictions on the offer, sale and delivery of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*".

The Notes will be represented initially by a temporary global note (the "Temporary Global Note") which will be issued in new global note ("NGN") form and will be deposited on or about 29 July 2014 with a common safekeeper for Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "Permanent Global Note" and, together with the Temporary Global Note, the "Global Notes"), without interest coupons attached, on or after 7

September 2014, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while in Global Form*".

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it: has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; understand thoroughly the terms of the Notes and is familiar with the financial markets; and is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Prospective investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Prospective investors should review and consider such restrictions prior to investing in the Notes. Prospective investors should consider the tax consequences of investing in the Notes and consult their own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of their personal situations.

All references herein to "sterling", "pounds" and "£" are to the currency of the United Kingdom and all references herein to "euro" and "€" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE ROYAL BANK OF SCOTLAND PLC AS STABILISING MANAGER (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS 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 NOTES 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 AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have been previously published or are published simultaneously with this Prospectus and have been filed with the FCA. The following documents shall be incorporated in, and form part of, this Prospectus:

- (a) the audited consolidated financial statements of the Issuer for the financial year ended 30 March 2014 and the audit report thereon (pages 71 to 130 (inclusive) of the Annual Report and Financial Statements 2013-14);
- (b) the audited unconsolidated financial statements of the Guarantor for the year ended 30 March 2014 and the audit report thereon; and
- (c) the historical financial information of the Guarantor for the financial year ended 31 March 2013 contained on pages F-3 to F-68 (inclusive) of the Royal Mail plc Prospectus dated 27 September 2013 and the accountant's report contained on pages F-1 to F-2 (inclusive) of the Royal Mail plc Prospectus dated 27 September 2013.

Any documents or information that are incorporated by reference into the documents listed above do not form part of this Prospectus. Any information contained in any of the documents specified above which is not expressly incorporated by reference in this Prospectus does not form part of this Prospectus and is either not relevant to investors or is covered elsewhere in this Prospectus. Any information contained in any website referred to in any of the documents specified above does not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

PRESENTATION OF FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The incorporation of Royal Mail Limited on 6 September 2013, subsequently re-registered as Royal Mail plc on 19 September 2013, resulted in the Issuer becoming the immediate and ultimate parent of the Guarantor. Accordingly, the audited consolidated financial statements of the Issuer for the financial year ended 30 March 2014 and the audit report thereon are the first consolidated financial statements presented for the Issuer and its subsidiaries, whereas the special purpose historical financial information of the Guarantor for the financial year ended 31 March 2013 and the accountant's report thereon prepared for the purposes of the Prospectus dated 27 September 2013 relating to the initial public offering of the Issuer was in respect of the Guarantor and its subsidiaries and represents the historical financial position of the Group for the financial year ended 31 March 2013.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes and the Guarantee respectively. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purposes of assessing the market risk associated with the Notes are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under or in connection with the Notes and the Guarantee

Letter volumes in the UK are declining and may decline at a faster rate than forecast

In FYE 2014, letters accounted for 49 per cent. of the Group's revenue. The use of letters as a medium of communication has declined in recent years as a result of greater use of electronic forms of communication, including email and text messaging, which have become increasingly important, especially for businesses. This is known as e-substitution. The Group estimates that, due in large part to e-substitution, addressed letter volumes in the UK will decline by 4 to 6 per cent. per annum (excluding election mail).

Business (including transactional) letter volumes in the UK are expected to decrease further in the coming years as a result of further e-substitution, particularly by utility companies, banks and other financial services providers, which represent some of the Group's largest addressed letter customers, by revenue. The increased use, and promotion, of electronic bills and invoices by utility companies and electronic "paperless" statements by banks and other financial services providers is expected to result in a further reduction in addressed letter volumes. Furthermore, moves by governments and other bodies to incentivise the use of "paperless" communication may lead to further declines in the volumes of letters sent in the UK.

The decline of letter volumes in the UK at the rates forecast by the Group, if not appropriately managed by the Group (for example, by effective control of costs, and the delivery of efficiency and other benefits from the Group's transformation programme), or the decline of letter volumes at a faster rate than forecast by the Group could have a material adverse effect on the Group's results of operations, financial condition and prospects. This in turn could affect the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

Parcel volumes in the UK and Europe may fail to grow as forecast or may decline as a result of increased e-substitution in relation to certain products

In FYE 2014, parcels accounted for 51 per cent. of the Group's revenue. The Group forecasts that parcel volumes will grow in both the UK and Europe, however, forecasting parcel volumes is a complex process that is subject to significant uncertainty. There can be no assurance that parcel volumes will grow in line with the Group's forecasts.

While the Group aims to increase revenue in its parcel businesses to mitigate the continued decline in letter volumes, such increase is contingent on continued growth in both the UK and European parcel markets. If parcel volumes in the UK and Europe fail to grow as fast as forecast by the Group or decline, the Group's results of operations, financial condition and prospects could be materially adversely affected. This could affect the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee. Moreover, there can be no assurance that the Group will maintain or increase its share of the parcel markets in which it operates and its share of those markets may decline in the future. For instance, available volume is expected to be reduced by the Group's single largest parcel customer (which in FYE 2014 accounted for approximately 6 per cent. of UKPIL parcel revenue) changing its minimum order for free delivery and expanding its own delivery capabilities.

Books, films and magazines purchased by customers, which previously were purchased and delivered only in physical form, are now increasingly being purchased by customers for viewing and use electronically, whether through websites or in downloadable form. This trend is expected to continue and may accelerate in coming years as consumers, whether for reasons of cost, convenience or otherwise, seek to purchase these products for use only in electronic form. The continuation or acceleration of this trend could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The parcel markets in the UK and Europe in which the Group operates are highly competitive

The parcel markets in the UK and Europe are highly competitive. The Group already faces significant competition in the UK and Europe from companies with established delivery capabilities. The Group may be adversely affected by parcel operators that successfully capture some of the Group's market share, including through the use of aggressive pricing strategies, offering products and services which the Group does not offer or otherwise. In particular, it is possible that mergers and/or strategic partnerships may occur between infrastructure or delivery companies and retailers or service providers. It is possible that consolidation may occur within the parcel markets in the UK and Europe leading to the development of larger competitors to the Group with broader delivery networks and operations that are even better able to compete with the Group. Any such competitors may be able to take advantage of synergies derived from the consolidation of their businesses and operations and thereby offer lower prices than the Group, particularly in the express parcel segment. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group's UK postal services business operates in a regulated environment and changes in legal and regulatory requirements could impact on the Group's ability to meet its targets and goals

As the universal postal service provider in the UK appointed under the Postal Services Act 2011 (the "Act"), the Guarantor is required, among other things, to provide basic postal services to the UK population, including delivery six days per week, overnight, throughout the UK, to stringent quality standards and at a uniform, affordable tariff. Moreover, the Guarantor is also mandated to grant access to its network for certain services to other operators. This means that the Guarantor is required to deliver any items such other operators do not consider economic to deliver themselves.

The regulatory framework for postal services in the UK is relatively new and untested. It is possible that Ofcom may review, and make changes to, the scope of the universal service or the basis on which the Guarantor is required to provide access to its network. Subject to the special

administration regime set out in the Act, the Guarantor's designation as the provider of the universal postal service in the UK is not time-limited. From 1 October 2021, if Ofcom has determined that it would be unfair for Royal Mail Group Limited ("**RMG**") to bear the whole or part of the financial burden of its universal service obligations, and the Secretary of State has directed Ofcom to do so, Ofcom may appoint either one or more further designated universal postal service providers in addition to RMG (splitting universal service obligations between them) or as a replacement to RMG. While the Guarantor's designation as the provider of the universal postal service in the UK is not time-limited, Ofcom has the power to make a range of changes to the scope of the universal service obligation imposed on RMG to provide the universal postal service in the UK pursuant to, and in accordance with, certain minimum standards imposed by Ofcom under Section 36 of the Act (the "**USO**"). If the scope of the USO is reduced in the future, the Group may not be able to achieve corresponding reductions in the costs it incurs in operating and maintaining the delivery business.

The Guarantor is also subject to reporting obligations and monitoring by Ofcom and may be subject to enforcement action by Ofcom. In addition, Ofcom often assumes responsibility for ensuring compliance with competition law in the UK postal services sector. For instance, on 10 January 2014, the Issuer announced a number of changes to Royal Mail's access contracts. The changes were intended to help secure the provision of the universal postal service, against the backdrop of a continuing decline in letter volumes. Following a complaint by a competitor, Ofcom opened an investigation into some of the access contract changes and has confirmed that it would use its powers under the Competition Act 1998 to investigate the complaint. Provisions in Royal Mail's access contracts mean that the price changes subject to Ofcom's investigation are suspended until the outcome of this investigation. The Guarantor believes the changes are fair, reasonable and fully within guidance provided by Ofcom. The Guarantor is cooperating fully with Ofcom to ensure the investigation is completed as quickly as possible.

In addition, on 9 April 2014 Ofcom announced a policy review of the access conditions imposed on the Guarantor, and Ofcom's guidance on those conditions. The review is due to be completed by the end of 2014. The Competition Act investigation and Ofcom's access policy review may create a significant period of uncertainty in the UK postal market. This uncertainty, combined with Royal Mail's universal postal service commitments, means Royal Mail's ability to respond commercially is constrained. An adverse outcome to the investigation and/or the access policy review could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group may be adversely affected by competition from alternative providers of "end to end" direct delivery services in the UK

"End to end" or direct delivery competition arises where either a postal operator, other than Royal Mail, collects, processes and delivers letters directly from the posting customer to the end recipient or large Royal Mail customers undertake direct deliveries without using any part of the Royal Mail network. The Act does not restrict other operators in the UK letter and parcel delivery market from offering direct postal delivery services and such operators may choose to focus on relatively easy-to-serve urban areas; delivering easy-to-handle post to homes less frequently than the Guarantor and to no defined quality standard.

In the UK, the combination of unfettered direct delivery, mandated access and the continued structural decline in letters is a threat to the fundamental economics of the universal service, and as such, could have a material adverse effect on the Group's results of operations, financial condition

and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

On 20 June 2014, the Issuer made a regulatory submission calling on Ofcom to take action and carry out a full review of direct delivery competition, in line with Ofcom's primary regulatory duty to secure the provision of the universal service. Ofcom has stated that an EBIT margin in the range of between 5 and 10 per cent. for the Group's Reported Business (as defined below) is appropriate and consistent with the need for the Group to earn a reasonable rate of return. With the Group's proposed access price changes remaining suspended and absent intervention from Ofcom, the Group's ability to reach this margin sustainably in the future would be undermined, which in turn could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively. "**Reported Business**" means the unit (a part of UKPIL (as defined below)) defined by Ofcom as providing the universal service. The Reported Business includes the activities carried out by RMG, and corporate entities owned by RMG, which support the provision of the universal service. The Reported Business excludes the activities undertaken by RME, RMIL and GLS (each as defined below), and other subsidiary and associated undertakings of RMG. The Reported Business also excludes the activities undertaken by Parcelforce Worldwide within UKPIL.

Changes in customers' behaviour or a failure by the Group to meet the levels of service expected by customers could reduce demand for the Group's products and services

The Group is exposed to changes in the behaviour of its customers and changes to the markets in which it sells its products and services. Such changes have resulted, and could result, in reduced demand for the Group's products and services and require the Group to devote significant energy, resources and expenditure to change its services offering, adapt its business and operations, modify and renew its operating and IT systems and/or retrain or hire new people. Such changes could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group is also subject to the risk that its services offering may not adequately meet evolving customer needs, particularly when compared with alternative products and services made available by new technologies. In addition, the implementation of price rises by the Group in the future may lead to customers switching to alternative media and/or switching to cheaper services. If customers choose to take their business elsewhere as a result, a drop in customer numbers could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group's relationship with POL exposes it to a number of material risks

The Group has a significant trading relationship with POL (as defined below). Under the Mails Distribution Agreement (as defined below), Post Office branches serve as the Group's principal retail distribution network in the UK and are of material significance to the business and revenue of the Group. The UK's Post Office branch network is used to provide customer collection and drop off points for letters and parcels and to satisfy part of the Group's obligations as the designated universal service provider under the regulatory framework for postal services issued by Ofcom in March 2012.. The Mails Distribution Agreement has a term of ten years from 19 January 2012 and includes, *inter alia*, provisions for discussions as to extension of the term to commence as soon as

reasonably practicable after the seventh anniversary. Further details of the Mails Distribution Agreement can be found in “*Description of the Group*”.

If the Group's relationship with POL, and hence its associated business and revenues, were to terminate or be adversely affected in any way (including due to any deterioration in or disruption of POL's trading position or performance as a result of IT systems failure, industrial action or otherwise) there could be a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

Flat or adverse conditions in the UK and Europe may have a material adverse effect on the Group

As letter and parcel volumes have historically been linked to levels of economic activity, the Group's business and operating results are affected by macroeconomic conditions, particularly in its principal markets in the UK and Europe. The link between letter volumes in the UK and the level of GDP of the relevant market is expected to continue. There is a risk that flat or adverse economic conditions could impact the ability of the Group to stay profitable, either by reducing letter and parcel volumes or by encouraging customers to adopt cheaper service options for sending letters and parcels. As a result, flat or adverse economic conditions in the UK and European economies could have a material adverse impact on the results of operations of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group's performance is dependent on a number of macroeconomic factors outside the control of the Group, including political, financial and economic factors. These include inflation and consumer, business and government spending, all of which affect the business and economic environment, demand for the Group's products and services and the prices of the Group's products and services. As a result, these factors could have a material adverse impact on the future results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

There is extensive trade union recognition in respect of the Group's workforce in the UK and the Group is subject to the on-going risk that one or more material disagreements or disputes between the Group and the Trade Unions could result in widespread localised or national industrial action

In the UK, the Guarantor (which employs the majority of the Group's employees in the UK) recognises the Communications Workers Union (the "CWU") in respect of operational and administrative grade employees (who comprise almost all of its UK workforce) and the Communication and Managers Association section of Unite (the "CMA" and together with the CWU, the "Trade Unions") in respect of most managers across RMG. The Group estimates that approximately 80 per cent. of RMG's operational and administrative grade employees are members of the CWU and approximately 40 per cent. of RMG's managers are members of the CMA. RMG is therefore required to reach agreement with the CWU and the CMA prior to implementing changes to pay and terms and conditions of employment (for which the Trade Unions have been recognised to conduct collective bargaining) in respect of relevant employees. Changes to some non-contractual matters, including certain working arrangements and various processes for the introduction of new ways of working aimed at improving efficiency, are also subject to prior consultation and, in some circumstances, negotiation with the Trade Unions in accordance with the applicable industrial relations framework. There are currently in excess of 80 national collective agreements in place in the UK between RMG and the Trade Unions on a wide range of matters. In

February 2014 members of the CWU approved an agreement in principle with the Guarantor (the "**Agenda for Growth**"). The Agenda for Growth which has now been implemented sets out a joint commitment to improve industrial relations and create a new culture focused on the interests of customers, employees and the Group. However, the extent of Trade Union involvement across the Group's workforce in the UK may limit the Group's flexibility in dealing with operational matters and lead to increased operating costs.

The Group is subject to the on-going risk that if there is a material disagreement or dispute between the Group and the Trade Unions which cannot be resolved with the Agenda for Growth and which results in widespread localised or national industrial action, or the threat of such industrial action, the Group's business could suffer material disruption and be adversely affected and revenue could decline. Material or sustained industrial action (or the threat of such industrial action) could also adversely affect the reputation and brand of the Group.

As a result, any industrial action or threat of industrial action could have a material adverse effect on the Group's results of operations, financial condition and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group has funding risks relating to its defined benefit pension schemes

Prior to its listing most of the Group's pre-1 April 2012 pension liabilities (based on service and pay up to that date) and certain pension assets of the Royal Mail Pension Plan were transferred to HM Government. However, the Group's on-going defined benefit pension costs and pension scheme liabilities continue to be material. As at 30 March 2014 the net position of the Group's pension schemes recognised in the balance sheet was a surplus of £1,723 million. The current funding agreement with the Trustee of the Royal Mail Pension Plan covers the period to September 2018 and permits the actuarial surplus to be utilised to meet part of the Group's on-going defined benefit pension costs. Movements in equity markets, interest rates and life expectancy could materially affect the level of actuarial surpluses and deficits in the schemes and could prompt the need for the Group to make additional pension contributions in the future. The key assumptions used to value the Group's pension liabilities are set out in Note 8 to the audited annual financial statements of the Issuer for the financial year ended 30 March 2014.

The impact of the financial market factors on the Group's financial position including through effects on the Group's pension schemes may adversely affect the Issuer's and the Guarantor's ability to fulfil their respective obligations under the Notes.

The exemption from VAT for the network access services provided by Royal Mail is the subject of judicial review proceedings. The imposition of VAT on network access services provided by the Group could result in a loss of revenue and increased competition

The mandated network access services provided by Royal Mail are currently exempt from VAT. This VAT exemption is currently the subject of judicial review proceedings, pursuant to which the applicant for judicial review is claiming that this VAT exemption contravenes EU law. If the UK was required or decided to impose VAT on mandated network access services, Royal Mail would be obliged to charge VAT when providing such network access services. For those customers who are unable to fully recover VAT (such as financial services firms), this could lead to a significant effective price increase if they continue to purchase such network access services from Royal Mail. As a result, those end users that use network access services for distribution of their letters may accelerate their adoption of e-substitution or alternative means of communicating with their customers, or switch to competing third party "end to end" delivery services if they become economically more attractive on a VAT-inclusive basis. Either of those outcomes may lead to a loss of revenue for the Group. In addition, in order to remain competitive, Royal Mail may need to

reduce the prices it charges for certain network access services, which would lead to a loss of revenue for the Group. Any such loss of revenue for the Group could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The impact of the imposition of VAT on mandated network access services (should this occur) is difficult to accurately assess or quantify. In particular, the financial impact is currently indeterminable and is subject to a variety of factors, some of which may not be known until after any imposition of VAT comes into effect.

The Group's IT systems are critical to its business operations and are currently undergoing significant change. Any significant failure of those systems may have a material adverse effect on the Group's operations

The Group's IT applications, systems and infrastructure underpin its operations and the Group is heavily dependent on their proper functioning. The Group also relies on a small number of key suppliers of IT services. Any significant failure in the Group's IT applications, systems or infrastructure (including in their integration or because of poor maintenance or supplier default) may lead to material operational and systems disruptions, or to the loss of information and data stored by the Group, which could have a material adverse effect on the Group's reputation, results of operations, financial condition and future prospects.

A large proportion of the Group's IT applications, systems and infrastructure is ageing and requires further investment, improvement and replacement over the coming years in order to deliver the capability required to continue to support the Group's operations. In addition, and although they are subject to on-going replacement projects, certain of the Group's older IT applications, systems and infrastructure may be susceptible to inefficiencies and service failure. Any failure to invest in, improve or replace the Group's IT applications, systems and infrastructure sufficiently, or in the successful transition to new arrangements, may lead to material operational and system disruptions, an increased risk of security breaches and attacks or otherwise to the loss of information and data stored by the Group, which could also have a material adverse effect on the Group's reputation, results of operations, financial condition and future prospects.

Any material adverse effect on the Group's reputation, results of operations, financial condition or future prospects as a result of any significant failure of the Group's IT applications, systems or infrastructure could impact the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group could be adversely affected by the loss of, or an inability to recruit and retain, key personnel

The Group depends on the continued contributions of its senior management and other key employees. The loss of service of one or more of the Group's key employees could adversely affect its business. In addition, the Group may need to temporarily fill certain key roles with interim employees while recruitment of permanent staff remains on-going. Any failure by the Group to attract and retain directors and highly skilled personnel could have a material adverse effect on its competitive position. As a result, this could in turn result in a material adverse effect on its results of operations, financial conditions and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group's large workforce exposes it to a number of material risks relating to employment legislation

Changes to laws and regulations relating to employment (including the interpretation and enforcement of those laws and regulations) could, directly or indirectly, increase the Group's labour costs, which, given the size of the Group's workforce, could have an adverse effect on the Group. There is emerging European case law which may provide new guidance in relation to the interpretation of the Working Time Directive, which subsequently would need to be considered by the English courts in relation to the implementation of that directive through the Working Time Regulations 1998 and UK employers' compliance with it. Increased labour costs as a result of such changes to laws and regulations relating to employment could have a material adverse effect on the Group's results of operations, financial conditions and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group may not be successful in meeting its productivity targets

In order to increase productivity and manage the Group's costs, the Group has implemented a number of efficiency programmes and linked the remuneration of frontline employees and managers within Royal Mail and Parcelforce Worldwide to productivity levels. The success of the Group's business strategy relies on effective control of costs, and the delivery of efficiency and other benefits from its transformation programme, whilst maintaining quality of service, safety, and employee engagement. Over the past two years, the Group's transformation programme has delivered year-on-year productivity improvements within the Royal Mail UK network and infrastructure for the collection, processing and delivery of parcels and letters of 1.7 per cent. per annum; below the Group's 2 to 3 per cent. per annum target. Productivity is the primary measure for the ability of Royal Mail to efficiently process and deliver mail, and is measured by reference to the weighted items (workload) that the Royal Mail Core Network (as defined below) handles per gross hour.

There can be no assurance, however, that overall workload within the Royal Mail Core Network (as defined below) will not decline, whether as a result of letter volumes declining faster than forecast or parcel volumes failing to grow at forecast levels, that the Group will be successful in implementing its productivity improvement programmes, or that the targeted benefits of such programmes will be realised during the expected time frame or at all. Further, the Group may be required to spend more on these programmes than it has currently budgeted, which could constrain its investments in other areas. Any failure of the Group to realise the targeted benefits of these productivity improvement programmes or any material non-budgeted spending on such programmes could have a material adverse effect on its business, financial condition, results of operations and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

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

Redemption prior to maturity

In the event that the Notes are repayable prior to maturity either following an Event of Default (as defined in Condition 10.1 (*Events of Default*)) or pursuant to Condition 7.2 (*Redemption for Taxation Reasons*) or Condition 7.4 (*Redemption at the Option of the Holders following Change of Control*), the Notes will be redeemed in full at their principal amount, plus accrued interest. In such circumstances, it may not be possible for an investor to reinvest the redemption proceeds at an effective rate of interest as high as the interest rate on the Notes.

Notes subject to Optional Redemption by the Issuer

The optional redemption feature of the Notes may limit their market value. During any period where the Issuer may elect to redeem the Notes, the market value of those Notes 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 Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 on the Notes 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.

Modification, Waivers and Substitution

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

The Conditions and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Potential Event of Default (as defined in the Trust Deed) or Event of Default shall not be treated as such or (iii) agree to the substitution of (a) any Holding Company (as defined in the Trust Deed) of the Issuer, any other company being a Subsidiary (as defined in the Conditions) of the Issuer, or any Successor in Business (as defined in the Trust Deed) of the Issuer as principal debtor under the Notes in place of the Issuer and/or (b) any Successor in Business of the Guarantor as guarantor of the Notes in place of the Guarantor, in the circumstances described in the Trust Deed and the Conditions, provided that in the case of (i), (ii) and (iii), that the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of Noteholders.

The Conditions and the Trust Deed also provide that the Trustee shall, without the consent of the Noteholders, agree to the substitution in place of the Guarantor as the guarantor under the Trust Deed of the Issuer so that the Issuer shall thereby become the sole obligor in respect of the Notes subject to certain conditions being complied with as further described in Condition 14 (*Substitution*). Noteholders should note that, in this particular circumstance, the substitution right is mandatory and thus such a substitution (i) will not be subject to any material prejudice determination by the Trustee in terms of the interests of the Noteholders and (ii) may therefore be materially prejudicial to the interests of Noteholders.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000 (up to a maximum of €199,000). It is possible that the Notes may be traded in the clearing systems in amounts that are not integral multiples of €100,000. In such a case, should definitive Notes be required to be issued, holders of the Notes who, as a result of trading such amounts, hold less than €100,000 in their account in the relevant clearing system may need to purchase or sell, on or before the date of exchange of the Permanent Global Note for definitive Notes, a principal amount of Notes such that their holding is at least equal to €100,000, otherwise such Noteholders may not receive all of their entitlements in definitive Notes.

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

Interest Rate Risks

Investment in the Notes (being fixed rate instruments) involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014 the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. The new requirements, once applied, will cover new types of savings income and expand the range of payments covered by the Directive, in particular to include additional types of income payable on certain securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. Member States have until 1 January 2016 to adopt national legislation necessary to comply with the Directive and must apply the new requirements from 1 January 2017.

For a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The changes referred to above, when implemented, will broaden the types of payment subject to withholding in those Member States which still operate a withholding system. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a 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 the Guarantor, nor any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including illiquidity risk, credit rating risk and exchange rate risk, relating to the Notes generally:

Absence of prior public markets

The Notes constitute a new issue of securities by the Issuer. Prior to the issue, there will have been no public market for the Notes. Although an application has been made for the Notes to be admitted to trading on the London Stock Exchange, there can be no assurance that an active public

market for the Notes will develop and, if such a market were to develop, none of the Joint Lead Managers (as defined in "*Subscription and Sale*") or any other person is under any obligation to maintain such a market. The liquidity and the market prices of the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and the Group and other factors that generally influence the market prices of securities.

Liquidity risks

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops.

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors such as the creditworthiness of the Issuer, as well as other factors such as the time remaining to the maturity of the Notes, the outstanding amount of the Notes and the redemption features of the Notes. Such factors also will affect the market value of the Notes.

Investors may not be able to sell Notes readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that the Notes may not be readily sellable, that the value of Notes will fluctuate over time and that such fluctuations might be significant.

Credit rating

S&P is expected to assign a credit rating to the Notes. The market value of the Notes from time to time is likely to be dependent upon the level of credit rating ascribed to the long-term debt of the Issuer. A credit rating reflects an assessment by the rating agency of the credit risk associated with a particular borrower or particular securities. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). This is subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). S&P is a registered credit rating agency under the CRA Regulation.

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Notes in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro 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 euro would decrease (1) the Investor's Currency equivalent yield on

the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The €500,000,000 2.375 per cent. Guaranteed Notes due 2024 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of Royal Mail plc (the "**Issuer**") are constituted by a Trust Deed dated 29 July 2014 (the "**Trust Deed**") made between the Issuer, Royal Mail Group Limited (the "**Guarantor**") as guarantor and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**" respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 29 July 2014 (the "**Agency Agreement**") made between the Issuer, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent and together with any other paying agents appointed from time to time, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at 55 Moorgate, London, EC2R 6PA and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, 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. GUARANTEE

3.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the "**Guarantee**") in the Trust Deed.

3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGES

4.1 Negative Pledges

So long as any of the Notes remains outstanding (as defined in the Trust Deed):

- (a) the Issuer will not, and the Issuer will procure that none of its Material Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Material Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
 - (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
 - (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and
- (b) the Guarantor will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness

unless the Guarantor, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or guarantee or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

"Group" means the Issuer and its Subsidiaries from time to time;

"Material Subsidiary" means at any time a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Group, provided that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, the reference to the then latest audited consolidated accounts of the Group for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, represent (or, in the case aforesaid, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its assets represent (or, in the case aforesaid, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed;

"Relevant Indebtedness" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being, or which are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness; and

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

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 29 July 2014 at the rate of 2.375 per cent. per annum (the **"Rate of Interest"**), payable annually in arrear on 29 July in each year (each an **"Interest Payment Date"**). The first payment representing a full year's interest (for the period from and including 29 July 2014 to but excluding 29 July 2015) and amounting to €23.75 per €1,000 in principal amount of the Notes shall be made on 29 July 2015.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and

including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes 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 of Condition 8.

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9):

- (a) is or falls after the relevant due date;

- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In these Conditions, "**Business Day**" means, in relation to any place, 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) in that place and "**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

6.6 Initial Paying Agent

The name of the initial Paying Agent and its initial specified office is set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure 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) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 29 July 2024 (the "**Maturity Date**").

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change

or amendment becomes effective after 25 July 2014, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes, but not some only, at any time at the Relevant Early Redemption Amount.

In this Condition, "**Relevant Early Redemption Amount**" means:

- (i) in relation to any date fixed for redemption which falls in the period up to and including the date falling three months prior to the Maturity Date, such amount as is equal to the greater of the amounts in subparagraph (A) and (B) below together with interest accrued to but excluding the date fixed for redemption:
 - (A) the principal amount outstanding of the Notes; and
 - (B) the price (expressed as a percentage (as reported in writing to the Issuer and the Trustee by the Determination Agent) which is equal to (x) the sum of the present values of the principal amount outstanding of the Notes at the date fixed for redemption and the Remaining Term Interest (exclusive of interest accrued to the date fixed for redemption) discounted to the date

fixed for redemption on an annual basis at the Reference Bond Rate, plus (y) 0.20 per cent.

In this Condition:

"Calculation Date" means the date which is the second TARGET2 Settlement Day prior to the date fixed for redemption;

"Determination Agent" means an investment bank or financial institution of international standing selected by the Issuer and approved by the Trustee;

"Reference Bond" means the 1.50 per cent. German government bond due 2024 with ISIN DE0001102358 (or, where the Determination Agent advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other government bond as the Determination Agent may recommend);

"Reference Bond Price" means, with respect to any date fixed for redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date fixed for redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"Reference Bond Rate" means, with respect to any date fixed for redemption, the rate per annum equal to the annual yield to maturity or interpolated yield to maturity on an Actual/Actual (ICMA) basis of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date fixed for redemption;

"Reference Government Bond Dealer" means each of the five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any Calculation Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at 3.30pm (Frankfurt time) on the Calculation Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

"Remaining Term Interest" means the aggregate amount of scheduled payment(s) of interest on the Notes for the remaining term of the Notes determined on the basis of the Rate of Interest from and including the date fixed for redemption.

- (ii) in relation to any date fixed for redemption which falls in the period from but excluding the date falling three months prior to the Maturity Date to but excluding the Maturity Date, such amount as is equal to the principal amount outstanding of the Notes together with interest accrued to but excluding the date fixed for redemption.

7.4 Redemption at the Option of the Holders following Change of Control

- (a) A "**Put Event**" will be deemed to occur if:
- (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (such event being a "**Change of Control**") provided that a Change of Control shall not be deemed to have occurred if the relevant event which would otherwise have resulted in a Change of Control has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; and
 - (ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any of Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") or Fitch Ratings Ltd. ("**Fitch**") or any of their respective successors or any other rating agency (each a "**Substitute Rating Agency**") of equivalent international standing specified by the Issuer (each, a "**Rating Agency**"):
 - (A) on a solicited basis, an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (I) (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency or (II) replaced by an investment grade credit rating by a Substitute Rating Agency; or
 - (B) on a solicited basis, a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (I) (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency or (II) replaced by a credit rating from a Substitute Rating Agency that is equivalent to or better than such Rating Agency's earlier credit rating; or

- (C) no credit rating from any Rating Agency and no Rating Agency assigns, within the Change of Control Period, at least an investment grade credit rating to the Notes,

provided that (x) if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency on a solicited basis, at least one of which is investment grade, then sub-paragraph (A) will apply and (y) any such credit rating which is provided on an unsolicited basis will be disregarded for the purposes of sub-paragraphs (A) and (B); and

- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement. Upon receipt by the Issuer or the Trustee of any such written confirmation (or upon receipt by the Issuer of a copy of such written notification from the Trustee), the Issuer shall forthwith give notice of such written confirmation to the Noteholders in accordance with Condition 13.

If the rating designations employed by any of S&P, Moody's or Fitch are changed from those which are described in paragraph (ii) of the definition of "Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of S&P, Moody's or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P, Moody's or Fitch and this Condition 7.4 shall be read accordingly.

- (b) If a Put Event occurs, the holder of any Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Put Date (as defined below) at an amount equal to its principal amount together with interest accrued to (but excluding) the date fixed for redemption or purchase.
- (c) Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders (and, in the case of the Issuer, to the Trustee) in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.4.
- (d) To exercise the right to require the redemption or purchase of this Note under this Condition 7.4, the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 60 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**").

The Change of Control Put Notice must be accompanied by this Note and all Coupons appertaining thereto maturing after the date which is fifteen days after the expiration of the Put Period (the "**Put Date**"), failing which the relevant Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12) at any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 8) in respect of such Coupon, but not thereafter.

The Paying Agent to which any Note and any Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered.

Payment in respect of any Note so exercised will be made either (i) on the Put Date by transfer to the bank account (if any) specified in the relevant Change of Control Put Notice; or (ii) if no such bank account is so specified, 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 Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, pending redemption or purchase of the relevant Notes, non-transferable receipts issued pursuant to this Condition 7.4 shall be treated as if they were Notes. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.4, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or, at its option, purchase (or procure the purchase of) the remaining Notes as a whole at an amount equal to their principal amount together with interest accrued to (but excluding) the date fixed for redemption or purchase.

(e) In this Condition 7.4:

"Change of Control Period" means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 120 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

"Person" means, any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity; and

"Relevant Potential Change of Control Announcement" means any public announcement or statement by the Issuer, the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control where

within 180 days following the date of such announcement or statement, a Change of Control occurs.

7.5 Purchases

The Issuer, the Guarantor or any of the Issuer's other Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Notes so purchased may be held, resold or surrendered to a Paying Agent for cancellation.

7.6 Cancellations

All Notes which are redeemed or surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

7.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2, 7.3 or 7.4 above the Issuer shall be bound to redeem (or, as the case may be, the purchase or procure the purchase of) the Notes to which the notice refers in accordance with the terms of such Condition (in the case of Condition 7.4 above, save as otherwise provided therein).

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made without withholding 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 Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

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

- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6).

8.2 Interpretation

In these Conditions:

"Relevant Date" means the date on which the 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 before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and

"Relevant Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

Any reference in these Conditions to **"principal"** in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8.1;
- (b) any purchase moneys which may be payable pursuant to Condition 7.4 or otherwise under or in respect of the Notes; and
- (c) any premium and any other amounts (other than interest) which may be payable under or in respect of the Notes.

Any reference in these Conditions to **"interest"** in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.1.

9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6.

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d), (e) (other than the making of an order or the passing of a resolution for the winding-up or dissolution of the Issuer or the Guarantor as referred to in subparagraph (e)(ii)), (f) and (g)) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events ("**Events of Default**"):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days or more in the case of principal or 14 days or more in the case of interest; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any of the Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any of the Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor or any of the Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment as extended by any applicable grace period; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and remaining unpaid as referred to in (i) to (iv) above which have occurred and are continuing, amounts to at least £20,000,000 (or its equivalent in any other currency); or
- (d) if (i) the Issuer, the Guarantor or any of the Material Subsidiaries is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or commences negotiations with one or more of its creditors (other than the Trustee and/or the Noteholders) with a view to rescheduling any of its indebtedness; or (ii) a moratorium is declared in respect of any indebtedness of the Issuer, the Guarantor or any of the Material Subsidiaries; or

- (e) if (i) a resolution of its shareholders or directors is passed for the suspension of payments of the Issuer, the Guarantor or any of the Material Subsidiaries, (ii) any order is made by any competent court or a resolution is passed, or a meeting of its shareholders or directors is convened for the purpose of considering a resolution, for the winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), of the Issuer, the Guarantor or any of the Material Subsidiaries, (iii) a composition, compromise, assignment or arrangement is made with any creditor of the Issuer, the Guarantor or any of the Material Subsidiaries, (iv) a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer is appointed in respect of the Issuer, the Guarantor or any of the Material Subsidiaries or any of its assets or an application is made or petition is presented to a court, or a notice is given or filed, in relation to the appointment of such an officer; or (v) any security over any assets (with a value of at least £5,000,000 (or its equivalent in any other currency)) of the Issuer, the Guarantor or any of the Material Subsidiaries is enforced; provided that this subparagraph (e) shall not apply to (A) any winding-up petition which is discharged, stayed or dismissed within 28 days of commencement or (B) any solvent liquidation or reorganisation taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) if any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer, the Guarantor or any of the Material Subsidiaries having an aggregate value of £5,000,000 (or its equivalent in any other currency) or more and is not discharged within 28 days; or
- (g) if the Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on (or threatens to cease to carry on) all or substantially all of its business, save for the purposes of (a) any solvent liquidation or reorganisation (i) taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, (ii) in the case of the Guarantor, where all or substantially all of the undertaking and assets of the Guarantor are transferred to or otherwise vested in the Issuer, or (iii) in the case of any Material Subsidiary, where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Issuer's Subsidiaries or (b) in the case of any Material Subsidiary, any transfer or disposal where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to a third party for full consideration on an arms' length basis; or
- (h) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

10.2 Reports

A report by two Authorised Signatories (as defined in the Trust Deed) of the Issuer addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee 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.

10.3 Interpretation

For the purposes of this Condition, "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action or to take any other steps or action under or pursuant to the Trust Deed unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

11.3 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF NOTES AND COUPONS

Should any Note 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 the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. 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 the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or the Couponholders (at the expense of the Issuer), agree with the Issuer and the Guarantor to:

- (a) the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed, of (i) any Holding Company (as defined in the Trust Deed) of the Issuer, (ii) any other company being a Subsidiary of the Issuer or (iii) any Successor in Business (as defined in the Trust Deed) of the Issuer; and/or
- (b) the substitution in place of the Guarantor (or of any previous substitute under this Condition) as the guarantor under the Trust Deed of any Successor in Business of the Guarantor,

in each case, subject to:

- (i) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and
- (ii) certain other conditions set out in the Trust Deed being complied with.

The Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition) as the guarantor under the Trust Deed of the Issuer so that the Issuer shall thereby become the sole obligor in respect of the Notes, provided that:

- (x) two Directors of the Issuer have certified in writing to the Trustee that (I) the Guarantor is no longer a party to, or a guarantor under, the facilities agreement dated 12 September 2013 or any replacement or substitute loan(s) or financing agreement(s) (the "**Facilities Agreement**") and (II) the Issuer (or a Subsidiary of the Issuer which is guaranteed by the Issuer) is the principal obligor under the

Facilities Agreement or the primary working capital and standby bank facilities for the Group;

- (y) each of the Rating Agencies then rating the Notes has confirmed in writing to the Trustee that it has determined that it would not downgrade or withdraw the credit rating assigned by it to the Notes as a result of such substitution; and
- (z) certain other conditions set out in the Trust Deed are complied with.

Following any such substitution of the Guarantor by the Issuer, all provisions relating to the Guarantor and the Guarantee (including, without limitation, paragraph (h) of Condition 10) in these Conditions and the Trust Deed shall cease to have effect and these Conditions and the Trust Deed shall be construed accordingly. A certification by two Directors of the Issuer under paragraph (x) above may be relied upon by the Trustee without further enquiry or evidence and the Trustee shall suffer no liability whatsoever for so relying on, and acting in accordance with, such certification

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders 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 the Agency Agreement,

or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

15.3 Trustee to have Regard to Interests of Noteholders as a Class

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 Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders 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 Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8.

15.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

16. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

16.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

16.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Issuer's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Issuer's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

18. GOVERNING LAW

The Trust Deed (including the Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, 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 NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";
- (b) if either Euroclear or Clearstream, Luxembourg 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) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes 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 Note (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 Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), 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 Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, "**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 7 September 2014, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the principal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note 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 Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (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 Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 13 (*Notices*), provided that, 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 the relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. **Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes 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 Notes 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 Noteholders and giving notice to the Issuer pursuant to Condition 7.4 (*Redemption at*

the Option of the Holders following Change of Control) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note 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 8 (*Taxation*)).

6. Cancellation

On cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase, the Issuer shall procure that details of such cancellation will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

7. Put Option following Change of Control

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.4 (*Redemption at the Option of the Holders following Change of Control*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common service provider for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time the Issuer shall procure that Euroclear and Clearstream, Luxembourg make appropriate entries in their records in respect of all Notes redeemed within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes, including repayment of existing indebtedness.

DESCRIPTION OF THE GROUP

CORPORATE DETAILS OF THE ISSUER AND THE GUARANTOR

The Issuer

Royal Mail plc (the "**Issuer**") is domiciled in the UK. It was incorporated in England and Wales on 6 September 2013 under the UK Companies Act 2006 and is registered as a public company limited by shares under registered number 08680755. Its registered office is at 100 Victoria Embankment, London EC4Y 0HQ and its telephone number is 020 7449 8000.

On 15th October 2013 shares in Royal Mail plc were listed on the London Stock Exchange and in December 2013 it became a FTSE100 company.

The Issuer is the holding company of the Group. It has five principal subsidiaries: RMG, Royal Mail Investments Limited ("**RMIL**"), Royal Mail Estates Limited ("**RME**"), General Logistics Systems B.V. ("**GLS B.V.**") and Romec Limited.

RMG operates the letter and parcel business of the Group in the UK (through the UK Parcels, International and Letters division of the Group ("**UKPIL**")) and is the UK's designated universal provider of postal services. GLS B.V. is the holding company for the Group's European parcel business, General Logistics Systems ("**GLS**"). RMIL is an intermediate holding company which holds the majority of the Group's overseas businesses, including GLS. RME holds many of the Group's property interests. Romec Limited (a 51 per cent. owned subsidiary of RMG) is a joint venture entity largely providing facilities management services to the Group.

The Guarantor

The Guarantor is domiciled in the UK. It was incorporated in England and Wales on 26 January 2001 under the UK Companies Act 1985 and is registered as a private company limited by shares under registered number 04138203. Its registered office is at 100 Victoria Embankment, London EC4Y 0HQ and its telephone number is 020 7449 8000.

FYE 2014 Group revenue and operating profit

In the financial year ended ("**FYE**") 2014, the Group generated revenue of £9,456 million and operating profit after transformation costs of £430 million. In FYE 2014, UKPIL accounted for 82 per cent. (£7,787 million) of the Group's revenue and 72 per cent. (£309 million) of its operating profit after transformation costs. In the same period, GLS accounted for 17 per cent. (£1,651 million) of the Group's revenue and 25 per cent. (£108 million) of its operating profit after transformation costs. In FYE 2014, 51 per cent. of the Group's revenue (£4,813 million) was generated from parcels.

HISTORY AND OVERVIEW OF THE ROYAL MAIL BUSINESS

"Royal Mail" is a household name in the UK that customers rely on for the delivery of parcels and letters. The Group is the leading provider of postal and delivery services in the UK, with significant operations in continental Europe.

Royal Mail's origins date back nearly 500 years to the time of King Henry VIII. Today, the Group's core business is the collection, processing and delivery of parcels and letters in the UK, leveraging its unique networks and powerful brands, which underpin leading positions in the UK's parcel and letter delivery markets. It is the UK's designated universal postal service provider and delivers a "one price goes anywhere" service on a range of parcel and letter products in the UK. In

FYE 2014, the Group handled approximately 16.5 billion letters and over 1.5 billion parcels across all of its networks.

Overview of UKPIL

UKPIL comprises the Group's core UK and international parcel and letter delivery businesses under the "Royal Mail" and the "Parcelforce Worldwide" brands and through the UK network and infrastructure of Royal Mail for the collection, processing and delivery of parcels and letters ("the **Royal Mail Core Network**") and the Parcelforce Worldwide network. It supports the provision of services for the collection, processing and delivery of parcels and letters by Royal Mail. This includes those services Royal Mail provides as the UK's designated universal postal service provider. In addition, UKPIL provides specialist delivery services and carries out a number of other letter-related business activities, including marketing mail consulting services.

Through the Royal Mail Core Network, Royal Mail delivers parcels and letters, and has the capability to deliver to more than 29 million business and residential addresses in the UK six days a week (excluding UK public holidays). Parcelforce Worldwide is a separate UK network, which collects and delivers express parcels. UKPIL also generates revenue from international parcels and letters exported from, and imported into, the UK. At the end of FYE 2014, UKPIL employed approximately 148,000 employees.

UKPIL has a leading position in the overall UK parcel market and believes that it has a UK domestic market share of approximately 38 per cent. by revenue based on an analysis of competitor data. In FYE 2014, UKPIL handled approximately 16.5 billion letters and more than 1 billion parcels.

In FYE 2014, UKPIL generated revenue of £7,787 million which accounted for 82 per cent. of the Group's revenue.

Overview of GLS

GLS comprises the Group's European parcel business and is focused on the deferred parcels segment. GLS operates in 22 European countries and nation states through wholly-owned members of GLS and its subsidiaries (the **GLS Group**) and franchisees, and covers an additional 15 European countries and nation states through network and service partners of the GLS Group. The European network and infrastructure (including hubs and depots) of the GLS Group, its network and service partners and franchisees for the collection, processing and delivery of parcels for GLS (the **GLS Network**) is one of the largest ground-based deferred parcel delivery networks in Europe. GLS's main markets are Germany, Italy and France, and in FYE 2014 revenue generated in these markets contributed approximately 70 per cent. of GLS's total revenue. GLS is a strategically important part of the Group. The Group's ownership of GLS delivers a number of strategic benefits for the Group, including geographic earnings diversification and its experience and focus on parcel delivery in Europe means it is a core component of Royal Mail's vision of being recognised as the best delivery company in the UK and across Europe. At the end of FYE 2014, the GLS Group employed approximately 14,000 employees.

In FYE 2014, GLS handled approximately 400 million parcels, generating revenue of £1,651 million, which accounted for 17 per cent. of the Group's revenue.

RELATIONSHIP WITH HM GOVERNMENT

HM Government as shareholder and as customer

HM Government holds shares in Royal Mail plc via Postal Services Holding Company Limited, which in turn is wholly-owned by HM Government. As at 30 March 2014, HM Government held approximately 29.9 per cent. of the issued share capital of the Issuer.

The Issuer entered into a Relationship Agreement with the Secretary of State and HM Government on 27 September 2013. In the Relationship Agreement, the Secretary of State and HM Government agree, among other things, that they will exercise their respective powers to ensure that the Group is capable of operating independently of them, that they will not influence the day-to-day running of the Issuer and the Group at an operational level or hold or acquire a material shareholding in one or more material subsidiaries of the Issuer. As a result, the Group operates independently from HM Government and does not have access to any credit support from HM Government. Following expiry of the lock-up period on 13 April 2014 in connection with the listing of the Issuer's shares on the London Stock Exchange, HM Government is free to sell the shares it holds in the Issuer at any time.

The Group, in common with a number of other UK postal services operations, trades with numerous government bodies in the UK in the ordinary course of business on arm's length terms and on a normal commercial basis. Relevant bodies with which the Group trades include central ministerial departments of HM Government as well as executive agencies, non-ministerial departments and local authorities.

Relationship with Post Office Limited

The Group has a significant trading relationship with Post Office Limited ("**POL**"). In April 2012, RMG transferred POL to Postal Services Holding Company Limited (formerly Royal Mail Holdings plc). POL operates the UK's network of more than 11,500 Post Office branches. The Group and POL have entered into the Mails Distribution Agreement (the "**Mails Distribution Agreement**"), a long-term distribution agreement, under which POL sells Royal Mail postage stamps and the Group's letter and parcel products (under the "Royal Mail" and "Parcelforce Worldwide" brands) to customers on behalf of the Group across the UK's Post Office branch network. The Mails Distribution Agreement has a term of ten years from 19 January 2012 and includes, *inter alia*, provisions for discussions as to extension of the term to commence as soon as reasonably practicable after the seventh anniversary. Under the agreement, POL receives separate remuneration from RMG for each postage stamp or product sold plus an additional fee payable periodically. Post Office branches serve as the Group's principal retail distribution network in the UK and are of material significance to the business and revenue of the Group. The UK's Post Office branch network is used to provide customer collection and drop off points for letters and parcels and to satisfy part of the Group's obligations as the designated universal service provider under the regulatory framework for postal services issued by Ofcom in March 2012.

A significant proportion of the Group's revenue is generated through the sale of the Group's postage stamps and products by POL. In FYE 2014, the Group made payments of £358 million to POL, including an annual fee and other remuneration payable under the agreement as well as payments in respect of other operational items. POL is subject to the Postal Services Act 2011 of the UK and is wholly owned by HM Government.

OVERVIEW OF THE REGULATORY FRAMEWORK

Certain of the Group's activities are regulated at the UK, EU and international levels.

Under the UK Postal Services Act 2011 (the "Act"), Ofcom was appointed as the regulator for postal services in the UK. Ofcom has designated the Guarantor as the single universal postal service provider in the UK. As a result, the Guarantor is required to provide postal services to specified standards and comply with various requirements set out in the Act and in regulatory provisions.

The Guarantor is required, among other things, to provide basic postal services across the UK, including delivery six days a week, overnight, throughout the UK, to stringent quality standards and at a uniform, affordable tariff. In addition, the Guarantor is required to provide access to its postal network to other postal operators and users of postal services for certain services.

Ofcom's primary duty under the Act is to carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. In discharging its duties in relation to the provision of the universal service, the Act also requires Ofcom to have regard to the need for the provision of a universal postal service to be financially sustainable, including the need for a reasonable commercial rate of return for any universal service provider, and to become efficient within a reasonable time, and then remain so.

JUDICIAL REVIEW BROUGHT BY TNT AGAINST HMRC

In June 2011, TNT issued judicial review proceedings against HMRC with respect to the scope of the UK VAT exemption for postal services. The Group, through RMG, is an interested party in these proceedings on the ground that it is currently exempt from charging VAT on mandated network access services. The case was heard in the Administrative Court between 1-3 April 2014, and judgment is currently being awaited. However, any judgment could be subject to an appeal, or the judge could decide to refer the case to the European Court of Justice, which would mean a final decision is delayed.

If TNT were ultimately to succeed, the effect of this would depend upon the terms of the judgment, but it could be that Parliament would need to amend the VAT Act 1994 to remove the VAT exemption for mandated network access services. The impact of the imposition of VAT on mandated network access services (should this occur) is difficult to assess or quantify. In particular, the financial impact is currently indeterminable and is subject to a variety of factors, some of which may not be known until after any imposition of VAT comes into effect. The Group considers that Parliament has correctly implemented VAT legislation in compliance with European law and is supporting HMRC in defending the claim.

RECENT DEVELOPMENTS

On 16 July 2014 the Issuer made the following announcement:

"Royal Mail statement on French competition authority investigation into alleged antitrust law breaches in France

Royal Mail plc (RMG.L) announces that certain group companies have received a notice from the French competition authority (Autorité de la Concurrence) alleging breaches of antitrust laws by one of its subsidiaries, GLS France. This is in connection with a broader investigation into alleged activities within the industry in France.

We are currently considering the notice received from the French regulator. Given the early stage of this matter, we cannot yet determine the amount or range of potential loss; however, it is possible that it could be material.

An update will be provided at the appropriate time."

BOARD OF DIRECTORS

The Directors of Royal Mail plc are listed below.

Name of Director	Position	Principal activities outside the Group
Donald Brydon CBE	Chairman Chairman of the Nomination Committee and a member of the Remuneration Committee	Chairman of The Sage Group plc Chairman of the Medical Research Council Patron of the British Postal Museum and Archive
Orna Ni-Chionna	Senior Independent Non-Executive Director Chair of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nomination Committee	Trustee of the Soil Association Chair of the Advisory Board at Eden McCallum LLP Non-executive director of Saga Plc Trustee of the National Trust
Moya Greene	Chief Executive Officer	Director of Tim Hortons Inc
Matthew Lester	Chief Finance Officer Matthew is a member of the Pensions Committee	Non-executive director of Man Group plc A main committee member of the 100 Group of Finance Directors, where he is Chairman of its Investor Relations and Markets Committee
Mark Higson ¹	Managing Director, Operations and Modernisation	President of the World Class Manufacturing Association Member of the IPA Advisory Council
John Allan CBE	Non-Executive Director Member of the Audit and Risk Committee	Chairman of the Board of Trustees of the DHL UK Foundation Chairman of Dixons Retail plc Senior adviser to Alix Partners Chairman Ship Midco Ltd (trading as WorldPay Ltd). Non-executive Director and Chairman designate of Barratt Developments plc from 1 August 2014 and Chairman following Barratt Developments plc's AGM on 12 November 2014
Nick Horler	Non-Executive Director Member of the Audit and Risk Committee and the Nomination	Non-executive director of The Go-Ahead Group plc Non-executive Director of Thames Water Utilities Limited

¹ Mr Higson is due to stand down from the Board of Directors of the Issuer with effect from the close of the 2014 annual general meeting, to be held on 24 July 2014.

	Committee	Chairman of Alderney Renewable Energy Ltd Chairman of Meter Provida Ltd
Cath Keers	Non-Executive Director Member of the Audit and Risk Committee and the Nomination Committee	Non-executive director of Telefónica Europe plc Non-executive director Home Retail Group plc Non-executive director LV= (Liverpool Victoria Friendly Society Limited)
Paul Murray	Non-Executive Director Chairman of the Audit and Risk Committee and a member of the Remuneration Committee and the Pensions Committee	Non-executive director of Independent Oil and Gas plc Non-executive director of Naked Energy Ltd Non-executive director of Qinetiq Group plc Non-executive director of Ventive Ltd Treasurer of Pilotlight
Les Owen	Non-Executive Director Chairman of the Pensions Committee and a member of the Audit and Risk Committee and the Remuneration Committee	Non-executive Chairman of Jelf Group plc Non-executive director of Computershare Non-executive of CPP Group plc Non-executive of Just Retirement Group plc Non-executive of Discovery Holdings, a South African listed health and life insurer

The Directors of Royal Mail Group Limited are listed below.

Name of Director	Position	Principal activities outside the Group
Donald Brydon CBE	Director	Chairman of The Sage Group plc Chairman of the Medical Research Council Patron of the British Postal Museum and Archive
Moya Greene	Director	Director of Tim Hortons Inc
Matthew Lester	Director	Non-executive director of Man Group plc A main committee member of the 100 Group of Finance Directors, where he is Chairman of its Investor Relations and Markets Committee

Mark Higson ²	Director	President of the World Class Manufacturing Association Member of the IPA Advisory Council
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The business address of each of the Directors of the Issuer and of the Guarantor (in such capacity) is 100 Victoria Embankment, London EC4Y 0HQ, United Kingdom.

There are no potential conflicts of interest between the duties to either the Issuer or the Guarantor of each of the members of the Board of Directors listed above and his or her private interests or other duties.

² Mr Higson is due to stand down from the Board of Directors of the Guarantor with effect from the close of the Issuer's annual general meeting to be held on 24 July 2014.

UNITED KINGDOM TAXATION

The following is a summary of the Issuer and Guarantor's understanding of current law and published practice in the United Kingdom relating to certain aspects of the taxation treatment of the payment of interest on the Notes as at the date of this Prospectus and is subject to any change in law or practice that may occur after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all United Kingdom tax considerations relating to the Notes. It does not necessarily apply where income is deemed for tax purposes to be the income of any other person. It relates only to the position of persons who are the absolute beneficial owners of the Notes. Some aspects do not apply to certain classes of taxpayer (such as collective investment schemes, financial traders or dealers or persons who are connected with the Issuer and the Guarantor) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances. Prospective Noteholders who may be subject to tax in jurisdictions other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

1. UK Withholding Tax

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "ITA"). The London Stock Exchange is a recognised stock exchange. 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 the FSMA (as amended)) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where such interest is paid by a company, and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs ("HMRC") has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available 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, an amount on account of United Kingdom income tax at the basic rate (currently 20 per cent.) must generally be withheld from payments of interest on the Notes. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

2. Provision of information to HMRC

HMRC has powers, in certain circumstances, to obtain information and documents about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

3. Payments by the Guarantor

If the Guarantor makes any payments in respect of interest on the Notes, such payments may be subject to withholding on account of United Kingdom tax at the basic rate (currently 20 per cent.), subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief that may apply. Such payments by the Guarantor may not be eligible for all the exemptions from the obligation to withhold tax described in paragraph 1 above.

4. Discount and Premium

The Notes are issued at an issue price of less than 100 per cent of their principal amount. This discount element should not be subject to any United Kingdom withholding tax pursuant to the provisions outlined in paragraph 1 above, but may be subject to reporting requirements outlined in paragraph 2 above.

The Notes are issued on terms that a premium may be payable on redemption. Any element of premium may constitute a payment of interest, and if so, the provisions above relevant to interest will apply.

5. UK Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Note or on its redemption.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014 the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. The new requirements, once applied, will cover new types of savings income and expand the range of payments covered by the

Directive, in particular to include additional types of income payable on certain securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. Member States have until 1 January 2016 to adopt national legislation necessary to comply with the Directive and must apply the new requirements from 1 January 2017.

For a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The changes referred to above, when implemented, will broaden the types of payment subject to withholding in those Member States which still operate a withholding system. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive to establish a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal is very broad in scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

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

A joint statement issued on 6 May 2014 by 10 of the 11 participating Member States indicated an intention to implement the FTT progressively such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

BNP Paribas, J.P. Morgan Securities plc, RBC Europe Limited and The Royal Bank of Scotland plc (the "**Joint Lead Managers**") have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 25 July 2014, jointly and severally agreed to subscribe for the Notes at the issue price of 99.482 per cent. of the principal amount of the Notes less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain standard circumstances prior to payment being made to the Issuer.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and the Guarantor and their affiliates in the ordinary course of business.

General

Neither the Issuer nor the Guarantor nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead 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 Notes 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.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of issue of the Notes (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons, and, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the requirements of the Securities Act.

The Notes 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 U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

United Kingdom

Each Joint Lead Manager has represented and agreed, *inter alia*, that:

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

GENERAL INFORMATION

- (1) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 18 June 2014 and by a resolution of a Committee of the Board of Directors of the Issuer passed on 2 July 2014 and the giving of the Guarantee by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 18 June 2014 and by a resolution of a Committee of the Board of Directors of the Guarantor passed on 2 July 2014.
- (2) Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market. Such listing and admission to trading is expected to occur on or about 30 July 2014, subject only to the issue of the Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third business day in London after the date of the transaction.
- (3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £4,200.
- (4) There has been no significant change in the financial or trading position of the Issuer or the Guarantor or of the Group and no material adverse change in the financial position or prospects of the Issuer or the Guarantor or of the Group, in each case since 30 March 2014.
- (5) Save as disclosed under "Judicial Review brought by TNT against HMRC" and "Recent Developments" on page 42, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) since the date of its incorporation (in the case of the Issuer) and during the 12 months preceding the date of this Prospectus (in the case of the Guarantor) which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group or the Guarantor.
- (6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS1091654761 and the Common Code is 109165476. 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.
- (7) The Notes will be issued in NGN form. On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used. The Notes are intended to be held in a manner which would allow Eurosystem eligibility that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will

depend upon satisfaction of the Eurosystem eligibility criteria which is subject to change from time to time.

- (8) The following legends will appear on all Notes and Coupons:

Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended. Under these limitations, if a Note or Coupon is paid, sold or otherwise disposed of in a transaction that results in a taxable gain or loss for U.S. federal income tax purposes, the gain will be treated as ordinary income and not as capital gain, and no deduction will be allowable in respect of the loss.

- (9) The auditors of the Issuer and the Guarantor are Ernst & Young LLP, which are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Ernst & Young LLP have, without qualification, audited the consolidated financial statements of the Issuer for the financial year ended 30 March 2014, the unconsolidated financial statements of the Guarantor for the year ended 30 March 2014 and the historical financial information of the Guarantor for the financial year ended 31 March 2013, respectively.

- (10) 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 weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Principal Paying Agent:

- (a) this Prospectus (together with any supplements to this Prospectus);
- (b) the memorandum and articles of association of each of the Issuer and the Guarantor;
- (c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement; and
- (d) the most recent annual financial statements of the Issuer and the Guarantor from time to time.

- (11) The financial information included in this Prospectus (other than the Issuer's and Guarantor's annual financial statements which are incorporated by reference in this Prospectus pursuant to paragraph (a) and (b) under "Documents incorporated by Reference" above) does not constitute the statutory accounts of the Issuer and the Guarantor within the meaning of Section 435(1) and (2) of the Companies Act 2006 for any period presented. The auditors have made a report under Chapter 3 of Part 16 of the Companies Act 2006 on the statutory accounts of the Issuer for the year ended 30 March 2014 and on the statutory accounts of the Guarantor for the year ended 30 March 2014, which reports were unqualified and did not contain any statement as is described in Sections 498(2) or (3) of the Companies Act 2006. Statutory accounts have been delivered to the Registrar of Companies in England and Wales for each of the year ended 30 March 2014 in the case of the Issuer and the Guarantor. The report of the Issuer's and the Guarantor's auditors in the statutory accounts contained the following statement: *"To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed"*.

- (12) For investors in the Notes, the Issue Price is 99.482 per cent. and the yield is 2.434 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.

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