



**BRITISH TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY**

(incorporated with limited liability in England and Wales with Registered Number: 1800000)

unconditionally and irrevocably guaranteed by

BT GROUP PLC

(incorporated with limited liability in England and Wales with Registered Number: 4190816)

€20,000,000,000

Euro Medium Term Note Programme

Under this €20,000,000,000 Euro Medium Term Note Programme (the **Programme**), British Telecommunications public limited company (the **Issuer** or **BT** or the **Company**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payment of all amounts payable by the Issuer in respect of the Notes issued under the Programme will be unconditionally and irrevocably guaranteed by BT Group plc (the **Guarantor**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to the Dealer specified under “*Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **FCA**) for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the **Market**). The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the FCA and the London Stock Exchange. Copies of the Final Terms will also be published on the website of the London Stock Exchange through a regulatory information service.

The Notes of each Tranche will be in bearer form and will be initially represented by a global Note which will (i) if the global Note is intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) and (ii) if the global Note is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

The Issuer’s senior long term debt obligations have been rated BBB by S&P Global Ratings, acting through S&P Global Ratings Europe Limited, UK Branch (**Standard & Poor’s**), Baa2 by Moody’s Investors Service Ltd. (**Moody’s**) and BBB by Fitch Ratings Limited (**Fitch**). Each of Standard & Poor’s, Moody’s and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Certain Series of Notes to be issued under this Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings specified above and will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger
Barclays
Dealer
Barclays

The date of this Prospectus is 16 July 2019.

IMPORTANT INFORMATION

Unless otherwise specified, all references in this Prospectus to the *Prospectus Directive* refer to Directive 2003/71/EC (as amended or superseded), and any relevant implementing measure in the relevant Member State of the European Economic Area.

This Prospectus together with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”) comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of each of the Issuer and the Guarantor (each having 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 shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

Save for the Issuer and the Guarantor, no other party has 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 Dealer 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 and/or the Guarantor in connection with the Programme. No Dealer 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 and/or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor, the Dealer or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Dealer or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, the Dealer or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Guarantor and its subsidiaries including the Issuer (the *Group*). Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, the Dealer or the Trustee to any person to subscribe for or to purchase any Notes.

None of the delivery of this Prospectus, any Final Terms or the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealer and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes and the Deed of Guarantee (the *Deed of Guarantee*) dated 27 March 2019 between the Guarantor, the Issuer and the Trustee have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “*Subscription and Sale*”).

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealer and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealer or the Trustee which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area, Belgium, the United Kingdom, Japan and Singapore; see “*Subscription and Sale*”.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of the financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars, to *Sterling* and *£* refer to pounds sterling, to *yen* and *¥* refer to Japanese yen and to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus about the Issuer constitutes the Issuer’s estimates, using underlying data from various industry sources where appropriate. The Issuer accepts responsibility for the market, economic and industry data contained in this Prospectus. The market, economic and industry data has been extracted from various industry and other independent and public sources, the publications in which they are contained generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by any such industry and other independent and public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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STABILISATION

In connection with the issue of any Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes, any Dealer or Dealers acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Final Terms in respect of any Notes will include a legend entitled “*MiFID II Product Governance*” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a *distributor*) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, *MiFID II*) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance Rules under EU Delegated Directive 2017/593 (the *MiFID Product Governance Rules*), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Dealer nor any of its respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a *retail investor* means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the *PRIIPs Regulation*) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

Unless otherwise stated in the applicable Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

BENCHMARKS REGULATION

Amounts payable on Floating Rate Notes to be issued under the Programme may be calculated by reference to certain reference rates such as the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR) as specified in the applicable Final Terms. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the *Benchmarks Regulation*). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update any applicable Final Terms to reflect any change in the registration status of the administrator.

DESCRIPTION OF THE PROGRAMME

The following general description of the Programme does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole including all documents incorporated by reference.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Description of the Programme.

Issuer:	British Telecommunications public limited company
Guarantor:	BT Group plc
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantor’s obligations under the Deed of Guarantee. These are set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealer:	Barclays Bank PLC and any other Dealers appointed in accordance with the Programme Agreement.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Prospectus. Notes having a maturity of less than one year Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in other currencies, see “ <i>Subscription and Sale</i> ”.
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch.
Programme Size:	Up to €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:	Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>The Notes will be issued in bearer form as described in “<i>Form of the Notes</i>”.</p> <p>The Notes of each Tranche will be initially represented by a global Note which will (i) if the global Note is intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg and (ii) if the global Note is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to the Common Depositary for Euroclear and Clearstream, Luxembourg.</p>
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate set out in the applicable Final Terms appearing on the agreed screen page of a commercial quotation service. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving

notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “*Certain Restrictions – Notes having a maturity of less than one year*” above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the Issue Date of such Notes) or such higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions – Notes having a maturity of less than one year*” above.

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, as provided in Condition 7, unless such deduction is required by law. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The applicable Final Terms may provide that the terms and conditions of the Notes will include the negative pledge provisions as described in Condition 3 of the Terms and Conditions of the Notes.

Cross Default:

The terms of the Notes will contain a cross default provision as further described in Condition 9.

Status of the Notes:

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Guarantee:

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

Rating:

The Issuer’s senior long term debt obligations have been rated BBB by Standard & Poor’s, Baa2 by Moody’s and BBB by Fitch. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Admission to trading:

Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, Belgium, the United Kingdom, Japan, Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

United States Selling Restrictions:

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended, unless the applicable Final Terms states otherwise.

The Notes will be issued in compliance with United States Treasury regulations section 1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the **D Rules**) unless (i) the applicable Final Terms states that Notes are issued in compliance with United States Treasury regulations section 1.163-5(c)(2)(i)(C) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the **C Rules**); or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most 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.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme 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 Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

STRATEGIC RISKS

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

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

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

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

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

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

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

Regulation impacts the Group's activities across all jurisdictions. In the United Kingdom, Ofcom (the independent regulator for the United Kingdom communications industries) can identify competition concerns in the communications markets and set rules requiring the Group to provide certain services on specified terms to its customers. Ofcom reviews markets regularly and can introduce, extend, relax or remove rules as a result of its findings in a market review. Ofcom has powers to conduct specific investigations about market behaviour, including price levels. In addition, Ofcom can set out rules for spectrum auctions and to ensure consumer protection in the sector.

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

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

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

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

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

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

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

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

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

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

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

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

- In the United Kingdom, internet access is increasingly seen as an essential part of people's lives. As a result, the level of political debate continues to focus on network coverage, quality and speed of service as well as broader issues of online safety and security. As well as providing a critical element of the United Kingdom's national infrastructure, both fixed and wireless, the Group is also engaged in supporting high profile programmes such as the Broadband Delivery United Kingdom regional fibre deployment programme and the Emergency Services Network.
- The result of the United Kingdom referendum to leave the European Union ("Brexit") has significantly increased political uncertainty and instability that has included new political parties being established and the defection of Members of Parliament from both the Conservative and Labour parties. This continues to impact political debates around the United Kingdom, such as the possibility of a second Scottish independence referendum and the complex situation in Northern Ireland including border matters.

- Outside the United Kingdom, political and geopolitical risk can impact the Group's business through changes in the regulatory and competitive landscape, but also as a direct threat to its people and assets as a result of social unrest or a break down in the rule of law.

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

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

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

FINANCIAL RISKS

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

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

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

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

In March 2019, the United Kingdom regulator of workplace pension schemes issued its annual statement, which increased the regulatory pressure on companies – for example, encouraging trustees of workplace pension schemes to seek shorter recovery plans (of less than seven years) and to aim for contributions no lower than dividend payments. This could potentially have a negative impact on the level and timing of the Group's cash contributions following the next triennial valuation.

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

The Group faces a variety of financial risks

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

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

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

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

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

COMPLIANCE RISKS

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

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

During the year, the Group continued the improvements and commenced a significant Sarbanes-Oxley control enhancement programme which identified two particular areas requiring remediation: IT general controls and risk assessment, in particular, documentation of information used in controls. Although significant improvements have been made, remediation and testing of all remediating plans was not complete at 31 March 2019 and will be a significant focus for 2019/20. The Group concluded that unremediated deficiencies in the two areas resulted in a material weakness in the Group's internal control over financial reporting as at 31 March 2019 as defined by the United States Sarbanes-Oxley Act.

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

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

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

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

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

These regulatory regimes present a significant challenge. Failure to comply with data protection and privacy obligations may result in regulatory enforcement action, significant fines, legal action (class-action or breach of contract), criminal sanctions (including prison sentences), significant reputational damage, customer churn and the Guarantor's shareholder divestment and financial loss. The sanctions for breaching the GDPR are significantly higher than under the previous regime, which could result in a substantial fine in the event of a breach.

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

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

The failure to implement and maintain effective health safety management could generate significant human and financial costs as a result of injury to the Group's workforce or members of the public, financial penalties, hindered or stopped operations and/or reputational damage.

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

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

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

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

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

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

The Group is committed to maintaining high ethical standards, and has a zero tolerance approach to fraud, bribery, any form of corruption or any illegal or unethical activity. The Group has to comply with a wide range of local and international laws, including anti-corruption and bribery laws. The United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act have extraterritorial reach and thereby cover the Group's global operations. The Group has seen a steady flow of significant cases under both the United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act. The Group also has to ensure compliance with trade sanctions as well as import and export controls. The Group complies with the United Kingdom Modern Slavery Act and follows international standards on human rights, such as the International Labour Organisation's Principles and the United Nations Guiding Principles on

Business and Human Rights. There has been an increase in legislation (either enacted or proposed) to address and report on human rights abuses by companies.

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

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

OPERATIONAL RISKS

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

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

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

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

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

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

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

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

One of the Group's largest contracts is the delivery of a key element of the United Kingdom Emergency Services Network, which is being delivered with several partners and is managed by the United Kingdom Home Office. In addition, the Group continues to deliver a number of contracts with local authorities through regional fibre deployment

programmes including the Broadband Delivery United Kingdom programme. As with the Group's other major contracts, failure to deliver either of these contracts successfully may lead to a reduction in the Group's expected future revenue, profitability and cash generation. These contracts are high-profile and therefore carry a higher reputational risk, and they present specific risks around deployment, delivery and the Group's ability to recover public funding. The Group also has an obligation to potentially either re-invest or repay grant funding depending on a number of factors, including the level of customer take-up achieved.

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

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

Extreme weather always challenges the Group's IT and network estate. In this last year the Group had to keep its network operating through the joint hottest United Kingdom summer on record, lightning storms and heavy rain.

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

Failure to manage cyber and information security threats

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

Cyber-attackers are learning how to defeat conventional defences such as anti-virus (AV), proxy servers, and basic authentication. They are changing malware signatures faster than AV vendors can deliver matching identity files, launching 'Denial of Service' attacks that are disguised as legitimate traffic at the application level, and using increasingly convincing phishing emails to trick users into giving access to restricted systems. The growth in ransomware attacks has made headline news and caused significant disruption to some of the Group's corporate customers, but the Group has so far managed to avoid such consequences.

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

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

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

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

The Group is committed to ensuring that all dealings with its suppliers, from selection and consultation through to contracting and payment, are in accordance with its trading and ethical policies. If any link in the Group's supply chain

does not meet the applicable legal requirements or fails to meet the Group's ethical expectations, its reputation could be damaged and it may be subject to legal action, fines and lost revenue.

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

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

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

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

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

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

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

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

Failure to manage and implement the change programme successfully could result in poorer customer experiences, negative impacts on employee engagement or potential overspend on the projects themselves. In addition, the projects may not successfully achieve the efficient processes, cost savings or differentiated products and services intended.

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

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature of Notes is likely to limit their market value and secondary market of the Notes. During any period when the Issuer may elect to redeem 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 rate 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.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the prevailing rates on Fixed Rate Notes or the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing interest rates and could affect the market value of an investment in the relevant Notes.

Uncertainty about the future of “benchmarks” may adversely affect the value of, and return on, any Notes linked to a “benchmark” and the trading market for such Notes

LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such “benchmarks” to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have an adverse effect on any Notes referencing such a “benchmark”.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied since 1 January 2018 (with the exception of certain transitional provisions specified in Article 59 (mainly on critical “benchmarks”) that came into effect from 30 June 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have an adverse impact on any Notes linked to or referencing LIBOR, EURIBOR or another “benchmark” rate or index, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the “benchmark”. In addition, the Benchmarks Regulation stipulates that each administrator of a “benchmark” regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain “benchmarks” will fail to obtain a necessary licence, preventing them from continuing to provide such “benchmarks”. Other administrators may cease to administer certain “benchmarks” because of the additional costs of compliance with the Benchmarks Regulation and other applicable regulations, and the risks associated therewith.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech on 12 July 2018, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, confirmed that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR benchmark to the administrator of

LIBOR after 2021. The announcements indicated that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is impossible to predict whether, and to what extent, banks will continue to provide LIBOR submissions to the administrator of LIBOR.

In addition, on 29 November 2017, the Bank of England and the Financial Conduct Authority announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forward. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation), the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”. Uncertainty about the future of “benchmarks”, any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have an adverse effect on the value of, and return on, any Notes linked to, referencing or otherwise dependent, in whole or in part, upon a “benchmark” and the trading market for such Notes.

The “*Terms and Conditions of the Notes*” provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an Original Reference Rate and/or any page on which an Original Reference Rate may be published, becomes unavailable, or if the Issuer, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference Rate under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Notes which are issued at a substantial discount or premium may experience price volatility in response to general changes in interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

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

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The conditions of the Notes 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 of the Notes also provide that the Trustee (as defined under “*Terms and Conditions of the Notes*”) may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (as defined under “*Terms and Conditions of the Notes*”), or determine that any Event of Default (as defined under “*Terms and Conditions of the Notes*”) or potential Event of Default shall not be treated as such, where in any such case it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) any modification which is of a formal or minor or technical nature or is made to correct a manifest error or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 of the conditions of the Notes.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to the Specified Denomination.

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

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

Risks related to the market generally

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

An active secondary market in respect of the Notes may never be established or it may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Deed of Guarantee in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency 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 or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all risks associated with an investment in those Notes

As described on the front page of this Prospectus, certain credit rating agencies have assigned credit ratings to the Issuer's senior long term debt obligations and one or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes if such rating is not 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) unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms and will not necessarily be the same as the ratings of the Issuer's senior long-term debt ratings.

Notes issued with a specific use of proceeds, such as specified green projects, may not be suitable for the specific investment criteria of an investor

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equal to the net proceeds of the issue of such Notes to specified projects and activities that promote sustainability, climate-friendly and other environmental purposes (**Green Projects**), in accordance with certain prescribed eligibility criteria. The Dealer is not responsible for assessing or verifying whether or not the specified green projects meet the prescribed eligibility criteria or for the monitoring of the use of proceeds. Prospective investors should

have regard to the information set out in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or the Dealer that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects. Furthermore, there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to which precise attributes are required for a particular project to be defined as “green” or “sustainable” or an equivalently-labelled project, and therefore no assurance can be provided to potential investors that the use of proceeds specified in the applicable Final Terms will meet an investor’s expectations regarding environmental performance and/or sustainability performance and/or equivalently-labelled performance objectives or continue to meet the relevant eligibility criteria or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and, in particular, with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus or the applicable Final Terms. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), or are included in any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled index or indices, no representation or assurance is given by the Issuer, the Dealer or any other person that such listing or admission, or inclusion in such index or indices, satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and also the criteria for inclusion in such index or indices may vary from one index to another. Nor is any representation or assurance given or made by the Issuer, the Dealer or any other person that any such listing or admission to trading, or inclusion in any such index or indices, will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading, or inclusion in such index or indices, will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Projects. Nor can there be any assurance that such Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market or inclusion in such index or indices as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Annual Report 2019 of the Issuer which contains the auditors' report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2019;
- (b) the Annual Report & Form 20-F 2018 of the Issuer which contains the auditors' report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2018;
- (c) the Annual Report 2019 of the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2019;
- (d) the Annual Report & Form 20-F 2018 of the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2018; and
- (e) the Terms and Conditions of the Notes contained in the previous Prospectuses dated 2 July 1999 (pages 19-36 inclusive); 8 October 2007 (pages 29-48 inclusive); 3 June 2008 (pages 31-54 inclusive); 2 June 2009 (pages 31-55 inclusive); 29 May 2014 (pages 26-50 inclusive); 29 May 2015 (pages 30-55 inclusive); 27 May 2016 (pages 28-53 inclusive); 16 June 2017 (pages 28-53 inclusive) and 15 June 2018 (pages 31-56 inclusive) prepared by the Issuer in connection with the Programme.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with section 87G of the FSMA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

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

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

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

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealer in the Programme Agreement (as defined in "*Subscription and Sale*") that it will comply with section 87G of the FSMA.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, the **Global Notes**) which, in the case of either Global Note, will:

- (i) if it is intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and
- (ii) if it is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to the Common Depositary for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

If a Global Note is a NGN, the Issuer shall procure that details of payment of principal, interest (if any) or any other amounts payable in respect of such Global Note, shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by such Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in

such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The applicable Final Terms will specify whether the Notes will be represented upon issue by:

- (i) a Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event; or
- (ii) a Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date; or
- (iii) a Permanent Global Note exchangeable for definitive Notes only upon an Exchange Event.

The exchange of a Permanent Global Note for definitive Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The applicable Final Terms will specify whether or not talons for future interest coupons are to be attached to definitive Notes where the Notes have more than 27 coupon payments, as talons may be required if, on exchange of such Notes into definitive form, more than 27 coupon payments remain to be made.

The following legend will appear on all Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGN), be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE FINAL TERMS

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

PRIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore – The Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and [Excluded Investment Products]/[Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Final Terms dated []

British Telecommunications public limited company
Legal Entity Identifier (LEI): 549300OWFMSO9NYV4H90
Issue of [] []
unconditionally and irrevocably guaranteed by BT Group plc
Legal Entity Identifier (LEI): 213800LRO7NS5CYQMN21
under the €20,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 16 July 2019 [and the supplement[s] to it dated [] [and []], including all documents incorporated by reference, which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended or superseded) and any relevant implementing measure in the relevant Member State of the European Economic Area (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [is] [and [each of] the supplement[s] are] available for viewing at the specified office of the Paying Agent for the time being in London and) on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in, and extracted from, the Prospectus dated [] which are incorporated by reference in the Prospectus dated 16 July 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended or superseded) and any relevant implementing measure in the relevant Member State of the European Economic Area (the **Prospectus Directive**) and must be read in conjunction with the Prospectus dated 16 July 2019, including the Conditions which are incorporated by reference in the Prospectus dated 16 July 2019 [and the supplement[s] to it dated [] [and []], including all documents incorporated by reference, which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the

Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated 16 July 2019 [as so supplemented]. The Prospectus [is] [and [each of] the supplement[s] are] available for viewing at the specified office of the Paying Agent for the time being in London and on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

1. (a) Issuer: British Telecommunications public limited company
 - (b) Guarantor: BT Group plc
 2. (a) Series Number: []
 - (b) Tranche Number: []
 - (c) Date on which the Notes will be consolidated and form a single Series: [Not Applicable]/[The Notes shall be consolidated and form a single Series and be interchangeable for trading purposes with the [] on []/[the Issue Date]/[exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below [which is expected to occur on or about []]]
 3. Specified Currency: []
 4. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
 5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus [] days' accrued interest in respect of the period from, and including, [] to, but excluding, []]
 6. (a) Specified Denominations: [] [and integral multiples of [] in excess thereof up to and including []]. Definitive Notes will not be issued in denominations in excess of []
 - (b) Calculation Amount: []
 7. (a) Issue Date: []
 - (b) Interest Commencement Date: []/[Issue Date]/[Not Applicable]
 8. Maturity Date: []/[the Interest Payment Date falling in or nearest to []]
 9. Interest Basis: [[] per cent. Fixed Rate]
[[[] month] [LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
 10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[] per cent. of their nominal amount]/[par]
 11. Change of Interest Basis or Redemption/Payment Basis: []/[Not Applicable]
 12. Put/Call Options: [General Investor Put]
[Change of Control Investor Put]
[Issuer Call]
[Issuer Maturity Par Call]
[Not Applicable]
 13. [Date [Board] approval for issuance of Notes obtained: [] [and []], respectively]]
 14. Negative Pledge (Condition 3): [Applicable/Not Applicable]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
15. Fixed Rate Note Provisions: [Applicable]/[Not Applicable]

	[(a)]	Rate[(s)] of Interest:	[] per cent. per annum [payable [annually]/[semi-annually]/[quarterly] in arrear] on each Interest Payment Date[. There will be a [short]/[long] first coupon from and including [] to but excluding []]
	[(b)]	Interest Payment Date(s) and Business Day Convention:	[] [and [] and []] in each year up to and including the Maturity Date [adjusted in accordance with the [Following Business Day Convention]/[Modified Following Business Day Convention] [with the Additional Business Centres for the definition of “Business Day” being []] [[adjusted]/[no adjustment] for period end dates]
	[(c)]	Fixed Coupon Amount(s):	[] per Calculation Amount [(applicable to the Notes in definitive form) and [] per Aggregate Nominal Amount of the Notes (applicable to the Notes in global form), payable on each Interest Payment Date [, except for the amount of interest payable on the first Interest Payment Date falling on []]
	[(d)]	Broken Amount(s):	[] per Calculation Amount [(applicable to the Notes in definitive form) and [] per Aggregate Nominal Amount of the Notes (applicable to the Notes in global form)], payable on the Interest Payment Date falling [in/on]/[Not Applicable]
	[(e)]	Day Count Fraction:	[30/360]/ [Actual/Actual (ICMA)]
	[(f)]	Determination Date(s):	[] in each year/[Not Applicable]
	[(g)]	Step Up Rating Change and/or Step Down Rating Change:	[Applicable]/[Not Applicable]
	[(h)]	Step Up Margin:	[[] per cent. per annum]/[Not Applicable]
16.		Floating Rate Note Provisions	[Applicable]/[Not Applicable]
	[(a)]	Specified Period(s)/Specified Interest Payment Dates:	[]
	[(b)]	First Interest Payment Date:	[]
	[(c)]	Business Day Convention:	[Floating Rate Convention]/ [Following Business Day Convention]/ [Modified Following Business Day Convention]/ [Preceding Business Day Convention] [[adjusted]/[no adjustment] for period end dates]
	[(d)]	Additional Business Centre(s):	[]
	[(e)]	Manner in which the Rate of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination]/ [ISDA Determination]
	[(f)]	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[] (the Calculation Agent)
	[(g)]	Screen Rate Determination:	[Applicable/Not Applicable]
	●	Reference Rate:	Reference Rate: [] month [LIBOR]/[EURIBOR]
	●	Interest Determination	[]

	Date(s):	
	• Relevant Screen Page:	[]
[(h)]	ISDA Determination:	[Applicable/Not Applicable]
	• Floating Rate Option:	[]
	• Designated Maturity:	[]
	• Reset Date:	[]
[(i)]	Linear Interpolation:	[Not Applicable]/[Applicable – the Rate of Interest for the [long/short]/[first/last] [Specified]/[Interest] Period shall be calculated using Linear Interpolation]
[(j)]	Margin(s):	[[+/-] [] per cent. per annum/Not Applicable]
[(k)]	Minimum Rate of Interest:	[zero]/[] per cent. per annum
[(l)]	Maximum Rate of Interest:	[] per cent. per annum/Not Applicable]
[(m)]	Day Count Fraction:	[Actual/Actual (ISDA)]/[Actual/Actual]/ [Actual/365 (Fixed)]/ [Actual/365 (Sterling)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis]/ [30E/360 (ISDA)]
[(n)]	Step Up Rating Change and/or Step Down Rating Change:	[Applicable/Not Applicable]
[(o)]	Step Up Margin:	[] per cent. per annum]/[Not Applicable]
[(p)]	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[]
17.	Zero Coupon Note Provisions	[Applicable]/[Not Applicable]
[(a)]	Accrual Yield:	[] per cent. per annum
[(b)]	Reference Price:	[]
[(c)]	Day Count Fraction in relation to Early Redemption Amounts:	[30/360]/ [Actual/360]/ [Actual/365]

PROVISIONS RELATING TO REDEMPTION

18.	Issuer Call:	[Applicable]/[Not Applicable]
[(a)]	Optional Redemption Date(s):	[]
[(b)]	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[] per Calculation Amount]/[Spens Amount]/[Make Whole Amount]

- [(c)] Reference Bond: []/[FA Selected Bond]/[Not Applicable]
- [(d)] Quotation Time: []
- [(e)] Redemption Margin: [[] per cent]/[Not Applicable]
- [(f)] If redeemable in part:
- [(i)] Minimum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- [(ii)] Maximum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- [(g)] Notice periods (if other than as set out in the Conditions): Minimum period: [] days
Maximum period: [] days
19. Issuer Maturity Par Call: [Applicable]/[Not Applicable]
- [(a)] [Notice periods (if other than as set out in the Conditions):] Minimum period: [] days
Maximum period: [] days
- [(b)] [Period in which Notes may be redeemed (if different from that set out in Condition 6.4):] [] days prior to the Maturity Date to (but excluding) the Maturity Date
20. General Investor Put: [Applicable]/[Not Applicable]
- [(a)] Optional Redemption Date(s): []
- [(b)] Optional Redemption Amount(s) of each Note: [[] per Calculation Amount]
- [(c)] Notice Period (if other than as set out in the Conditions): Minimum period: [] days
Maximum period: [] days
21. Change of Control Investor Put: [Applicable]/[Not Applicable]
- [(a)] Optional Redemption Amount: [] per Calculation Amount
- [(b)] Put Period (if other than as set out in the Conditions): Minimum period: [] days
Maximum period: [] days
22. Final Redemption Amount: [[] per Calculation Amount]
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.6): [[] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

25. New Global Note: [Yes]/[No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable]/[]
27. Talons for future Coupons to be attached to definitive Notes: [Yes]/[No]
28. Relevant Benchmark: [[*specify benchmark*] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation]/[Not Applicable]

Signed on behalf of the Issuer:

By: *Duly authorised*

Signed on behalf of the Guarantor:

By: *Duly authorised*

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING

- (i) Admission to trading: Application [has been]/[is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and admitted to the Official List of the Financial Conduct Authority with effect from [].
- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: The Notes to be issued [have been]/[are expected to be] rated:
- [[S&P Global Ratings, acting through S&P Global Ratings Europe Limited, UK Branch] (**Standard and Poor's**): []]
- [Moody's Investors Service Ltd. (**Moody's**): []]
- [Fitch Ratings Limited (**Fitch**): []]
- [The Issuer has not applied to Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. or Fitch Ratings Limited for ratings to be assigned to the Notes.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the fees [of []] payable to the Dealer[s], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. [The Dealer[s] and [its]/[their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor and each of their affiliates in the ordinary course of business.]

4. YIELD (*Fixed Rate Notes only*)

- Indication of yield: []

5. REASONS FOR THE OFFER

[As set out in "Use of Proceeds" in the Prospectus dated 16 July 2019]/[]

6. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) CFI Code: [] as updated, as set out on/[See] the website of the Association of National Numbering Agencies (ANNA) or alternatively, sourced from the responsible National Numbering Agency that assigned the ISIN/[Not Applicable/Not Available]
- (iv) FISN: [] as updated, as set out on/[See] the website of the Association of National Numbering Agencies (ANNA) or alternatively, sourced from the responsible National Numbering Agency that assigned the ISIN/[Not Applicable/Not Available]
- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable]/[]
- (vi) Delivery: Delivery [against]/[free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): []

- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes]/[No]/[Not Applicable]
- [Note that the designation “yes” means that the Notes are intended upon issue to be deposited with Euroclear Bank SA/NV or Clearstream Banking S.A. (the **ICSDs**) as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[Note that the designation “no” means that should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting such criteria, the Notes may then be deposited with Euroclear Bank SA/NV or Clearstream Banking S.A. (the **ICSDs**) as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated]/[Non-syndicated]
- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable]/[]
- (B) Stabilising Manager(s) (if any): [Not Applicable]/[]
- (iii) If non-syndicated, name of Dealer: [Not Applicable]/[]
- (iv) U.S. Selling Restrictions/TEFRA Rules: [Reg. S Compliance Category []]; [TEFRA D/TEFRA C/TEFRA Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the London Stock Exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.

This Note is one of a Series (as defined below) of Notes issued by British Telecommunications public limited company (the **Issuer**) constituted by a Trust Deed dated 12 December 1997 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement dated 12 December 1997 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer being 81 Newgate Street, London EC1A 7AJ and are expected to be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will

prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denomination(s) (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Notes issued under this Programme which require the publication of a prospectus under the Prospectus Directive 2003/71/EC (as amended or superseded), and any relevant implementing measure in the relevant Member State of the European Economic Area, are required to have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note may be a Note bearing interest on a fixed rate basis (**Fixed Rate Note**), a Note bearing interest on a floating rate basis (**Floating Rate Note**), a Note issued on a non-interest bearing basis (**Zero Coupon Note**) or a combination of any of the foregoing, depending upon the interest basis specified in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. **NEGATIVE PLEDGE**

If Negative Pledge is specified in the applicable Final Terms, then so long as any of the Notes is outstanding (as defined in the Trust Deed), the Issuer shall not, and shall cause the Subsidiaries not to, directly or indirectly, create, assume or incur or permit to be created, assumed or incurred, any Lien on or with respect to any of the assets of the Issuer or any of the Subsidiaries whether now or hereafter owned, to secure any present or future Capital Markets Indebtedness issued or guaranteed by the Issuer or any other Person without at the same time according to the Notes, to the satisfaction of the Trustee, the same security or such other arrangement (whether or not comprising security) as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the Noteholders, or as shall have been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

Save as provided below, in these Conditions:

Capital Markets Indebtedness means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or which the Issuer has publicly declared that it intends to have, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market;

Lien means any mortgage, pledge, hypothecation, charge, assignment, deposit arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any agreement to give or grant a Lien or any lease, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing);

Person means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof; and

Subsidiary means, for the purpose of this Condition 3 only, (i) a corporation more than 50 per cent. of the outstanding voting shares of which is owned, directly or indirectly, by the Issuer, or by one or more other Subsidiaries of the Issuer, or by the Issuer and one or more other Subsidiaries of the Issuer; (ii) any general partnership, joint venture or similar entity, at least 50 per cent. of the outstanding partnership or similar interest of which is owned, directly or indirectly, by the Issuer, or by one or more other Subsidiaries of the Issuer, or by the Issuer and one or more other Subsidiaries of the Issuer; and (iii) any limited partnership of which the Issuer or any other Subsidiary of the Issuer is a general partner.

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, or if the applicable Final Terms specify that a Fixed Coupon Amount or Broken Amount(s) applies in the case of Notes represented by a Global Note, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Unless specified otherwise in the applicable Final Terms, the **Following Business Day Convention** will apply to the payment of all Fixed Rate Notes, meaning that if the Interest Payment Date or Maturity Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4.2(a) below), the related payment of principal or interest will be made on the next succeeding Business Day as if made on the date such payment was due. If the **Modified Following Business Day Convention** is specified in the applicable Final Terms for any Fixed Rate Note, it shall mean that if the Interest Payment Date or Maturity Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4.2(a) below), the related

payment of principal or interest will be made on the next succeeding Business Day as if made on the date such payment was due unless it would thereby fall into the next calendar month in which event the full amount of payment shall be made on the immediately preceding Business Day as if made on the day such payment was due. Unless specified otherwise in the applicable Final Terms, the amount of interest due shall not be changed if payment is made on a day other than an Interest Payment Date or the Maturity Date as a result of the application of a Business Day Convention specified above or other Business Day Convention specified in the applicable Final Terms.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) 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 London and any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the rate or offered quotation (if there is only one rate or offered quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates or offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any). If, in the case of (B) above, five or more of such rates or offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate or offered quotation, one only of such rates or offered quotations) and the lowest (or, if there is more than one such lowest rate or offered quotation, one only of such rates or offered quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such rates or offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such rate or offered quotation appears or, in the case of (B) above, fewer than three of such rates or offered quotations appear, in each case as at the time specified in the preceding paragraph, the Agent shall request the principal London office of each of the Reference Banks to provide the Agent with its rate or offered quotation (expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) for deposits in the Specified Currency for that

Interest Period, at approximately the Specified Time, on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such rates or offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such rates or offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such rates or offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates or quotations, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time, on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such rates or offered quotations, the rate or quotation offered for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the rates or offered quotations for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, which, at approximately the Specified Time, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be that determined as at the Interest Determination Date for the last preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

As used in this Condition 4.2(b)(ii)(B):

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer and/or Agent or as specified in the applicable Final Terms; and

Specified Time means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period or Specified Period in the applicable Final Terms, the Rate of Interest for such Interest Period or Specified Period shall be calculated by the Agent (or if the Agent is not the Calculation Agent, the Calculation Agent specified in the applicable Final Terms) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity (as defined below) were the period of time for which rates are available next shorter than the length of the relevant Interest Period or Specified Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period or Specified Period, provided however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent (or if the Agent is not the Calculation Agent, the Calculation Agent specified in the applicable Final Terms)

shall determine such rate at such time and by reference to such sources as the Issuer shall determine as appropriate for such purposes. For the purposes of this paragraph, the expression **Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period or Specified Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and the London Stock Exchange on which the relevant Floating Rate Notes are for the time being admitted to trading and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period or Specified Period. Any such amendment will promptly be notified to the London Stock Exchange on which the relevant Floating Rate Notes are for the time being admitted to trading and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Determination or Calculation by Calculation Agent

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above as the case may be, and in each case in accordance with paragraph (d) and/or (e) above, the Issuer shall appoint a calculation agent (which shall be an investment bank or other suitable financial services entity of international repute, and any fees, costs and expenses in relation thereto shall be met by the Issuer) to determine such Rate of Interest at such rate as, in the calculation agent's absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the calculation agent shall calculate the Interest Amount(s) in such manner as the calculation agent shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(h) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent (or if the Agent is not the Calculation Agent, the Calculation Agent specified in the applicable Final Terms) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent or such other Calculation Agent, the other Paying Agents, the Trustee, the Noteholders and the Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Trustee, the Noteholders or the Couponholders shall attach to the Agent or such other Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Benchmark Discontinuation

Notwithstanding the provisions in Condition 4.2 above, if the Issuer, in consultation with the Agent, determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to that Original Reference Rate, then the following provisions of this Condition 4.3 shall apply.

(a) Successor Rate or Alternative Rate

If there is a Successor Rate, then the Issuer shall promptly notify the Agent (or such other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders of such Successor Rate and that Successor Rate shall (subject to adjustment as provided in Condition 4.3(b)) subsequently be used by the Agent (or such other Calculation Agent specified in the applicable Final Terms) in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4.3).

If there is no Successor Rate but the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Alternative Rate, then the Issuer shall promptly notify the Agent (or such

other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders of such Alternative Rate and that Alternative Rate shall (subject to adjustment as provided in Condition 4.3(b)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4.3).

(b) Adjustment Spread

If, in the case of a Successor Rate, an Adjustment Spread is formally recommended, or formally provided as an option by any Relevant Nominating Body to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body, then the Issuer shall promptly notify the Agent (or such other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders of such Adjustment Spread and the Agent (or such other Calculation Agent specified in the applicable Final Terms) shall apply such Adjustment Spread to the Successor Rate for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate.

If, in the case of a Successor Rate where no such Adjustment Spread is formally recommended or formally provided as an option by any Relevant Nominating Body to adopt, or in the case of an Alternative Rate, the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Adjustment Spread in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be), then the Issuer shall promptly notify the Agent (or such other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders of such Adjustment Spread and the Agent (or such other Calculation Agent specified in the applicable Final Terms) shall apply such Adjustment Spread to the Successor Rate and the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

If no such recommendation or option has been made (or made available) by any Relevant Nominating Body, or the Issuer so determines that there is no such Adjustment Spread in customary market usage in the international debt capital markets and the Issuer further determines, acting in good faith, in a commercially reasonable manner and following consultation with an Independent Adviser, that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be), then the Adjustment Spread shall be:

- (i) the Adjustment Spread determined by the Issuer, acting in good faith, in a commercially reasonable manner and following consultation with an Independent Adviser, as being the Adjustment Spread recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (ii) if there is no such industry standard recognised or acknowledged, such Adjustment Spread as the Issuer, acting in good faith, in a commercially reasonable manner and following consultation with an Independent Adviser, determines to be appropriate.

Following any such determination of the Adjustment Spread, the Issuer shall promptly notify the Agent (or such other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders of such Adjustment Spread and the Agent (or such other Calculation Agent specified in the applicable Final Terms) shall apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(c) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.3 and the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its discretion (A) that amendments to these Terms and Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “Benchmark Amendments”) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to the Issuer having to give notice thereof to the Trustee and the Noteholders in accordance with Condition 13, without any requirement for the consent or approval of Noteholders or the Couponholders, modify these Terms and

Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Prior to any such Benchmark Amendments taking effect, the Issuer shall provide a certificate signed by two Directors to the Trustee confirming, in the Issuer's reasonable opinion (following consultation with the Independent Adviser), (i) that a Benchmark Event has occurred, (ii) the Successor Rate or Alternative Reference Rate (as applicable), (iii) where applicable, any Adjustment Spread and (iv) where applicable, the terms of any Benchmark Amendments in each case determined in accordance with this Condition 4 that such Benchmark Amendments are necessary to give effect to any application of this Condition 4 and the Trustee shall be entitled to rely on such certificate without further enquiry or liability to any person. For the avoidance of doubt, the Trustee shall not be liable to the Noteholders, the Couponholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. The Successor Rate or Alternative Reference Rate (as applicable) or where applicable, any Adjustment Spread and any Benchmark Amendments and without prejudice to the Trustee's ability to rely on such certificate (as aforesaid) will be binding on the Issuer, the Trustee, the Agent (or such other Calculation Agent specified in the applicable Final Terms) the other Paying Agents, the Noteholders and the Couponholders.

The Trustee shall, at the direction and expense of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Directors (as aforesaid), be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and, if required, the Agency Agreement), provided that the Trustee shall not be required to effect any Benchmark Amendments if the same would impose, in the Trustee's sole opinion, more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce, or amend its rights and/or the protective provisions afforded to it. For the avoidance of doubt, no Noteholder or Couponholder consent shall be required in connection with effecting the Benchmark Amendments or such other changes, including for the execution of any documents, amendments or other steps by the Issuer or the Trustee (if required).

In connection with any such modifications in accordance with this Condition 4.3(c), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Any Benchmark Amendments determined under this Condition 4.3(c) shall be notified promptly by the Issuer to the Agent (or such other Calculation Agent specified in the applicable Final Terms), the Trustee and, in accordance with Condition 13, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of such Benchmark Amendments.

(d) Independent Adviser

In the event the Issuer is to consult with an Independent Adviser in connection with any determination to be made by the Issuer pursuant to this Condition 4.3, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 4.3 shall act in good faith, in a commercially reasonable manner and (in the absence of fraud or wilful default) shall have no liability whatsoever to the Issuer or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.3 or otherwise in connection with the Notes.

If the Issuer is in any doubt as to whether there is an Alternative Rate and/or any Adjustment Spread is required to be applied and/or in relation to the quantum of, or any formula or methodology for determining such Adjustment Spread and/or whether any Benchmark Amendments are necessary and/or in relation to the terms of any such Benchmark Amendments, a written determination of an Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error, and (in the absence of fraud or wilful default) the Issuer shall have no liability whatsoever to the Noteholders in respect of anything done, or omitted to be done, in relation to that matter in accordance with any such written determination.

No Independent Adviser appointed in connection with the Notes (acting in such capacity), shall have any relationship of agency or trust with the Noteholders.

(e) Survival of Original Reference Rate Provisions

Without prejudice to the obligations of the Issuer under this Condition 4.3, the Original Reference Rate and the fallback provisions provided for in Condition 4.2 and the applicable Final Terms will continue to apply unless

and until the Issuer has determined the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with the relevant provisions of this Condition 4.3.

(f) **Definitions**

In this Condition 4.3:

Adjustment Spread means either a spread, or the formula or methodology for calculating a spread and the spread resulting from such calculation, which spread may in either case be positive or negative and is to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

Alternative Rate means an alternative benchmark or screen rate which the Issuer determines in accordance with this Condition 4.3 is used in place of the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

Benchmark Event means:

- (i) the Original Reference Rate ceasing to exist or be published;
- (ii) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to such specified date;
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued or is prohibited from being used or that its use is subject to restrictions or adverse consequences or, where such discontinuation, prohibition, restrictions or adverse consequences are to apply from a specified date after the making of any public statement to such effect, the later of the date of the making of such public statement and the date falling six months prior to such specified date; or
- (iv) it has or will prior to the next Interest Determination Date become unlawful for the Agent, any Calculation Agent, any Paying Agent or the Issuer to determine any Rate of Interest and/or calculate any Interest Amount using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) No. 2016/1011, if applicable);

Independent Adviser means an independent financial institution of international repute or other independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense;

Original Reference Rate means the benchmark or screen rate (as applicable) originally specified in the applicable Final Terms for the purposes of determining the relevant Rate of Interest (or any component part(s) thereof) in respect of the Notes;

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof; and

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

4.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

4.5 Adjustment of Rate of Interest for Fixed Rate Notes and Floating Rate Notes

If Step Up Rating Change and/or Step Down Rating Change is specified in the applicable Final Terms, the following terms relating to the Rate of Interest for the Notes shall apply:

- (a) The Rate of Interest payable on the Notes will be subject to adjustment in the event of a Step Up Rating Change or a Step Down Rating Change, as the case may be.
- (b) Subject to paragraphs (d) and (g) below, from and including the first Interest Payment Date following the date of a Step Up Rating Change, if any, the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) shall be increased by the Step Up Margin specified in the applicable Final Terms.
- (c) Subject to paragraphs (d) and (g) below, in the event of a Step Down Rating Change following a Step Up Rating Change, with effect from and including the first Interest Payment Date following the date of such Step Down Rating Change, the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) shall be decreased by the Step Up Margin back to the initial Rate of Interest (in the case of Fixed Rate Notes) or the initial Margin (in the case of Floating Rate Notes).
- (d) If a Step Up Rating Change and, subsequently, a Step Down Rating Change occur during the same Fixed Interest Period (in the case of Fixed Rate Notes) or the same Interest Period/Specified Period (in the case of Floating Rate Notes), the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) shall be neither increased nor decreased as a result of either such event.
- (e) The Issuer shall use all reasonable efforts to maintain credit ratings for its senior unsecured long-term debt from the Rating Agencies. If, notwithstanding such reasonable efforts, any Rating Agency fails or ceases to assign a credit rating to the Issuer's senior unsecured long-term debt, the Issuer shall use all reasonable efforts to obtain a credit rating of its senior unsecured long-term debt from a substitute rating agency that shall be a Statistical Rating Agency, and references in this Condition to Moody's, Standard & Poor's or Fitch, as the case may be, or the credit ratings thereof, shall be to such substitute rating agency or, as the case may be, the equivalent credit ratings thereof.
- (f) The Issuer will cause the occurrence of a Step Up Rating Change or a Step Down Rating Change giving rise to an adjustment to the Rate of Interest payable on the Notes pursuant to this Condition to be notified to the Trustee and the Principal Paying Agent and notice thereof to be published in accordance with Condition 13 as soon as reasonably practicable after the occurrence of such Step Up Rating Change or Step Down Rating Change, but in no event later than the fifth London Business Day thereafter.
- (g) Only the first Step Up Rating Change (if any) and the first Step Down Rating Change (if any) shall give rise to an adjustment to the Rate of Interest payable on the Notes.

In these Conditions:

Fitch means Fitch Ratings Limited or any other entity that is part of the group to which Fitch Ratings Limited or its successor belongs;

Moody's means Moody's Investors Service Ltd. or any other entity that is part of the group to which Moody's Investors Service Inc. or its successor belongs;

Rating Agency means any of Fitch, Moody's or Standard & Poor's and **Rating Agencies** means all of them;

Standard & Poor's means S&P Global Ratings, acting through S&P Global Ratings Europe Limited, UK Branch or any entity that is part of the group to which S&P Global Ratings Europe Limited, UK Branch or its successor belongs;

Statistical Rating Agency means a rating agency approved by the Trustee, such approval not to be unreasonably withheld;

Step Down Rating Change means the public announcement by all of the Rating Agencies, after a Step Up Rating Change, that the credit rating of the Issuer's senior unsecured long-term debt is at least Baa3 in the case of Moody's and is at least BBB in the case of Standard & Poor's and Fitch. For the avoidance of doubt, any further increase in the credit rating of the Issuer's senior unsecured long-term debt above Baa3 in the case of Moody's or above BBB in the case of Standard & Poor's or Fitch shall not constitute a Step Down Rating Change; and

Step Up Rating Change means the first public announcement by any or all of the Rating Agencies of a decrease in the credit rating of the Issuer's senior unsecured long-term debt to below Baa3 in the case of Moody's or below BBB in the case of Standard & Poor's or Fitch. For the avoidance of doubt, any further decrease in the credit rating of the Issuer's senior unsecured long-term debt from below Baa3 in the case of Moody's or from below BBB in the case of Standard & Poor's or Fitch shall not constitute a Step Up Rating Change.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro 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 a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have

become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States.

Except in the case of a New Global Note, a record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

In the case of a New Global Note, the Issuer shall procure that details of payment of principal and interest (if any) in respect of any Global Note, shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by such Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

5.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) 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 London and:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) any Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

Any reference in the 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 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.6); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the 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 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date, each as specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged 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 Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment 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.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice (or such other period of notice as is specified in the applicable Final Terms) to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date (that is, if the Issuer Maturity Par Call is specified to be applicable in the applicable Final Terms, more than 90 days prior to the Maturity Date) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

If Spens Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

If Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Calculation Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 6.3:

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means a financial adviser selected by the Issuer;

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as supplemented, amended, updated or replaced from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the 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 of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count 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 of redemption;

Reference Date will be set out in the relevant notice of redemption;

Reference Government Bond Dealer means each of 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 date for redemption, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 6.3.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.3 by the Calculation Agent, shall (in the absence of negligence, wilful default or bad faith) be binding on the Issuer, the Calculation Agent and the Trustee, the Paying Agents and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in

accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 Redemption at the option of the Issuer (Issuer Maturity Par Call)

If Issuer Maturity Par Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice (or such other period of notice as is specified in the applicable Final Terms) to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days (or such other number of days as is specified in the applicable Final Terms) prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.5 Redemption at the option of the Noteholders (Investor Put)

- (a) If General Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving notice to the Issuer in accordance with Condition 13 within the period of not less than 15 nor more than 30 days before the Optional Redemption Date or such other period as specified in the applicable Final Terms (the **Notice Period**) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together (if appropriate) with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Notice Period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the Notice Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.5(a).

- (b) If Change of Control Investor Put is specified in the applicable Final Terms, the holder of each Note will have the option (a **Put Option**) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6.2 or 6.3) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (as defined below) at the Optional Redemption Amount together with interest accrued to (but excluding) the Optional Redemption Date.

Promptly upon the Issuer becoming aware that a Put Event (as defined below) has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter 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 the

Trustee being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period of 45 days or such other period as specified in the applicable Final Terms (the **Put Period**) after a Put Event Notice is given, such Note and a duly completed and signed Put Notice (as defined in Condition 6.5(a)) in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the **Optional Redemption Date**), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed by the Paying Agent to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10) at any time after such payment, but before the expiry of the period of ten years from the date on which such Coupon would have become due, but not thereafter.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered or, in the case of a Note held through Euroclear and/or Clearstream, Luxembourg, notice received. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Notice to which payment is to be made, on the Optional Redemption Date by transfer to that bank account and, in every other case, on or after the Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. For the purposes of these Conditions, receipts issued pursuant to this Condition 6.5(b) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the Notes in respect of which the Put Option has been validly exercised in accordance with the provisions of this Condition 6.5(b) on the Optional Redemption Date unless previously redeemed (or purchased) and cancelled.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(b) shall be irrevocable except where, prior to the Optional Redemption Date, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice given pursuant to this Condition 6.5(b).

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6.5(b), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Optional Redemption Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any of Moody's, Fitch or Standard & Poor's are changed from those which are described in paragraph (ii) of the definition of "Put Event" below, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of Moody's, Fitch or Standard & Poor's or such Substitute Rating

Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's, Fitch or Standard & Poor's and this Condition 6.5(b) shall be construed accordingly.

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

In this Condition:

a **Put Event** will be deemed to occur if a Change of Control has occurred and:

- (i) on the date (the **Relevant Announcement Date**) that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency (as defined below):
 - (A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) (a **Non-Investment Grade Rating**) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
 - (B) a Non-Investment Grade Rating and such rating from any Rating Agency is, within the Change of Control Period, either downgraded by one or more notches (by way of example, Ba1 to Baa2 being one notch) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
 - (C) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if at the time of the occurrence of the Change of Control the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and

- (ii) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (A) and (B) above or not to award a credit rating of at least investment grade as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement;

a **Change of Control** will be deemed to have occurred if:

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (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; or
- (ii) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act

2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (B) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of any such direct or indirect holding company of the Issuer;

Change of Control Period means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a **Negative Rating Event** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least investment grade by the end of the Change of Control Period; and

Substitute Rating Agency means any rating agency substituted for any of the Rating Agencies by the Issuer from time to time with the prior written approval of the Trustee; and

Relevant Potential Change of Control Announcement means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

6.6 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (b) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date for the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360) or (iii)

Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 365).

6.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4 or 6.5 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who (i) could avoid such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority, or (ii) is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or
- (c) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the Code, or is otherwise imposed pursuant to sections 1471 through 1474 of the Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or similar law implementing an intergovernmental approach thereto.

As used herein:

- (i) **Code** means United States Internal Revenue Code of 1986, as amended;
- (ii) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (iii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur:

- (a) default is made for a period of 28 days or more in the payment in the Specified Currency of any interest, or for a period of 14 days or more in the payment in the Specified Currency of principal, due in respect of the Notes; or
- (b) there is a failure in the performance of any obligation under the Notes or the Trust Deed other than an obligation to make payment of principal or interest thereunder:
 - (i) which in the opinion of the Trustee is incapable of remedy; or
 - (ii) which, being in the opinion of the Trustee capable of remedy, continues for more than 90 days after written notification requiring such failure to be remedied shall have been given to the Issuer by the Trustee; or
- (c) except for the purpose of a reconstruction or an amalgamation the terms of which have previously been approved in writing by the Trustee or for the purposes of a consolidation or merger or conveyance, transfer or lease permitted by Condition 14, an order is made (and not discharged or stayed within a period of 90 days) or an effective resolution is passed for winding-up the Issuer or an administration order is made in relation to the Issuer; or
- (d) an administrative or other receiver is appointed of the whole or substantially the whole of the assets of the Issuer and is not removed, paid out or discharged within 90 days or, following such 90 day period, the appointment is not being disputed in good faith; or
- (e) the Issuer is unable to pay its debts or makes a general assignment for the benefit of its creditors; or
- (f) any loan or other indebtedness for borrowed money (as defined in the Trust Deed) of the Issuer (if applicable, translated into sterling), amounting in aggregate to not less than the higher of £25,000,000 and one per cent. of the Adjusted Share Capital and Reserves (as defined below), becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer fails to make any payment in respect thereof on the due date for such payment (as extended by any applicable grace period as originally provided) or the security for any such loan or other indebtedness for borrowed money becomes enforceable and steps are taken to enforce the same or default is made by the Issuer in making any payment due (if applicable, translated into sterling), amounting in aggregate to not less

than the higher of £25,000,000 and one per cent. of the Adjusted Share Capital and Reserves, under any guarantee or indemnity given by it in respect of any loan or other indebtedness for borrowed money,

the Trustee may at its discretion, and if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of (b), (c), (d), (e) and (f) above only if it certifies that such event is, in its opinion, materially prejudicial to the interests of Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable each at their Early Redemption Amount (as described in Condition 6.6), plus accrued interest, if any (calculated as provided in the Trust Deed).

For the purposes of this Condition 9, **Adjusted Share Capital and Reserves** means at any time the aggregate of:

- (a) the amount paid up or credited as paid up on the share capital of the Issuer; and
- (b) the total of the capital, revaluation and revenue reserves of the Issuer and its Subsidiaries (as defined in the Trust Deed) taken as a whole (the **Group**), including any share premium account, capital redemption reserve and credit balance on the profit and loss account, sums set aside for taxation and amounts attributable to minority interests but deducting any debit balance on the profit and loss account and the cost of any shares of the Issuer held in an employee share ownership trust or otherwise held by a member of the Group,

all as shown in the then latest audited consolidated balance sheet of the Group prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries comprising the Group. A certificate of the Issuer signed by two Directors (as defined in the Trust Deed) of the Issuer as to the amount of the Adjusted Share Capital and Reserves as at any specified date may, in the absence of manifest error, be relied upon by the Trustee and, if so relied upon, shall be conclusive and binding on the Issuer, the Noteholders and the Couponholders.

9.2 Enforcement

The Trustee may at any time, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer, except that if the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure shall be continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself take proceedings to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are admitted to trading on the regulated market of the London Stock Exchange, 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 London Stock Exchange; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of the London Stock Exchange or other relevant authority on which the Notes are for the time being admitted. 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, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are admitted to trading on the regulated market of the London Stock Exchange and the rules of such stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by, or on behalf of, the holders of not less than 90 per cent. of the nominal amount of the Notes shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held.

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 the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments without the consent of the Noteholders or Couponholders. Any such modification shall (unless the Trustee agrees otherwise) be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), 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 Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

If so requested by the Issuer, the Trustee shall, without the consent of the Noteholders, agree to 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 another company, being a successor in business or a Holding Company (as defined in the Trust Deed) of the Issuer or a Subsidiary (as defined in the Trust Deed) of such Holding Company subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) certification to the Trustee by two directors of the Issuer that, in the opinion of the Issuer, the substitution will not be materially prejudicial to the interests of the Noteholders and will not have any adverse effect on the payment in a timely manner of all moneys payable under the Conditions and the Trust Deed, (c) confirmations being received by the Trustee from each rating agency which has, at the request of the Issuer, rated the Notes that the substitution will not adversely affect the then current rating of the Notes, (d) an opinion of independent legal advisers of recognised standing being provided to the Trustee as further described in the Trust Deed and (e) certain other conditions set out in the Trust Deed being complied with.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, Coupons and the Trust Deed of another company, being a successor in business or a Holding Company (as defined in the Trust Deed) of the Issuer or a Subsidiary (as defined in the Trust Deed) of such Holding Company subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

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 any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its 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.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW

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

USE OF PROCEEDS

Unless otherwise specified in the applicable Final Terms, the net proceeds from each issue of Notes will be applied by the Issuer for the general corporate purposes of the Issuer and/or any of its subsidiaries.

BRITISH TELECOMMUNICATIONS PUBLIC LIMITED COMPANY

INTRODUCTION

British Telecommunications public limited company (**BT** or the **Company**) is a wholly-owned subsidiary of the Guarantor and is its principal operating subsidiary.

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

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

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

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

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

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

HOW BT IS ORGANISED

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

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

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

REGULATION

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

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

BOARD OF DIRECTORS OF THE ISSUER

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

Simon Lowth (appointed 17 October 2017)

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

Neil Harris (appointed 17 October 2017)

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

Ulrica Fearn (appointed 1 June 2018)

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

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

BT GROUP PLC

INTRODUCTION

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

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

The Guarantor's equity securities are listed on the London and New York Stock Exchanges. By virtue of the Guarantor's New York Stock Exchange listing and the Issuer's issuance of US Securities Exchange Commission (**US SEC**)-registered US dollar-denominated bonds, the Guarantor and the Issuer have had concurrent reporting obligations under Section 13 and Section 15(d) of the US Securities Exchange Act of 1934, to file separate annual reports on Form 20-F and other submissions on Form 6-K with the US SEC. In accordance with applicable US SEC rules and guidance, it was decided by the Guarantor and the Issuer to suspend the Issuer's Section 13 and Section 15(d) reporting obligations by having the Guarantor fully and unconditionally guarantee the Issuer's obligations under its US SEC-registered US dollar-denominated bonds. The guarantees of the Issuer's US SEC-registered US dollar-denominated bonds were implemented by way of a supplemental indenture dated 27 March 2019 entered into by the Guarantor, the Issuer and Delaware Trust Company as the trustee. In addition, outstanding Notes issued under the Programme and Notes to be issued under the Programme have also been unconditionally and irrevocably guaranteed by the Guarantor under the Deed of Guarantee.

BOARD OF DIRECTORS OF THE GUARANTOR

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

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

Chairman

Skills and experience

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

Other appointments

None outside the Group.

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

Chief executive

Skills and experience

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

director of Telewest Communications (now Virgin Media) from 2000 to 2002, after starting his career at Procter & Gamble.

Other appointments include

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

Simon Lowth (appointed July 2016)

Chief financial officer

Skills and experience

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

Other appointments

None outside the Group.

Mike Inglis (appointed September 2015)

Independent non-executive director

Skills and experience

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

Other appointments

None outside the Group.

Matthew Key (appointed October 2018)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Allison Kirkby (appointed March 2019)

Independent non-executive director

Skills and experience

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

Other appointments include

President and Group CEO of TDC Group.

Iain Conn (appointed June 2014)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Tim Höttges (appointed January 2016)

Non-independent, non-executive director

Skills and experience

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

Other appointments include

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

Isabel Hudson (appointed November 2014)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Leena Nair (appointed July 2019)

Independent non-executive director

Skills and experience

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

Other appointments include

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

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

Senior independent director and independent non-executive director

Skills and experience

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

Other appointments include

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

Jasmine Whitbread (appointed January 2011)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Rachel Canham (appointed November 2018)

Company secretary & general counsel, governance

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

EXECUTIVE COMMITTEE OF THE GUARANTOR

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

The Executive Committee assists the chief executive in:

- (a) developing the group strategy and budget for the Board's approval;

- (b) executing the strategic plan once agreed by the Board; and
- (c) providing assurance to the Board in relation to overall performance and risk management.

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

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

Chief executive

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

Simon Lowth (appointed July 2016)

Chief financial officer

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

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

CEO, Enterprise

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

Howard Watson (appointed February 2016)

Chief technology and information officer

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

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

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

CEO, Consumer

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

Bas Burger (appointed June 2017)

CEO, Global

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

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

Sabine Chalmers (appointed April 2018)

General counsel

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

Ed Petter (appointed November 2016)

Corporate affairs director

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

Cathryn Ross (appointed January 2018)

Regulatory affairs director

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

Michael Sherman (appointed May 2018)

Chief strategy and transformation officer

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

Alison Wilcox (appointed July 2015)

HR director

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

Clive Selley (appointed February 2016)

Invitee, CEO, Openreach

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

Rachel Canham (appointed November 2018)

Company secretary & general counsel, governance

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

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

RECENT DEVELOPMENTS

On 27 June 2019 the Guarantor announced that it intends to repurchase up to £80 million of shares from Orange. Orange announced on 27 June 2019 its intention to offer approximately 248 million shares in the Guarantor to institutional investors by means of an accelerated bookbuild offering (the **Offering**). The Offering represents approximately 2.5 per cent. of the Guarantor's issued share capital. Following the offering, Orange will no longer be a shareholder in the Guarantor.

The Guarantor has committed to participate in the Offering and has placed an order to repurchase shares up to a maximum total value of £80 million (the **Repurchase**), consistent with its policy of offsetting the dilutive effect of employee share options. The Repurchase is subject to the satisfaction or waiver by the Guarantor of a number of conditions, including the successful completion of the Offering and that the offer price does not exceed the maximum amount per share allowed under the relevant shareholder approval given at the Guarantor's annual general meeting on 11 July 2018. The Guarantor intends to hold the shares acquired in the Repurchase in treasury.

Further to the Guarantor's announcement on 27 June 2019, the Guarantor announced on 28 June 2019 that it purchased from Atlas Services Belgium S.A., a subsidiary of Orange, 40,743,570 ordinary shares at a price of 196.35 pence per share. The repurchased shares will all be held as treasury shares.

TAXATION

UNITED KINGDOM

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law (as applied in England and Wales) and published HM Revenue & Customs (HMRC) practice relating only to United Kingdom withholding tax on payments of interest in respect of the Notes. It does not deal with any of the other United Kingdom tax implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction 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

There is no United Kingdom withholding tax on interest payments made in respect of securities which are issued by a company, carry a right to interest and are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. 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 Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be payable without withholding or deduction for or on account of United Kingdom tax in cases where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. 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).

The references to "interest" in this United Kingdom Taxation section means "interest" as that term is understood for United Kingdom tax purposes, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

PROPOSED FINANCIAL TRANSACTION TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a **participating Member State**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

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

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

SUBSCRIPTION AND SALE

The Issuer has, in a programme agreement (such Programme Agreement as modified and/or amended and restated from time to time the **Programme Agreement**) dated 16 July 2019, agreed a basis upon which Dealers may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse Dealers for certain expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify Dealers against certain liabilities incurred by them in connection therewith.

United States

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

The 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 United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C Rules or TEFRA D Rules apply or whether TEFRA is not applicable.

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. The Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

The expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (ii) a customer within the meaning of Insurance Mediation Directive (Directive 2002/92/EC (as amended or superseded)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to Belgian Consumers

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

United Kingdom

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore - Unless otherwise stated in the applicable Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

The Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee or any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 26 April 1994, 23 October 2001 and 14 June 2018. The entry into the Deed of Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor dated 4 March 2019.

Listing of Notes

It is expected that each Tranche of Notes will be admitted to the Official List and to trading on the Market separately as and when such Tranche of Notes is issued. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. The listing of the Programme in respect of Notes is expected to be granted on or around 19 July 2019.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection at the specified office of the Paying Agent for the time being in London:

- (a) the Articles of Association of the Issuer and of the Guarantor;
- (b) the Annual Report 2019 of the Issuer which contains the auditors' report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2019;
- (c) the Annual Report & Form 20-F 2018 of the Issuer which contains the auditors' report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2018;
- (d) the Annual Report 2019 of the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2019;
- (e) the Annual Report & Form 20-F 2018 of the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2018;
- (f) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons and the Deed of Guarantee;
- (g) a copy of this Prospectus;
- (h) the Terms and Conditions of the Notes contained in the previous Prospectuses dated 2 July 1999 (pages 19-36 inclusive); 8 October 2007 (pages 29-48 inclusive); 3 June 2008 (pages 31-54 inclusive); 2 June 2009 (pages 31-55 inclusive); 29 May 2014 (pages 26-50 inclusive); 29 May 2015 (pages 30-55 inclusive); 27 May 2016 (pages 28-53 inclusive), 16 June 2017 (pages 28-53 inclusive), and 15 June 2018 (pages 31-56 inclusive); prepared by the Issuer in connection with the Programme;
- (i) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Prospectus and any other documents incorporated herein or therein by reference; and
- (j) in the case of each issue of Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

The Prospectus and, in the case of an issue of Notes that are admitted to the Official List and admitted to trading on the Market, the Final Terms will be published on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by

Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

(i) Save as disclosed in note 30 to the Issuer's consolidated financial statements on page 124 of its Annual Report 2019, there has been no significant change in the financial or trading position of the Issuer and its consolidated subsidiaries (considered as a whole) since 31 March 2019 and there has been no material adverse change in the prospects of the Issuer since 31 March 2019; and

(ii) Save as disclosed in note 30 to the Issuer's consolidated financial statements on page 124 of its Annual Report 2019 and noting the Guarantor's announcement of its intention to repurchase up to £80 million of the Guarantor's shares from Orange, and subsequent purchase referenced on page 72 of this Prospectus, there has been no significant change in the financial or trading position of the Guarantor and its consolidated subsidiaries (considered as a whole) since 31 March 2019 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2019.

Litigation

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

Auditors

The Issuer

The auditors of the Issuer are KPMG LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 31 March 2019. The auditors of the Issuer have no material interest in the Issuer.

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

The Guarantor

The auditors of the Guarantor are KPMG LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 31 March 2019. The auditors of the Guarantor have no material interest in the Guarantor.

The auditors of the Guarantor for the financial year ended 31 March 2018 were PricewaterhouseCoopers LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the United

Kingdom for the financial year ended on 31 March 2018. PricewaterhouseCoopers LLP have no material interest in the Guarantor.

Post-issuance information

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

Dealer transacting with the Issuer and/or the Guarantor

The Dealer and its affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business.

Trust Deed

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors and/or any other expert (whether or not addressed to the Trustee) as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee and the auditors or such other expert in connection therewith contains a monetary or other limit on the liability of the auditors or such other expert in respect thereof.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The Yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Websites

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

ISSUER

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

GUARANTOR

BT Group plc
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London EC1A 7AJ

TRUSTEE

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Fifth Floor
100 Wood Street
London EC2V 7EX

ISSUING AND PRINCIPAL PAYING AGENT

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6th Floor
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Canary Wharf
London E14 5LB

PAYING AGENT

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L-2953 Luxembourg

LEGAL ADVISERS

To the Issuer and the Guarantor as to English law *To the Dealer and the Trustee as to English law*

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