



THE SAGE GROUP PLC

(incorporated with limited liability in England and Wales with registered number 2231246)

Legal Entity Identifier: 2138005RN5XYLTF8G138

£400,000,000 2.875 per cent. Guaranteed Notes due 8 February 2034

guaranteed by

SAGE TREASURY COMPANY LIMITED

(incorporated with limited liability in England and Wales with registered number 8319044)

Issue Price: 99.459 per cent.

The £400,000,000 2.875 per cent. Guaranteed Notes due 8 February 2034 (the **Notes**) will be issued by The Sage Group plc (the **Issuer** and, together with its subsidiaries, the **Group**) and guaranteed by Sage Treasury Company Limited (the **Guarantee** and the **Guarantor**, respectively).

This Prospectus has been approved by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of United Kingdom (**UK**) domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for the Notes to be admitted to listing on the Official List of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Main Market (the **Market**). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA (**UK MiFIR**).

The Notes bear interest from (and including) 8 February 2022 (the **Issue Date**) at the rate of 2.875 per cent. per annum, payable annually in arrear on 8 February in each year, as described under "*Terms and Conditions of the Notes—Condition 5 (Interest)*". Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of UK taxes, to the extent described under "*Terms and Conditions of the Notes—Condition 8 (Taxation)*".

The Notes will be represented initially by a temporary global note (the **Temporary Global Note**) which will be issued in new global note form and will be deposited on or about 8 February 2022 with a common safekeeper for Clearstream Banking S.A. (**Clearstream, Luxembourg**) and Euroclear Bank SA/NV (**Euroclear**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons attached, on or after 20 March 2022, upon

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

UK MiFIR professionals / ECPs only / No UK PRIIPs KID – The manufacturers' target market is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**) and professional clients, as defined in UK MiFIR (all distribution channels). No key information document, within the meaning of Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**), has been prepared as the Notes are not available to retail investors in the UK.

No PRIIPs KID – No key information document, within the meaning of Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**), has been prepared as the Notes are not available to retail investors in the European Economic Area (the **EEA**).

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 8 February 2034. The Notes are subject to early redemption, in whole or in part, (i) at the option of the Issuer (A) at any time up to (and including) the date falling three months prior to the Maturity Date (as defined below) at the relevant make-whole redemption amount plus a margin of 0.250 per cent.; or (B) at any time thereafter at par, in each case together with any accrued interest; (ii) at the option of the Issuer at any time in the event of certain changes affecting taxes of the UK at par together with any accrued interest; and (iii) at the option of Noteholders if a Change of Control Put Event (as defined in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*)), shall occur. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BBB+ by S&P Global Ratings UK Limited (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the **UK CRA Regulation**).

S&P is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009, as amended (the **EU CRA Regulation**). The ratings issued by S&P have been endorsed by S&P Global Ratings Europe Limited in accordance with the EU CRA Regulation. S&P Global Ratings Europe Limited is established in the European Union and registered under the EU CRA Regulation. As such, S&P Global Ratings Europe Limited is included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the EU CRA Regulation.

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

Joint Lead Managers

BofA Securities

HSBC

J.P. Morgan

NatWest Markets

Prospectus dated 4 February 2022

This Prospectus comprises a prospectus for the purposes of Article 8 of the UK Prospectus Regulation. This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Guarantor, the Group and the Notes, which according to the particular nature and circumstances of the Issuer, the Guarantor, the Group and the Notes, is necessary information which is material to an investor for making an informed assessment of (i) the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor; (ii) the rights attaching to the Notes; and (iii) the reasons for the issuance and its impact on the Issuer.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission of anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form a part of this Prospectus and has not been scrutinised or approved by the FCA.

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

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

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

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

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 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 EU Delegated Directive 2017/593 (MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by 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.

UK PRIIPs Regulation / Prohibition of Sales to UK 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the FSMA) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of UK MiFIR. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it: has

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC AS STABILISATION MANAGER (THE STABILISATION MANAGER) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, 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 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 NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF CERTAIN INFORMATION

Certain non-IFRS financial information

This Prospectus includes and incorporates by reference certain financial information which has not been prepared in accordance with International Financial Reporting Standards (IFRS) but which has been derived from the audited financial statements. The glossary of these alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (APMs) set out on pages 249 to 250 of the Issuer's 2021 Annual Report (as defined below) is incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*").

Underlying and organic results

The Group's consolidated income statements are presented on both an underlying and a statutory basis. Statutory results reflect the Group's results prepared in accordance with the requirements of IFRS. Underlying results and underlying as reported results are APMs and not IFRS measures. Adjustments are made to statutory results to arrive at an underlying result which is in line with how

the business is managed and measured on a day-to-day basis. Adjustments are made for items that are individually important in order to understand the financial performance. If included, these items could distort understanding of the performance for the year and the comparability between periods. Management applies judgement in determining which items should be excluded from underlying performance.

In addition, the prior year underlying amounts are translated at current year exchange rates, so that exchange rate impacts do not distort comparisons. Prior year underlying amounts at prior year exchange rates are referred to as “underlying as reported”; prior year and current year amounts at current year exchange rates are referred to as “underlying”.

In addition, the Group refers to organic measures, such as organic revenue and organic operating profit, in this Prospectus and in the Group’s financial statements. Organic measures are also APMs and non-IFRS measures. When determining organic measures, in addition to the adjustments made to the underlying measures, the contributions from discontinued operations, disposals and assets held for sale of standalone businesses are excluded in the current and prior period. Results from acquired businesses are excluded in the year of acquisition. Adjustments are made to the comparative period to present prior period acquired businesses as if these had been part of the Group throughout the prior period. Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted. Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.

Reflecting the above factors, the Group has presented certain of its FY2020 financial information in this Prospectus on both an original and a comparative basis or just on a comparative basis when it is being compared solely to financial information for FY2021. Where FY2020 financial information is not identified as either original or comparative in this Prospectus, this means that there is no difference between the Original FY2020 financial information and the FY2020 financial information.

Financial information described in this Prospectus as **FY2020** or as being presented on a comparative basis has been derived from the Group’s audited consolidated financial statements for the financial year ended 30 September 2021 which are incorporated by reference in this Prospectus and is directly comparable with the Group’s financial information for FY2021 which has also been derived from those financial statements.

Financial information described in this Prospectus as **Original FY2020** or as being presented on an original basis has been derived from the Group’s audited consolidated financial statements for the financial year ended 30 September 2020 which are incorporated by reference in this Prospectus and is directly comparable with the Group’s financial information for FY2019 which has also been derived from those financial statements.

Unless otherwise specified, all financial information in this Prospectus for FY2019 or as at any date in FY2019 has been derived from the Group’s audited consolidated financial statements for the financial year ended 30 September 2020 which are incorporated by reference in this Prospectus and is directly comparable with the Group’s financial information for FY2020 which has also been derived from those financial statements. Certain FY2019 comparative amounts presented in the FY2020 audited consolidated financial statements have been restated, on a constant currency basis, for disposals made in the period and assets held for sale to provide more direct comparability with the Group’s FY2020 results; such comparative figures are not audited.

The table below shows reconciliations of the Group's underlying and organic measures to the statutory results for each of FY2021, FY2020, Original FY2020 and FY2019.

| | FY2021 | | FY2020 | | Original FY2020 | | FY2019 | |
|-------------------------------------------|----------------------|------------------|--------------|------------------|-----------------|------------------|--------------|------------------|
| | Revenue | Operating profit | Revenue | Operating profit | Revenue | Operating profit | Revenue | Operating profit |
| | (<i>£ million</i>) | | | | | | | |
| Statutory | 1,846 | 373 | 1,903 | 404 | 1,903 | 404 | 1,936 | 382 |
| Recurring items ⁽¹⁾ | — | 40 | — | 53 | — | 53 | — | 52 |
| Net gain on disposal of subsidiaries | — | (126) | — | (141) | — | (141) | — | (28) |
| Impairment of assets held for sale | — | — | — | — | — | — | — | 14 |
| Asia goodwill impairment | — | — | — | 19 | — | 19 | — | — |
| Property restructuring costs | — | — | — | 21 | — | 21 | — | 16 |
| Employee restructuring costs | — | 62 | — | 22 | — | 22 | — | — |
| Office relocation | — | 9 | — | 33 | — | 33 | — | 12 |
| Impact of foreign exchange ⁽²⁾ | — | — | (46) | (11) | — | — | (32) | (7) |
| Underlying | 1,846 | 358 | 1,857 | 400 | 1,903 | 411 | 1,904 | 441 |
| Disposals | (40) | (7) | (103) | (14) | (37) | (5) | (103) | (16) |
| Held for sale | (28) | (8) | (29) | (6) | (98) | (15) | (100) | (18) |
| Acquisitions | — | — | — | — | — | — | 4 | (1) |
| Organic | 1,778 | 343 | 1,725 | 380 | 1,768 | 391 | 1,705 | 406 |

Notes

- (1) Recurring items are detailed in note 3.6 to the financial statements for the financial year ended 30 September 2021 and note 3.6 to the financial statements for the financial year ended 30 September 2020.
- (2) Impact of retranslating FY2020 results at FY2021 average rates and FY2019 results at FY2020 average rates.

Operating margins

This Prospectus contains references to the Group's operating margins, which are APMs and not measures of financial performance under IFRS. In determining its operating margins, the Group divides its operating profit by its revenue. The Group's statutory operating margins were 20.2 per cent. in FY2021, 21.3 per cent. in FY2020 (on both an original and comparative basis) and 19.7 per cent. in FY2019. The Group's underlying operating margins were 19.4 per cent. in FY2021, 21.6 per cent. in Original FY2020, 21.6 per cent. in FY2020 and 23.2 per cent. in FY2019. The Group's organic operating margins were 19.3 per cent. in FY2021, 22.1 per cent. in Original FY2020, 22.0 per cent. in FY2020 and 23.8 per cent. in FY2019.

The Group believes that the presentation of its operating margins is helpful to investors because these and other similar measures enable understanding of like-for-like comparison of performance of the continuing business.

Other APMS

Certain other APMs are referred to elsewhere in this Prospectus. These include:

- annualised recurring revenue (**ARR**), which is the normalised organic recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by

12. Adjustments to normalise reported recurring revenue include those components that management has assessed should be excluded in order to ensure the measure reflects that part of the contracted revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods (such as non-refundable contract sign-up fees). ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reporting recurring revenue growth;

- software subscription penetration, which is organic software subscription revenue expressed as a percentage of organic total revenue. The Group uses this APM to measure the progress of migrating its customer base from licence and maintenance to a subscription relationship;
- Sage Business Cloud penetration, which is organic recurring revenue from the Sage Business Cloud (native and connected cloud) expressed as a percentage of the organic recurring revenue of the Future Sage Business Cloud Opportunity. Future Sage Business Cloud Opportunity is defined as revenue from customers using products that are currently part of, or that management currently believe have a clear pathway to, Sage Business Cloud. The Group uses this APM to measure the progress in the migration of its revenue base to the Sage Business Cloud by connecting its solutions to the cloud and/or migrating its customers to cloud connected and cloud native solutions; and
- renewal rate by value, which is the ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year. This APM is used as an indicator of the Group's ability to retain and generate additional revenue from its existing customer base through up and cross-sell.

Each of these measures is a strategic key performance indicator (**KPI**) monitored and reported by management to demonstrate the Group's strategic progress, showing how it achieves success and reinforcing the quality of its performance.

In addition, the Group monitors and reports its underlying cash flow from operations, its free cash flow and its underlying cash conversion. Underlying cash flow from operations is the Group's underlying operating profit adjusted for non-cash items, net capital expenditure (excluding business combinations and similar items) and changes in working capital and it shows the cash flow generated by the Group's operations and enables the calculation of underlying cash conversion. Underlying cash conversion is the Group's underlying cash flow from operations divided by its underlying (as reported) operating profit and informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash. Free cash flow is calculated as underlying cash flow from operations minus net interest paid, income tax paid and adjusted for non-recurring cash items (which excludes net proceeds on disposals of subsidiaries) and profit and loss foreign exchange movements and measures the cash generated by the Group's operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.

The table below shows the Group's calculation of underlying cash flow from operating activities and free cash flow for each of FY2021, FY2020 and FY2019.

| | FY2021 | FY2020 | FY2019 |
|-------------------------------------------------------|------------------------------------------------------|---------------|---------------|
| | <i>(£ million, except where otherwise indicated)</i> | | |
| Underlying operating profit (as reported)..... | 358 | 411 | 448 |

| | | | |
|---------------------------------------------------------------|------------|------------|------------|
| Depreciation, amortisation and non-cash items in profit | 47 | 56 | 33 |
| Share-based payments | 36 | 29 | 26 |
| Net changes in working capital | 65 | 45 | 108 |
| Net capital expenditure | (55) | (36) | (38) |
| Underlying cash flow from operations | 451 | 505 | 577 |
| Underlying cash conversion (<i>per cent.</i>) | 126% | 123% | 129% |
| Non-recurring cash items | (9) | (4) | (24) |
| Net interest paid | (19) | (26) | (21) |
| Income tax paid | (81) | (93) | (88) |
| Profit and loss foreign exchange movements | (3) | — | (1) |
| Free cash flow | 339 | 382 | 443 |

Further, the Group also monitors and reports its leverage ratio, which is defined as net debt divided by EBITDA. Net debt is determined as total borrowings less cash and cash equivalents inclusive of the impact of businesses categorised as held for sale and EBITDA is determined as underlying operating profit excluding depreciation, amortisation and share-based payments. In addition to enabling the calculation of the leverage ratio, EBITDA also shows profitability before the impact of major non-cash charges.

The table below shows the Group's calculation of EBITDA and its leverage ratio for each of FY2021, FY2020, Original FY2020 and FY2019.

| | FY2021 | FY2020 | Original FY2020 | FY2019 |
|------------------------------------|------------------------------------------------------|---------------|----------------------------|---------------|
| | <i>(£ million, except where otherwise indicated)</i> | | | |
| Underlying operating profit | 358 | 400 | 411 | 441 |
| Depreciation and amortisation | 49 | 57 | 58 | 35 |
| Share-based payments | 36 | 29 | 29 | 26 |
| EBITDA | 443 | 486 | 498 | 502 |
| Net debt | 247 | 151 | 151 | 393 |
| Net debt/EBITDA leverage ratio | 0.6x | 0.3x | 0.3x | 0.8x |

Third party and market share data

This Prospectus contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. Where third party information has been used in this Prospectus, the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Prospectus is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Group believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates,

the Group cannot provide any assurance that a third-party expert using different methods would reach the same conclusions.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

The Group's website is www.sage.com. The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

Certain defined terms and rounding

All references in this Prospectus to:

FY2022 are to the financial year ended 30 September 2022;

FY2021 are to the financial year ending 30 September 2021;

FY2020 are to the financial year ended 30 September 2020;

FY2019 are to the financial year ended 30 September 2019;

FY2018 are to the financial year ended 30 September 2018; and

GBP, sterling, pounds and **£** are to the currency of the United Kingdom.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

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DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated financial statements of the Issuer for the financial year ended 30 September 2021, together with the auditor's report thereon (which can be found at pages 166 – 240 of the Annual Report of the Issuer for the financial year ended 30 September 2021) (which can be accessed from the following hyperlink: <https://www.sage.com/investors/-/media/files/investors/documents/pdf/overview/financial-statements-2021.pdf>);
- (b) the audited consolidated financial statements of the Issuer for the financial year ended 30 September 2020, together with the auditor's report thereon (which can be found at pages 156 – 232 in the Annual Report of the Issuer for the financial year ended 30 September 2020) (which can be accessed from the following hyperlink: <https://www.sage.com/investors/-/media/files/investors/documents/pdf/overview/financial-statements-2020.pdf>);
- (c) the audited financial statements of the Guarantor for the financial year ended 30 September 2021, together with the auditor's report thereon (which can be accessed from the following hyperlink: <https://www.sage.com/en-gb/-/media/Files/Investors/Documents/PDF/Debt/guarantor-financial-statements-fy21.pdf>); and
- (d) the audited financial statements of the Guarantor for the financial year ended 30 September 2020, together with the auditor's report thereon (which can be accessed from the following hyperlink: <https://www.sage.com/investors/-/media/files/investors/documents/pdf/debt/guarantor-financial-statements-fy20.pdf?la=en-gb>).

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

FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute "forward-looking statements". Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events, and include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward looking statements.

Forward-looking statements may be set forth in a number of places in this Prospectus, including (without limitation) in the sections "*Risk Factors*" and "*Description of the Group*". The Issuer has based these forward-looking statements on the current view with respect to future events and financial performance. These views involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in this Prospectus and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

RISK FACTORS

The purchase of any Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in such Notes. Before making an investment decision, prospective purchasers of any Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus. If any, or a combination of, these risks occurs, the Group could be materially adversely affected in the manner described in each individual risk. For the purposes of this section, the indication that a risk, uncertainty or problem may or will have a "material adverse effect" on the Group or that the Group may be "materially adversely affected" means that the risk, uncertainty or problem could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows, liquidity, reputation and/or prospects and/or on the Group's ability to make payments under any Notes and/or on the market price of any Notes, except as otherwise indicated or as the context may otherwise require.

The Issuer believes that the factors described below represent all the material risks inherent in investing in the Notes, but the inability of the Issuer to pay amounts due under any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

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.

RISKS RELATING TO THE GROUP

The Group's success depends upon its ability to develop new products and services, integrate acquired products and services and enhance its existing products and services

Rapid technological advances, changing delivery models and evolving standards in computer hardware and software development and communications infrastructure, changing and increasingly sophisticated customer needs and frequent new product introductions and enhancements characterise the industry in which the Group competes. If the Group:

- fails to anticipate, understand or deliver the products and services its current and future customers need in order to be successful in a timely manner; or
- fails to position and price its products and services to meet current and future customer demand,

customers may not purchase or subscribe to its software or cloud offerings or renew software support or cloud subscription contracts which could adversely affect its reputation, revenue and, potentially, profitability. Renewals of these contracts are critical to the growth of the Group's business.

The Group remains focused on refreshing and releasing new offerings of cloud products and services. A key component of the Group's continued success as a software as a service (**SaaS**) company is the delivery of cloud connected and cloud native products. To achieve this, the Group will need to execute on a prioritised product strategy that moves its product portfolio to cloud native solutions. If the Group is unable to develop new or sufficiently differentiated products and services, including both cloud connected and cloud native solutions, that are aligned with the Group's goals and deliver against its customers' needs, or if its products and services do not enhance and improve its existing product offerings and support services in a timely manner, there is a significant risk that customers will migrate to other providers that better meet their existing and future needs which could adversely affect the Group's reputation, revenue and, potentially, profitability.

The Group's business, including its reputation, revenue and profitability, may also be adversely affected if:

- it does not continue to develop and release new or enhanced cloud-based products and services within the anticipated time frames;
- there is a delay in market acceptance of new, enhanced or acquired product lines or services;
- there are changes in information technology (IT) trends that the Group does not adequately anticipate or address with its product development efforts; or
- the Group does not optimise complementary product lines and services on a timely basis.

The Group’s cloud strategy, including its SaaS offering, may adversely affect its revenues and profitability if it is unable to sustain the required levels of innovation

The Group is increasingly providing services to customers worldwide through cloud-based SaaS offerings. As discussed above under “*The Group’s success depends upon its ability to develop new products and services, integrate acquired products and services and enhance its existing products and services*”, as this business model continues to evolve, the Group must be able to rapidly deploy new innovations, whether relating to new technologies or services, or new ways of working with the Group, to its customers and partners. In addition, as the Group continues to accelerate growth in cloud native and cloud connected solutions, there is a greater focus on ensuring that it is able to continue to scale its services environment in a robust, agile, and speedy manner to ensure the delivery of a consistent and robust cloud experience. This delivery could relate to new technologies, operating practices and services.

If the Group is unable to deploy new innovations or appropriately scale its live services environment, it may not be able to compete effectively, generate significant recurring revenue or maintain the profitability of its cloud offering. If the Group does not successfully execute its cloud computing strategy or anticipate the cloud computing needs of its current and future customers, its reputation as a provider of cloud-based products and services could be harmed and its revenue and profitability could decline.

Customers generally purchase the Group’s cloud offering on a subscription basis and revenue from this offering is generally recognised rateably over the term of each subscription. Consequently, any deterioration in sales activity associated with the Group’s cloud offering may not be immediately observable in its consolidated income statement, notwithstanding that the Group reports both recurring revenue and annualised recurring revenue (ARR). This is in contrast to revenue associated with the Group’s on-premise licence arrangements which are generally recognised in full at the time of delivery of each licence. In addition, the Group incurs certain expenses associated with the infrastructure and marketing of its cloud offering in advance of its ability to recognise the revenue associated with this offering.

If the Group’s live services environment fails this could result in loss of revenue and additional cost

If the Group suffers an event that causes the live services environment to fail, for example due to the operating environment being changed internally through product or system changes, through external or internal cyber-attack or other malicious attack or through a key third party provider being impacted, this could result in reputational damage and loss of revenue and could materially increase the Group’s costs, thereby negatively impacting its profitability.

Sales and implementation of the Group’s products and services, including through the cloud, are subject to a number of significant risks sometimes beyond the Group’s direct control

A core element of the Group’s business is the successful implementation of software and service solutions to enable its customers to run their businesses. The implementation of the Group’s software and cloud-based service deliveries is led by the Group, its partners and customers. In implementing new products and services in the medium business segment in particular (which is one of the Group’s five

strategic priorities), the Group is exposed to a number of risks that may fall outside its direct control, including implementations taking longer than planned, costing more than anticipated or failing to generate the profit expected.

Further, if the Group fails to encourage and sustain the innovation that is required to create disruptive technologies, processes and services, its ability to deliver on its commercial goals will be adversely affected. In addition, if the Group fails to identify, develop and maintain a blend of channels to market, including through offering appropriate internal support, market data and intelligence to its partners, its ability to sell and support the right products and services to the right customers at the right time will be impaired.

In addition, if the Group fails to maintain a sharp focus on the relationship it has with its customers, including through aligning its front and back office activities to deliver the products, services and proactive support which its customers need to be successful, it will not be able to achieve sustainable growth. This also includes ensuring that the Group's partners are similarly aligned, and able to deliver effectively against the Group's expectations.

If any of the above risks materialise, this could have a material adverse effect on the Group's reputation and revenue and could materially increase its costs, thereby negatively impacting its profitability.

If the Group is unable to maintain and enhance an effective partner ecosystem, its revenue might not increase as expected

The Group believes that an open and vibrant partner ecosystem is a fundamental pillar of its success and growth strategy. The Group has entered into partnership agreements that drive co-innovation on its platforms, profitably expand all its routes to market to optimise market coverage, optimise cloud delivery and provide high-quality services capacity in all market segments. Partners play a key role in driving market adoption of the Group's solutions portfolio, by co-innovating on its platforms, embedding its technology and reselling and/or implementing its software.

However, if the Group is unable to develop, manage and maintain strong relationships with the partners who are critical to the delivery of its products and services, and are critical to its profile in the market, it could experience significant reputational and financial damage.

The Group's sales partnerships and delivery partnerships expose it to a range of risks primarily including, but not limited to:

- the Group's failure to maintain a network of qualified and fully committed delivery partners supporting its needs, which could result in the Group's products or services being less strategic and/or attractive than those of its competitors;
- partners not renewing agreements with the Group, or not entering into new agreements on terms acceptable to the Group or at all, or starting to compete with the Group;
- partners not developing a sufficient number of new solutions and content on the Group's platforms or not providing high-quality products to meet customer expectations;
- partners not embedding the Group's solutions sufficiently enough to profitably drive product adoption, especially with innovations such as the Group's cloud platform;
- partners failing to adhere to applicable legal and compliance regulations or failing to meet the quality requirements or other customer expectations of the Group's customers; and
- partners not transforming their business models in accordance with the transformation of the Group's business model in a timely manner.

If one or more of these risks materialise, this could have an adverse effect on the demand for the Group's products and services as well as the partners' loyalty and ability to deliver.

If the confidentiality, integrity or availability of data stored or processed by the Group's products and services is compromised for any reason, service delivery to customers could be impacted, the Group's reputation and brand could be damaged, and its customers could stop using its products and services, all of which could reduce the Group's revenue and profitability, increase its expenses and expose it to legal claims and regulatory action

The Group operates in the data-driven technology sector in conjunction with products and components across a broad ecosystem. Its products and services, including its cloud services, store, retrieve, manipulate and manage its and its customers' information and data as well as external data.

The Group has a reputation for secure and reliable product offerings and related services and has invested significant time and resource in protecting the integrity and security of its products, services and the internal and external data that it manages.

At times, the Group encounters attempts by third parties (which may include individuals or groups of hackers and sophisticated organisations, such as state-sponsored organisations, nation states and individuals sponsored by them) to identify and exploit product and service vulnerabilities, penetrate or bypass the Group's security measures, and gain unauthorised access to the Group's or its customers', partners' and suppliers' software, hardware and cloud offerings, networks and systems, as well as third party data, products or services incorporated into, or that are designed to interact with, the Group's portfolio of products. Data may also be accessed, disclosed or modified improperly (including loss or deletion without authorisation) as a result of customer, partner, employee or supplier error or malfeasance, and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information, such as user names, passwords or other information, in order to gain access to the Group's data, its customers', suppliers' or partners' data or the IT systems of the Group and its customers, suppliers or partners.

If successful, any of these could lead to the compromise of personal data or the confidential information or data of the Group or its customers, create system disruptions and cause shutdowns or denials of service. This, in turn, could cause the Group to suffer significant damage to its brand and reputation, become subject to regulatory investigations and monetary penalties under applicable data protection legislation, and receive complaints or claims from both customers and individuals. Customers could also lose confidence in the security and reliability of the Group's products and services, including its cloud offerings, and perceive them to be insecure. This could lead to fewer customers using the Group's products and services and result in reduced revenue and profitability. The costs the Group would incur to identify, address and remediate these security incidents, including any legal and administrative costs in responding to customers, individuals and regulators, would increase its costs and expenses. These types of security incidents could also lead to loss or destruction of information, inappropriate use of proprietary and sensitive data, lawsuits, indemnity obligations, regulatory investigations and financial penalties, and claims and increased legal liability, including in some cases contractual costs related to customer notification and fraud monitoring. These costs can potentially be very significant, and may exceed amounts covered by the Group's insurance. For example, non-compliance with certain obligations under the EU GDPR and UK GDPR (as defined below) may result in monetary penalties of up to 4 per cent. of the Group's worldwide turnover in the preceding financial year.

Because the techniques used to obtain unauthorised access to, or sabotage, IT systems change frequently, grow more complex over time and often are not recognised until launched against a target, the Group may be unable to identify, anticipate or implement adequate measures to prevent against such techniques. The Group's internal IT systems continue to evolve and it is often an early adopter of new technologies. However, its business policies and internal security controls may not keep pace with these changes as new threats emerge. In addition, the Group may not discover any security breach and loss of information for a significant period of time after the security breach.

The Group's market share and profit could decline due to increased competition, market consolidation, technological innovation, and new business models in the software industry

The Group believes that the market for cloud computing is increasing and shows strong growth relative to the market for on-premise solutions. To maintain or improve its operating results in the cloud business, it is important that its customers renew their agreements with the Group when the initial contract term expires and continue to purchase additional modules or additional capacity.

Additionally, the Group intends to bring new solutions based on its cloud platform to the market in line with demand and ahead of its competitors. The Group believes that growth in the cloud computing market and any inability on its part to compete effectively in that market, see “—*If the Group is unable to compete effectively, its results of operations and prospects could be adversely affected*” below, could result in:

- potential loss of existing on-premise customers due to competing cloud market trends;
- customers and partners being reluctant or unwilling to migrate and adapt to the cloud or considering competitive cloud offerings or not extending renewals;
- existing customers cancelling or not renewing their maintenance contracts, or deciding not to buy additional products and services from the Group;
- the market for cloud business failing to develop further, or developing more slowly than currently anticipated by the Group; and
- strategic alliances among competitors and/or their growth-related efficiency gains in the cloud area leading to significantly increased competition in the market with regards to pricing and ability to integrate solutions.

Any one or more of these events could materially adversely affect the Group's revenue.

If the Group is unable to compete effectively, its results of operations and prospects could be adversely affected

The Group faces intense competition in all aspects of its business. The nature of the IT industry creates a competitive landscape that is constantly evolving as firms emerge, expand or are acquired, as technology evolves, and as delivery models change. The Group believes that by offering its current and potential customers the right information on the right products and services at the right time, it can maximise the value that it can obtain from its marketing and customer engagement activities. This can shorten the Group's sales cycle and ensure that customer retention is improved. The Group can also use new products and services, such as payments and banking technologies, to attract new customers.

However, other vendors may spend greater amounts than the Group at different points in their product cycles to develop and market applications and technologies which compete with the Group's offerings. Existing use of a competitors' technology may influence a customer's purchasing decision or create an environment that makes it less efficient to utilise the Group's products and services.

The Group may fail to realise some or all of the benefits described in the first paragraph above and it could lose customers if its competitors introduce new competitive products, add new functionality, acquire competitive products, reduce prices, better execute on their sales and marketing strategies, offer more flexible business practices or form strategic alliances with other companies. The Group may also face increasing competition from open source software initiatives in which competitors may provide software and intellectual property for free. Existing or new competitors could gain sales opportunities or customers at the Group's expense.

Further, the collection and use of information is fundamental to the Group's business as it enables revenue creation, gives the Group the ability to improve its customers' experience and enables the Group to meet its obligations and commitments. Any failure to gather and use its information effectively may result in the Group failing to identify particular market opportunities which could result in lost revenue and a weakened competitive position if the Group's competitors are able to leverage these opportunities before the Group.

The Group might experience significant coding or other errors in its cloud and on-premise licence offerings

Despite testing prior to the release and throughout the lifecycle of a product or service, the Group's cloud and on-premise licence offerings sometimes contain coding or other errors that can impact their function, performance and security, and result in other negative consequences. The detection and correction of any errors in released offerings can be time consuming and costly. Errors in the Group's cloud and on-premise licence offerings could:

- affect their ability to properly function or operate with other cloud, licence or hardware offerings;
- delay the development or release of new products or services or new versions of products or services;
- potentially create security vulnerabilities in the Group's products or services; and
- adversely affect market acceptance of the Group's products or services.

This includes third-party software products or services incorporated into the Group's. If the Group experiences errors or delays in releasing its cloud or on-premise licence offerings or new versions of them, its sales could be affected and its revenue could decline.

In addition, the Group runs many of its business operations on its own networks, and using some of its own products. As a result, any flaws in its products could affect the Group's ability to conduct its own business operations. Customers rely on the Group's cloud and on-premise licence offerings and related services to run their businesses and errors in those offerings and related services could expose the Group to product liability, performance and warranty claims as well as significant damage to its brand and reputation, which could impact the Group's future sales.

Any failure to offer high-quality technical support services may adversely affect the Group's relationships with its customers and its financial results

The Group's customers depend on its support organisation to resolve technical issues relating to its offerings. The Group may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect the Group's operating results. Any failure to maintain high-quality technical support, or a market perception that the Group does not maintain high-quality support, could adversely affect the Group's reputation, its ability to sell its products and services to existing and prospective customers and its business, operating results and financial position.

The knowledge and skills of its employees are critical to the Group's future success

As the Group continues to invest and innovate, the capacity, knowledge and leadership skills that it needs are changing. As a result, the Group increasingly needs to attract specialist talent and experience to help it make this change and also needs to provide an environment where its employees can develop to meet new expectations. In the technology industry, there is substantial and continuous competition for highly skilled personnel. The Group may not therefore be successful in recruiting the new personnel that it

requires or in retaining and motivating existing personnel, which could, over time, adversely affect its financial performance. The Group may also experience increased compensation costs that are not offset by either improved productivity or higher sales.

The Group believes that a shared value-based behavioural competency that encourages employees to always do the right thing, put customers at the heart of business and drive innovation are critical for a successful SaaS business. In particular, the Group is focusing on devolution of decision making, and the acceptance of accountability for these decisions, as the Group develops and sustains its shared values and behaviours, and develops a SaaS culture. The Group also believes that it will need to create a culture of empowered leaders that support the development of ideas, and that provide employees with a safe environment that allows for honest disclosures and discussions. Any failure by the Group to develop these competencies and culture could materially adversely affect its future success as a SaaS business.

Governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection could significantly negatively impact the Group's business

The Group is subject to a number of laws and regulations relating to privacy and data protection, including the General Data Protection Regulation (EU) 2016/679 (**EU GDPR**), Regulation (EU) 2016/679 as it forms part of UK domestic law by virtue of the EUWA (**UK GDPR**), and US federal and applicable state privacy laws (including the California Consumer Privacy Act 2018). As the regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal data expand and become more complex (including in relation to privacy, the use of artificial intelligence (**AI**), the operation of digital platforms, and provision of digital services), the Group expects that potential risks related to data collection and use within its business will intensify. Data protection laws applicable to the Group impact the ability of its customers, partners and data providers, to collect, augment, analyse, use, transfer and share personal and other information that is integral to certain services the Group provides. In addition, new laws or regulations governing privacy, data localisation, security, the use of AI, the provision of digital services, and data protection may be introduced that could apply to the Group in future. The nature and extent of such additions and changes in data protection laws or regulations, and the application to, or impact they may have on the Group, is uncertain.

Regulators can impose significant monetary fines for violations of laws and regulations relating to privacy and data protection. For example, non-compliance with certain obligations under the EU GDPR and UK GDPR may result in monetary penalties of up to, the greater of, 4 per cent. of the Group's worldwide turnover in the preceding financial year, or €20 million (under EU GDPR) or £17.5 million (under UK GDPR) as applicable. The size of potential fines related to data protection and the increased cost of providing its products and services, could result in changes to the Group's business practices, and could prevent the Group from offering certain services in jurisdictions in which it operates. Although the Group has implemented contracts, policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that its employees, contractors, partners, data providers or agents will not violate such laws and regulations or the Group's contracts, policies and procedures.

The Group is also subject to restrictions under applicable data protection laws in relation to the international transfer of personal data. For example, in order to transfer data outside of the EEA or UK to a non-adequate country, the EU GDPR and UK GDPR (as applicable) requires the Group to enter into an appropriate transfer mechanism, and often take additional steps to ensure an essentially equivalent level of data protection. These transfer mechanisms are subject to change, and implementing new or revised transfer mechanisms or ensuring an essentially equivalent protection may involve additional expense and potentially increased compliance risk. In the event a legislator, government, regulator or court imposes additional restrictions on international transfers, there may be operational interruption in the performance of services for customers and internal processing of employee information. Such restrictions may also increase the Group's obligations in relation to carrying out international transfers of personal data, and incur additional expense and increased regulatory liabilities.

The Group may make statements about its use and disclosure of personal data through its privacy policy, information provided on its website and press statements. Any failure, or perceived failure, by the Group to comply with these public statements or with applicable laws and regulations, including laws and regulations regulating privacy, data security or consumer protection, could result in lost or restricted business, proceedings, actions or fines brought against the Group or levied by governmental entities or others, or could adversely affect the Group's business and damage its reputation. Public perception and standards related to the privacy of personal data can shift rapidly, in ways that may affect the Group's reputation, regulators' approaches to the enforcement of existing regulations and laws, or influence legislators to enact regulations and laws that may limit the Group's ability to handle personal data or provide certain products and services in the future.

Economic, political and market conditions could have a material adverse effect on the Group

The Group's business is influenced by a range of factors that are beyond its control and that are difficult to forecast accurately. These include:

- general economic and business conditions;
- overall demand for cloud and licenced products and services;
- governmental budgetary constraints or shifts in government spending priorities; and
- general legal, regulatory and political developments.

Due to its wide geographic spread, the Group is generally protected from localised or regional economic downturns. However, macroeconomic developments that lead to significant global uncertainty or instability in economic, political or market conditions could negatively affect the Group's business, operating results, financial condition and outlook. Any general weakening of, and related declining corporate confidence in, the global economy or the curtailment of government or corporate spending across multiple markets could cause current or potential customers to reduce or eliminate their IT budgets and spending, which could cause customers to delay, decrease or cancel purchases of the Group's products and services or cause customers not to pay the Group or to delay paying the Group for previously purchased products and services.

The Group was affected by the impact of the Covid-19 pandemic in FY2020 which impacted its revenue growth in the second half of the financial year and contributed to a small decline in its organic operating margin. In addition, during FY2020, the Group extended by one year each of its syndicated term loan and revolving credit facilities and also announced the cancellation of its previously announced £250 million share buyback programme, after £7 million of shares had been purchased. These actions were taken to support the Group's financial strength given the uncertain macroeconomic environment due to Covid-19.

Whilst the Covid-19 pandemic did not significantly impact the Group's FY2021 financial performance, the Group believes that it is subject to increased uncertainty in the near term, particularly from the potential impact on its customers from the winding down of government support schemes, which could lead to increased churn in the Group's customers base, a reduction in new customers and/or an increase in the Group's expected credit loss levels, all of which could negatively impact its profitability.

In addition, the emergence of new variants remains a risk, as evidenced by the omicron variant identified in late 2021 which has resulted in the re-imposition of certain restrictive measures in a number of countries around the world. It is not yet possible to predict the full impact of the omicron variant on the Group's business and further variants which may be vaccine resistant or highly transmissible may also be identified in the future.

The Group's international sales and operations subject it to additional risks that can adversely affect its operating results

The Group derives a substantial portion of its revenue from, and has significant operations, outside the UK. The Group's international operations include cloud operations, customer support, and other services and shared administrative service centres. As a result, it is critical that the Group continuously applies sustainable and repeatable end-to-end business processes and controls, through a business control framework that prioritises processes, technology and ownership, and ensures that its control framework is simplified to enable improved focus on the outcomes that help drive customer success and therefore translate into enhanced subscription growth.

Compliance with the laws and regulations that apply to the Group's international operations increases its cost of doing business. These laws and regulations include data privacy requirements, labour relations laws, tax laws, foreign currency-related regulations, competition regulations, money laundering regulations, anti-corruption laws, sanctions legislation, market access, import, export and general trade regulations. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against the Group, its officers or employees, and prohibitions on the conduct of the Group's business, including the loss of trade privileges. Any such violations could also materially damage the Group's reputation, brand and ability to attract and retain employees.

Compliance with these laws requires a significant amount of management attention and effort, which may divert management's attention from running the Group's business operations and could harm the Group's ability to grow its business, or may increase the Group's expenses as it engages specialised or other additional resources to assist it with its compliance efforts. The Group's success depends, in part, on its ability to anticipate these risks and manage these difficulties. The Group monitors its operations and investigates allegations of improprieties relating to transactions and the way in which such transactions are recorded. Where circumstances warrant, the Group provides information and reports its findings to government authorities, but no assurance can be given that action will not be taken by such authorities.

The Group is also subject to a variety of other risks and challenges in managing an organisation operating globally, including those related to:

- general economic conditions in each country or region;
- fluctuations in currency exchange rates and related impacts to customer demand and the Group's operating results;
- regulatory changes, including government austerity measures in certain countries that the Group may not be able to sufficiently plan for or avoid that may unexpectedly impair bank deposits or other cash assets that the Group holds in these countries or that impose additional taxes that the Group may be required to pay in these countries;
- political unrest, terrorism and the potential for other hostilities;
- common or customary local business behaviours that are in direct conflict with the Group's business ethics, practices and conduct policies;
- longer payment cycles and difficulties in collecting accounts receivable;
- overlapping tax regimes;
- public health risks, social risks and supporting infrastructure stability risks, particularly in areas in which the Group has significant operations; and

- reduced protection for the Group’s intellectual property rights in some countries.

The variety of risks and challenges listed above could also disrupt or otherwise negatively impact the sales of the Group’s products and services in affected countries or regions.

The Group might not acquire and integrate companies effectively or successfully

As part of its growth strategy, the Group may acquire businesses, products and technologies. For example, between 2019 and 2021 it acquired Ocrex Limited (which traded as **AutoEntry**), HR Bakery Limited (renamed **Sage HR**), TaskSheriff Limited and GoProposal Limited (renamed GoProposal by Sage), each of which was a small but strategically important acquisition. The negotiation of potential acquisitions and alliances, and the subsequent integration of acquired businesses, products and/or technologies demands time, focus and resources of both management and workforce, and may expose the Group to unpredictable operational difficulties.

Any acquisition entered into by the Group, including those described above, exposes the Group to a range of risks, including:

- disruption of the Group’s ongoing business and diversion of its management’s attention by acquisition, transition or integration activities;
- incorrect assumptions made during the due diligence process for the acquisition which could result in (i) an acquisition not furthering the Group’s business strategy as expected, (ii) integration of an acquired company or technology not being as successful as expected or (iii) the acquired business otherwise being negatively impacted, any of which could mean that the Group overpays for, or otherwise fails to realise the expected return on, the investment;
- the failure to successfully integrate (i) acquired technologies or solutions into the Group’s solution portfolio and strategy, (ii) acquired operations, cultures or languages, all within the constraints of applicable local laws and (iii) the Group’s internal controls and other systems, procedures and policies within acquired companies, which could result in higher costs or lower revenue than anticipated and could cause customer confusion;
- the loss of the acquired company’s key employees, customers and partners, which could reduce the anticipated revenue to be derived from the acquisition;
- the Group’s operating results or financial condition being adversely impacted by (i) claims or liabilities that the Group assumes from an acquired company or technology or that are otherwise related to an acquisition, including, among others, claims from government agencies, terminated employees, current or former customers, former shareholders or other third parties; (ii) pre-existing contractual relationships of an acquired company that the Group would not have otherwise entered into, the termination or modification of which may be costly or disruptive to the Group’s business; (iii) unfavourable revenue recognition or other accounting treatment as a result of an acquired company’s practices; and (iv) intellectual property claims or disputes;
- the failure to coordinate the acquired company’s research and development, sales and marketing activities with those of the Group, thereby losing anticipated synergistic benefits from the acquisition;
- the incurrence of significant debt to make the acquisition or significant unexpected cash expenditures, which could give rise to a number of risks, see “—*There are risks associated with the Group’s outstanding and future borrowings*” below; and

- the impairment of goodwill and other intangible assets acquired in business combinations which could reduce the Group's profitability.

Any one or more of these events could have a material adverse effect on the Group.

There are risks associated with the Group's outstanding and future borrowings

As at 30 September 2021, the Group had an aggregate of £814 million of outstanding borrowings, the majority of which mature between January 2022 and February 2031 and the Group may incur additional indebtedness in the future. The Group's ability to pay interest on, and repay the principal of, its indebtedness is dependent upon its ability to manage its business operations and generate sufficient cash flows to service that debt, which in turn are subject to a range of factors, many of which are outside the Group's control, including:

- general economic and market conditions;
- international and domestic interest rates;
- credit availability from banks or other financiers; and
- investor confidence in the Group.

At times in the past, global credit markets have experienced difficult conditions, including reduced liquidity, greater volatility, widening of credit spreads, bank liquidity and solvency concerns leading to significant government intervention and financial support, and decreased availability of funding generally. Any recurrence of these conditions could make it difficult or significantly more expensive for the Group to obtain additional financing, either on a short-term or long-term basis, to fund developments or to repay existing financing.

To the extent that the Group's debt increases significantly in the future, its leverage could:

- require a substantial portion of the Group's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;
- expose the Group to the risk of increased interest rates with respect to its borrowings at variable rates of interest;
- limit the Group's ability to react to changes in the international economy;
- limit the Group's ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes;
- affect the Group's ability to access funding through the debt capital markets on terms that are favourable for the Group;
- negatively impact the credit ratings of the Group; and
- increase the likelihood of failure to meet all of its debt obligations.

The Group may also need to refinance a portion of its outstanding debt as it matures. There is a risk that the Group may not be able to refinance existing debt or that the terms of any refinancing may not be as favourable as the terms of its existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating

to that refinanced indebtedness would increase. In addition, changes by any rating agency to the Group's outlook or credit rating could negatively affect the value of its debt and increase the interest amounts it pays on certain outstanding or future debt.

The Issuer's credit ratings may change and any ratings downgrade could make it more expensive for the Issuer to obtain new financing and adversely affect the value of the Notes

The Issuer has a rating of BBB+ (with stable outlook) from S&P.

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by any relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to the Issuer by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

The Group may not be able to protect its intellectual property rights

The Group relies on copyright, trademark, patent and trade secrecy laws, confidentiality procedures, controls and contractual commitments to protect its intellectual property rights. Despite the Group's efforts, these protections may be limited. Unauthorised third parties may try to copy or reverse engineer all or parts of the Group's products or otherwise obtain and use its intellectual property. Any patents owned by the Group may be invalidated, circumvented or challenged. Any of the Group's pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of the claims sought, if at all. In addition, the laws of some countries do not provide the same level of protection of the Group's intellectual property rights as do the laws and courts of the UK. If the Group cannot protect its intellectual property rights against unauthorised copying or use, or other misappropriation, it may not remain competitive.

Third parties have claimed, and in the future may claim, infringement or misuse of intellectual property rights and/or breach of licence agreement provisions

The Group periodically receives notices from, or has lawsuits filed against it by, third parties claiming infringement or other misuse of their intellectual property rights and/or breach of the Group's agreements with them. These third parties include entities that acquire intellectual property like patents for the sole purpose of monetising their acquired intellectual property through asserting claims of infringement and misuse. The Group expects to continue to receive such claims as:

- it acquires companies and expands into new businesses;
- the number of products and competitors in its industry segments grows;
- the use and support of third-party code (including open source code) becomes more prevalent in the industry;
- the volume of issued patents continues to increase; and
- non-practicing entities continue to assert intellectual property infringement in the Group's industry segments.

Responding to any such claim, regardless of its validity, could:

- be time consuming, costly and result in litigation;

- divert management’s time and attention from developing the Group’s business;
- require the Group to pay monetary damages or enter into royalty and licensing agreements that it would not normally find acceptable;
- require the Group to stop selling or to redesign certain of its products;
- require the Group to release source code to third parties, possibly under open source licence terms;
- require the Group to satisfy indemnification obligations to its customers; or
- otherwise materially adversely affect the Group.

Any legal action that the Group brings to enforce its proprietary rights could also involve enforcement against a partner or other third party, which might have an adverse effect on the Group’s ability, and its customers’ ability, to use that partner’s or other third parties’ products.

The outcome of litigation and other claims or lawsuits is intrinsically uncertain. Management’s view of the litigation might also change in the future. Actual outcomes of litigation and other claims or lawsuits could differ from the assessments made by management in prior periods, which are the basis for the Group’s accounting for these litigations and claims under IFRS.

The Group is exposed to a range of operational risks

Operational risk and losses can result from fraud and errors by the Group’s employees, failure to comply with regulatory requirements and equipment failures. In particular the proper functioning of the Group’s IT systems is critical to its business and ability to compete effectively. The Group’s business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or the IT systems of its key suppliers. Such failures can be caused by a variety of factors, some of which are wholly or partially outside the Group’s control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions, see “—*If the confidentiality, integrity or availability of data stored or processed by the Group’s products and services is compromised for any reason, service delivery to customers could be impacted, the Group’s reputation and brand could be damaged, and its customers could stop using its products and services, all of which could reduce the Group’s revenue and profitability, increase its expenses and expose it to legal claims and regulatory action*” above. Losses from any failure of the Group’s system of internal controls could materially adversely affect it.

The Group’s employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include engaging in corrupt or illegal practices, intentionally or inadvertently releasing confidential information about customers or failing to follow internal procedures. It will not always be possible for the Group to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. Any such actions by the Group’s employees could expose the Group to financial losses resulting from the need to reimburse customers who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group’s reputation.

These risks are aggravated in an organisation, such as the Group, which operates across a wide range of businesses in a number of different geographies. Accordingly, if the Group fails to apply sustainable and repeatable end-to-end business processes and controls, this could significantly increase the risks of operational losses.

The Group may not be able to deliver on its ESG strategy which could adversely affect the Group’s reputation

The Group is committed to investing in education, technology and the environment to give individuals, small and mid-sized businesses (SMBs) and the planet the opportunity to thrive. Its goal is to use its technology, time and experience to back a generation of diverse, sustainable businesses.

The Group believes that the potential benefits of investing in its environment, social and governance (ESG) strategy include:

- increased customer engagement;
- better use of resources, for example lower energy and water consumption and associated costs;
- enhanced stakeholder trust;
- improved ability to attract and retain talent, enabling colleagues to perform at their best; and
- stronger community relations.

If the Group fails to fully, and continually, respond to the range of ESG-related opportunities and risks, it may fail to deliver positive change to social and environmental issues and damage the confidence of its stakeholders. This may damage its reputation which in turn could adversely impact its financial performance.

The Group spends significant amounts on research and development efforts which may not prove successful

An important element of the Group's corporate strategy is to continue to dedicate a significant amount of resources to research and development and related product and service opportunities both through internal investments and the acquisition of intellectual property from companies that it may acquire. Accelerated product and service introductions and short life cycles require high levels of expenditure for research and development that could adversely affect the Group's operating results if not offset by revenue increases. The Group believes that it must continue to dedicate a significant amount of resources to its research and development efforts to maintain its competitive position. However, there is no assurance that all of the Group's research and development activities will prove successful and the Group's future profitability could be negatively impacted if significant amounts invested are written off in future periods or if products and services derived from its research and development activity do not generate revenue in the originally anticipated amounts.

Business disruptions could adversely affect the Group's operating results

A significant portion of the Group's critical business operations are concentrated in a few geographic areas. The Group is a highly automated business and a disruption or failure of its systems and processes could cause delays in completing sales, providing services, including some of its cloud offerings, and enabling a seamless customer experience with respect to its customer facing back office processes. A major earthquake or fire, political, social or other disruption to infrastructure that supports its operations or other catastrophic event or the effects of climate change (such as increased storm severity or drought) and pandemics that result in the destruction or disruption of any of the Group's critical business or IT systems could severely affect its ability to conduct normal business operations and, as a result, could materially adversely affect the Group.

The Group may not have adequate insurance

Although the Group seeks to ensure that its businesses and assets are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms or at all. In addition, the Group's businesses and assets could suffer damage from fire or other causes, including from data-related incidents, resulting in losses that may not be fully compensated by insurance. Further, certain

types of risks and losses, such as those resulting from acts of war, are generally excluded from coverage, and certain natural disasters are not economically insurable. If an uninsured, underinsured or uninsurable loss were to occur, or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, the Group's business could be materially adversely affected.

Where an insured against event occurs, there is no certainty that any proceeds of insurance received will fully cover the loss experienced by the Group. The Group's insurance policies may be subject to limits, deductibles or exclusions that could materially reduce the amount recoverable by the Group and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

RISKS RELATED TO THE NOTES GENERALLY

The Notes and the Guarantee are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Notes and the Guarantee are not protected by the Financial Services Compensation Scheme (the FSCS). As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer and/or the Guarantor. If the Issuer and/or the Guarantor go out of business or become insolvent, Noteholders may lose all or part of their investment in the Notes.

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

The Conditions of the Notes (the **Conditions**) are governed by English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

The Notes have denominations consisting of a minimum of £100,000 plus integral multiples of £1,000 in excess thereof up to (and including) £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in its 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 £100,000 such that its holding amounts to £100,000 or a higher integral multiple of £1,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 or a higher integral multiple of £1,000 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 principal amount of Notes such that its holding amounts to £100,000.

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

Notes subject to optional redemption by the Issuer

Optional redemption features are likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the 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 or if less than 20 per cent. of the Notes originally issued are outstanding (thereby allowing the Issuer's Clean-up Call Option referred to in the Conditions).

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.

With respect to the Clean-up Call Option by the Issuer in Condition 7.4, there is no obligation on the Issuer to inform investors if and when the 20 per cent. threshold referred to above has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

The Conditions will 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 Trust Deed contains provisions for calling meetings of Noteholders to consider any matter 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 also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions or any of the provisions of the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another entity as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 (*Substitution*) of the Notes and as more particularly described in the Trust Deed.

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:

Secondary market

The 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.

Exchange rate risks and exchange controls

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

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

Interest rate risks

The Notes bear interest at a fixed rate. Investors should note that if market interest rates start to rise then the income to be paid on the Notes might become less attractive and the price the investors get if they sell such Notes could fall (however, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on 8 February 2034 if the Notes are held by the investors until they expire).

A credit rating may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The rating 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 or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the EU 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.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, such third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agency and rating of the Notes is set out on the cover of this Prospectus.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "*Terms and Conditions of the Notes*" or elsewhere in this Prospectus have the same meanings in this overview.

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| The Issuer: | The Sage Group plc |
| The Guarantor: | Sage Treasury Company Limited |
| The Joint Lead Managers: | HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International and NatWest Markets Plc |
| Trustee: | HSBC Corporate Trustee Company (UK) Limited |
| Principal Paying Agent: | HSBC Bank plc |
| Paying Agent: | Banque Internationale à Luxembourg |
| The Notes: | £400,000,000 2.875 per cent. Guaranteed Notes due 8 February 2034 |
| Issue Price: | 99.459 per cent. of the principal amount of the Notes |
| Issue Date: | 8 February 2022 |
| Use of Proceeds and Estimated Net Proceeds: | See " <i>Use of Proceeds</i> " |
| Interest: | 2.875 per cent. per annum payable annually in arrear on 8 February of each year, commencing on 8 February 2023 |
| Status: | The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and rank <i>pari passu</i> 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 Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Guarantor and will rank <i>pari passu</i> 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 Guarantor from time to time outstanding |

Form and Denomination:

The Notes will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to (and including) £199,000

The Notes will be represented initially by the Temporary Global Note which will be deposited on or about 8 February 2022 with a common safekeeper for Clearstream, Luxembourg and Euroclear. Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note, in accordance with the provisions of the Permanent Global Note, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while Represented by the Global Notes*"

The Notes will be issued in new global note form and are not, at the date of this Prospectus, intended to be held in a manner which would allow Eurosystem eligibility. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Global Note by which the Notes are at such time represented, may then be deposited with one of Clearstream, Luxembourg or Euroclear. This 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

Maturity Date:

8 February 2034

Redemption at the Option of the Issuer:

Subject as provided in Condition 7.3 (*Redemption at the Option of the Issuer*), the Notes may be redeemed at the option of the Issuer, in whole or in part, (i) at any time up to (and including) 8 November 2033 at the relevant make-whole redemption amount plus a margin of 0.250 per cent.; or (ii) at any time thereafter at par, in each case together with any accrued but unpaid interest to (but excluding) the date of redemption. The Issuer may also redeem the Notes pursuant to, and subject as provided in, Condition 7.4 (*Clean-Up Call Option*)

Change of Control Put Option:

Upon the occurrence of certain events constituting a "Put Event" (as defined in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*), Noteholders will have the right to require the Issuer to repurchase all or part of the Notes at par, together with any accrued and unpaid interest to (but excluding) the date of redemption. See Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*)

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| Tax Redemption: | Subject as provided in Condition 7.2 (<i>Redemption for Taxation Reasons</i>), if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (<i>Taxation</i>) or the Guarantor would be unable for reasons outside of its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the UK or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at par together with any accrued but unpaid interest to (but excluding) the date of redemption |
| Negative Pledge: | The Notes contain a negative pledge provision as further described in Condition 4 (<i>Negative Pledge</i>) |
| Cross Acceleration: | The Notes contain a cross acceleration provision as further described in Condition 10 (<i>Events of Default</i>) |
| Rating: | The Notes are expected to be rated BBB+ by S&P S&P: an obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. The modifier '+' indicates that the obligation ranks in the higher end of its generic rating category. (Source: https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352) |
| Withholding Tax: | All payments in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the UK or any political subdivision thereof or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances, pay additional amounts to cover the amounts so withheld or deducted, all as described in Condition 8 (<i>Taxation</i>) |
| Governing Law: | The Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement will be governed by English law |

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| Listing and Trading: | Applications have been made for the Notes to be admitted to listing on the Official List and to trading on the Market |
| Clearing Systems: | Euroclear and Clearstream, Luxembourg |
| Selling Restrictions: | <p>For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material, including in the United States of America, the EEA and the UK, see "<i>Subscription and Sale</i>"</p> <p>Category 2 selling restrictions will apply to the Notes for the purposes of Regulation S under the Securities Act</p> |
| Risk Factors: | Investing in the Notes involves risks. See " <i>Risk Factors</i> " |
| ISIN: | XS2441259137 |
| Common Code: | 244125913 |

TERMS AND CONDITIONS OF THE NOTES

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

The £400,000,000 2.875 per cent. Guaranteed Notes due 8 February 2034 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Notes) of The Sage Group plc (the **Issuer**) are constituted by a Trust Deed dated 8 February 2022 (the **Trust Deed**) made between the Issuer, Sage Treasury Company Limited (the **Guarantor**) as guarantor and HSBC Corporate Trustee Company (UK) Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 8 February 2022 (the **Agency Agreement**) made between the Issuer, the Guarantor, the initial Paying Agents, and the Trustee are available by appointment for inspection during normal business hours by the Noteholders and the Couponholders at, the principal office for the time being of the Trustee, being at the date of issue of the Notes at 8 Canada Square, London, E14 5HQ and at the specified office of each of the Paying Agents and copies may at the Trustee's or the relevant Agent's option be sent by electronic mail. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the **Conditions**) will have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to (and including) £199,000, each with Coupons attached on issue.

1.2 Title

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

1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

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

outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. GUARANTEE

3.1 Guarantee

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

3.2 Status of the Guarantee

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

4. NEGATIVE PLEDGE

4.1 Restriction

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist, and the Issuer will procure that no Material Subsidiary (as defined below) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than any arising by operation of law) (**Security**) upon the whole or any part of its undertaking, assets or revenues (including uncalled capital), present or future, to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Coupons and the Trust Deed or, as the case may be, the Guarantor's obligations under the Trust Deed, (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement (whether or not it includes the giving of Security) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders save that the Issuer may permit to subsist (without the obligation to provide to the Notes, Coupons and the Trust Deed any security, guarantee, indemnity or other arrangement as aforesaid) any Permitted Security.

4.2 Relevant Debt

For the purposes of this Condition, **Relevant Debt** means any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other recognised securities market, but excluding any such indebtedness which has a stated maturity of less than one year.

4.3 Permitted Security

For the purposes of this Condition, **Permitted Security** means:

- (a) any Security in respect of any Relevant Debt (**Existing Relevant Debt**), or in respect of any guarantee of or indemnity in respect of any Existing Relevant Debt, given by any Material Subsidiary where such entity becomes a Subsidiary after the Issue Date and where such Security exists at the time such entity becomes a Subsidiary (provided that (i) such Security was not created in connection with or in contemplation of that entity becoming a Subsidiary; and (ii) the principal amount secured at the time of that company becoming a Subsidiary is not subsequently increased; and (iii) such Security does not extend to or cover any undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any of their respective other Subsidiaries); or
- (b) any Security given by any Material Subsidiary in respect of any Relevant Debt, or in respect of any guarantee of or indemnity in respect of any Relevant Debt where such Relevant Debt (**New Relevant Debt**) is incurred to refinance Existing Relevant Debt in circumstances where there is outstanding Security (**Existing Security**) given by that Material Subsidiary in respect of such Existing Relevant Debt or, as the case may be, in respect of any guarantee or indemnity in respect of such Existing Relevant Debt, provided that (i) the principal amount of the New Relevant Debt is not greater than the outstanding principal amount of the Existing Relevant Debt, (ii) the Security does not extend to any undertaking, assets or revenues (including any uncalled capital), present or future, of (A) that Material Subsidiary which were not subject to the Existing Security or (B) the Issuer, the Guarantor or any of their respective other Subsidiaries; and (iii) the final maturity date of the New Relevant Debt does not exceed the final maturity date of the Existing Relevant Debt.

4.4 Definitions

For the purposes of these Conditions:

Group means the Issuer, the Guarantor and the Issuer's Subsidiaries taken as a whole;

Material Subsidiary means any Subsidiary of the Issuer which (itself or together with its own Subsidiaries) by reference to the most recently published full or half year consolidated financial statements of the Issuer, accounts for at least 10 per cent. of consolidated turnover or gross assets of the Group for the period or as at the last day of the period, as the case may be, in respect of which such accounts have been prepared (provided that if a Subsidiary has been acquired since the date as at which the last full or half year consolidated financial statements of the Issuer have been prepared, the financial statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by an Authorised Signatory as representing an accurate reflection of the consolidated turnover and/or gross assets of the Issuer)); and

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

A report by an Authorised Signatory (as defined in the Trust Deed) of the Issuer (whether or not addressed to the Trustee) that in their opinion a Subsidiary is or is not or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from (and including) 8 February 2022 (the **Issue Date**) at the rate of 2.875 per cent. per annum (the **Rate of Interest**), payable annually in arrear on 8 February in each year (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 8 February 2023. The amount of interest payable on the Notes on each Interest Payment Date will be £28.75 per £1,000 in principal amount of the Notes (the **Calculation Amount**). In relation to a Note, the amount of interest payable in respect of such Note on each Interest Payment Date shall be the product of £28.75 and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note.

5.2 Interest Accrual

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

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by (i) applying the Rate of Interest to the Calculation Amount, (ii) multiplying such product by (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following (or first) Interest Payment Date and (iii) rounding the resultant figure to the nearest penny, half of any penny being rounded upwards. In the case of any such period, the amount of interest payable in respect of a Note shall be the amount (determined in the manner provided above) per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

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

6.2 Method of Payment

Payments will be made by credit or transfer to an account in Pounds Sterling maintained by the payee within London.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which

the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) but not thereafter.

6.4 Payments subject to applicable laws

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

6.5 Payment only on a Presentation Date

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

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

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a Pounds Sterling account in London (as referred to above), is a Business Day in London.

In these Conditions, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.6 Initial Paying Agents

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

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in the place (if any) required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and;

- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 8 February 2034 (the **Maturity Date**).

7.2 Redemption for Taxation Reasons

If immediately before the giving of the notice referred to below:

- (a) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, or any change in the application or official interpretation of the laws or regulations of the United Kingdom, which change or amendment becomes effective after 4 February 2022, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Notes, but not some only, at any time at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be 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 paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, an Authorised Signatory of the Guarantor 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 (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment, and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (*Notices*); and

- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**)), redeem all of the Notes or, subject as provided in Condition 7.5 below, some only of the Notes at any time at the Relevant Optional Redemption Amount.

For the purposes of this Condition 7.3:

Relevant Optional Redemption Amount means:

- (a) if the Optional Redemption Date falls in the period up to (and including) 8 November 2033, such amount as is equal to the greater of the following, together with interest accrued to (but excluding) the Optional Redemption Date:
- (i) the principal amount of the Notes; and
 - (ii) the principal amount of the Notes multiplied by the price (as reported in writing to the Issuer, the Principal Paying Agent and the Trustee by the Determination Agent), expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on a Note on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Bond plus a margin of 0.250 per cent., all as determined by the Determination Agent; and
- (b) if the Optional Redemption Date falls in the period from (but excluding) 8 November 2033 to (but excluding) the Maturity Date, such amount as is equal to the principal amount of the Notes together with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of the definition of Relevant Optional Redemption Amount:

Determination Agent means an investment bank or financial institution of international standing selected and appointed by the Issuer at its own expense;

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, as calculated by the Determination Agent 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 amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places);

Reference Bond means the 4.500 per cent. Treasury Stock due September 2034 (ISIN: GB00B52WS153) (or, where the Determination Agent provides written advice to the Issuer and the Trustee (on which advice the Issuer and the Trustee shall be entitled to rely without further investigation or enquiry and without liability to the Noteholder or any other person) that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other United Kingdom government stock as the Determination Agent may, with the advice of the Reference Market Makers, recommend);

Reference Date means the date which is the third Business Day (as defined in Condition 6.5) in London prior to the Optional Redemption Date; and

Reference Market Makers means three brokers of gilts and/or gilt-edged market makers selected by the Determination Agent in consultation with the Issuer.

The Trustee shall rely absolutely on the advice of any Determination Agent appointed as provided in this Condition 7.3 and shall not be liable for so doing.

7.4 **Clean-Up Call Option**

If, at any time, the principal amount of the Notes then outstanding is 20 per cent. or less of the aggregate principal amount of the Notes originally issued (for these purposes, any further notes issued pursuant to Condition 17 (*Further Issues*) and consolidated with this series of Notes shall be deemed to have been originally issued), the Issuer may redeem, at its option, all but not some only of the Notes then outstanding, on giving not less than 15 days' nor more than 30 days' notice in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption) at the outstanding principal amount thereof, together with interest accrued to (but excluding) the date fixed for redemption provided that the Notes no longer outstanding have not been redeemed by the Issuer pursuant to Condition 7.3.

7.5 **Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected in such manner as the Issuer may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given by the Issuer not less than 15 days before the date fixed for redemption. Each such notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of the Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

7.6 **Redemption at the Option of the Noteholders on a Change of Control**

(a) A **Put Event** will be deemed to occur if:

- (i) (A) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (x) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (y) 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 (B) the Guarantor ceases to be a direct or indirect Subsidiary of the Issuer (each, a **Change of Control**); and
- (ii) at the time of the occurrence of a Change of Control, the Notes carry, on a solicited basis, an investment grade credit rating (Baa3/BBB-, or equivalent, or better) (an **Investment Grade Rating**), from any Rating Agency and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and such rating is not within the Change of Control Period (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency on a solicited basis; and

- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

Further, (aa) if at the time of the occurrence of the Change of Control the Notes carry either a non-investment grade credit rating from each Rating Agency then assigning a credit rating to the Notes on a solicited basis or no credit rating from any Rating Agency on a solicited basis, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone; and (bb) if at the time of the occurrence of the Change of Control the Notes carry an Investment Grade Rating from more than one Rating Agency on a solicited basis, then a Put Event will be deemed to occur upon the first of such Rating Agencies, within the Change of Control Period, downgrading its rating to a non-investment grade credit rating or withdrawing its rating, and such Rating Agency's assigned rating is not, within the Change of Control Period, (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency on a solicited basis.

- (b) If a Put Event occurs, each Noteholder shall have the option to require the Issuer to redeem or repay that Note on the Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the date of redemption or purchase. Such option shall operate as set out below.
- (c) Promptly upon the Issuer or the Guarantor becoming aware that a Put Event has occurred the Issuer or the Guarantor shall notify the Trustee in writing and the Issuer or the Guarantor shall, and at any time upon the Trustee receiving such express notice the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.6.
- (d) To exercise the option to require the redemption or repayment of a Note under this Condition 7.6 the holder of the Note must deliver a Change of Control Put Notice (as defined below), on any day on which commercial banks and foreign exchange markets are open in the city of the relevant Paying Agent falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Change of Control Put Notice**). 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 **Put Date**), failing which the Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6.4 against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12 (*Replacement of Notes and Coupons*)) at any time after such payment, but before the expiry of the period of 10 years from the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of that Coupon. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall

be irrevocable. The Issuer shall redeem or repay the relevant Notes on the Put Date unless previously redeemed and cancelled.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed pursuant to this Condition 7.6, the Issuer may, on not less than 15 or more than 30 days' notice to the Noteholders given within 30 days after the Put Date, redeem, at its option, the remaining Notes as a whole at their principal amount plus interest accrued to (but excluding) the date of such redemption.

- (e) If the rating designations employed by any of Moody's, S&P or Fitch are changed from those which are described in paragraph (a)(ii) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Moody's or S&P or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P or Fitch and paragraph (a)(ii) shall be read accordingly.
- (f) The Trustee is under no obligation to monitor or 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 and, until it shall have express notice in writing 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.
- (g) In these Conditions:

Change of Control Period means the period commencing on the date of the announcement of the Change of Control having occurred and ending 120 days after such date (or such longer period as the Notes are under consideration, announced publicly within such 120 day period, for rating review); and

Rating Agency means Moody's Investors Service Ltd. (**Moody's**) or Standard & Poor's Credit Market Services Europe Limited (**S&P**) or Fitch Ratings Ltd (**Fitch**), or their respective successors or any rating agency (a **Substitute Rating Agency**) substituted for any of them by the Issuer from time to time with the prior written approval of the Trustee.

7.7 Purchases

The Issuer, the Guarantor or any of their respective Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price and at the option of the Issuer, the Guarantor or any of their respective Subsidiaries, such Notes may be surrendered for cancellation, held or resold.

7.8 Cancellations

All Notes which are purchased and surrendered for cancellation pursuant to Condition 7.7 or which are to be redeemed will be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

7.9 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2, 7.3 or 7.6 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

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

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the United Kingdom other than a mere holding of the Notes or Coupons; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 6 (*Payments*)); or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by complying with any statutory requirements (including, but not limited to, obtaining and/or presenting any form of certificate) or by making a declaration or any other statement or claim for exemption (including, but not limited to, a declaration of non-residence), but fails to do so.

8.2 Interpretation

In these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*).

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-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 being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (d) (other than the winding up or dissolution of the Issuer or the Guarantor), and (e) to (h) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, together where applicable with certification by the Trustee as described above, an **Event of Default** and together, **Events of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy, when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any Material Subsidiary becomes due and payable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above which have occurred and are continuing, exceeds the greater of 1 per cent. of the value of the net assets of the Group as shown in the most recent annual or interim, as the case may be, consolidated financial statements of the Issuer or £20,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

- (e) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders or where such cessation is in connection with the transfer of all or substantially all of the business of the Issuer, Guarantor or Material Subsidiary to a Subsidiary of the Issuer or a sale of assets of the Issuer, Guarantor or Material Subsidiary at fair market value where the proceeds of such sale are reinvested in the business of the Group; or
- (f) if the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of any of them or an encumbrancer takes possession of all or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) is not discharged within 14 days; or
- (h) if the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (i) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

10.2 Interpretation

For the purposes of this Condition:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts but excluding any intra-Group indebtedness) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed,

the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would be illegal or contrary to any applicable law of any jurisdiction or any applicable directive or regulation of any agency of any state (including, without limitation, section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

11.3 Enforcement by the Noteholders

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

12. REPLACEMENT OF NOTES AND COUPONS

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

13. NOTICES

13.1 Notices to the Noteholders

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

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a

clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor 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 the Guarantor or any other company being a Subsidiary of the Issuer, subject to:

- (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer;
- (b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and
- (c) certain other conditions set out in the Trust Deed being complied with.

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

15.1 Meetings of Noteholders

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

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or

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

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

15.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 8 (*Notices*).

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

16.1 Indemnification and protection of the Trustee

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

16.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Issuer's Subsidiaries, (b) to

exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes which are to form a single series with the outstanding Notes shall be constituted by a deed supplemental to the Trust Deed.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

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

18.2 Submission to Jurisdiction

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a **Dispute**) and each of the Issuer, the Guarantor, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, each of the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Other Documents and the Guarantor

Each of the Issuer and, where applicable, the Guarantor has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts.

19. RIGHTS OF THIRD PARTIES

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

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

1. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

2. Payments

On and after 20 March 2022, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 13 (*Notices*), provided that, so long as the Notes are admitted to the Official List and admitted to trading on the Market, notices shall also be published in accordance with all requirements of the FCA and the London Stock Exchange. Any

such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the Rate of Interest to the principal amount of the Global Note and on the basis of (a) the actual number of days in the period from (and including) the Accrual Date (as defined in Condition 5.3) to (but excluding) the date on which interest falls due divided by (b) the actual number of days from and including the Accrual Date to (but excluding) the next following Interest Payment Date. The resultant figure is rounded to the nearest penny (half a penny being rounded upwards).

5. Exchange

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

- (a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";
- (b) if 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; or
- (c) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect signed by an Authorised Signatory of the Issuer is given to the Trustee.

Thereupon (in the case of (a) to (c) above, the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

6. Prescription

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

7. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by instruction to Euroclear and Clearstream, Luxembourg to make appropriate entries in their records in respect of all Notes which are cancelled.

8. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common safekeeper for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and the Issuer shall procure that the portion of the principal amount of the relevant Global Note so redeemed shall be entered in the records of Euroclear and/or Clearstream, Luxembourg.

9. Redemption at the Option of the Issuer

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under Condition 7.5 (*Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 7.3 (*Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures 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).

10. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to be approximately £396,336,000 and will be applied by the Issuer to repay certain of its existing indebtedness and for its general corporate purposes.

DESCRIPTION OF THE GROUP

INTRODUCTION

The Group's purpose is to 'knock down barriers so everyone can thrive', starting with the millions of SMBs served by the Group, its partners and accountants. Customers trust the Group's finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, the digital network connects SMBs, removing friction and delivering insights. 'Knocking down barriers' also means the Group uses its time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

The Issuer, which is one of the UK's largest software companies, is listed on the London Stock Exchange (ticker: SGE.L) and is a member of the FTSE 100 Index with a market capitalisation of approximately £8.7 billion as at 31 December 2021.

The Group has made significant progress in delivering the strategy set out at the start of FY2019, reshaping its operating model and culture as a SaaS-focused business. This has resulted in a shift towards a more focused and higher quality business model, underpinned by predictable subscription revenue streams. Building on this progress and reflecting the accelerating digitisation of its customer base, the Group has refreshed its strategic framework, whilst maintaining its focus on championing SMBs. The Group's evolved purpose is now to break down barriers so that everyone can thrive. This purpose underpins the Group's ambition to become the trusted network for SMBs.

The Group supports millions of SMBs around the world, focusing primarily on professional users, typically accountants or bookkeepers who understand compliance and want rich functionality to help drive efficiencies and gain more insight into their business. The Group delivers this through what it considers to be best in class cloud-based technology and support across accounting, people and payroll solutions.

The Group is a global organisation with local focus. The geographical segments are North America (United States and Canada) which accounted for 39 per cent. of its organic revenue in FY2021, Northern Europe (the UK and Ireland), which accounted for 22 per cent. of its organic revenue in FY2021, and International (including South Africa, France, Iberia and Central Europe) which accounted for 39 per cent. of its organic revenue in FY2021.

Since its formation, the Group has grown by expanding globally and broadening the range of products and services that it provides, both through organic growth and acquisitions, including the acquisition of Sage Intacct and Sage People in 2017, AutoEntry and Sage HR in 2019, alongside a number of bolt-on and minority investments in 2021.

In FY2021, the Group had total organic revenue of £1,778 million (reflecting growth of 3.1 per cent from £1,725 million in FY2020), organic recurring revenue of £1,637 million (reflecting growth of 5.4 per cent. from £1,553 million in FY2020), and an organic operating margin of 19.3 per cent. In addition, the Group achieved a cash conversion of 126 per cent. (the third consecutive year in excess of 100 per cent.) and maintains a resilient balance sheet with around £1.2 billion of available cash and liquidity as at 30 September 2021.

HISTORY

The Issuer was founded in 1981 by three entrepreneurs from Newcastle in order to automate accounting processes. The Issuer is a public limited company with an unlimited duration registered in England and Wales under company registration number 02231246 and incorporated under the Companies Act 1985. Its registered office is at C23 5 & 6 Cobalt Park Way, Cobalt Business Park, Newcastle-Upon-Tyne, Tyne & Wear, NE28 9EJ and its telephone number is +44 191 294 3000.

In 1989, the Issuer was listed on the London Stock Exchange and it became a FTSE 100 company in 1999. From 1991, the Group began to expand internationally, entering 11 new markets by 2003. In 1998, the Group acquired Peachtree, a leading desktop accounting software company in North America, and in 2005, it acquired Adonix, a French company which developed the original enterprise resource planning software that is now known as Sage X3.

In 2011, the Group launched Sage Business Cloud Accounting. In 2017, it acquired Sage People and Sage Intacct, in 2019, it acquired AutoEntry and Sage HR and, in 2021, it made a number of bolt-on and minority investments. The launch of Sage Business Cloud in 2017 marked the commencement of the Group's transition from an on-premise licence software business to a SaaS business with an increased focus on cloud native solutions.

Alongside this, the Group has pursued divestment or other value creation paths for non-core products which have no route to Sage Business Cloud, resulting in the reduction of organic revenue from non-Sage Business Cloud products from 14 per cent. of total organic revenue in FY2019 to 10 per cent. in FY2021. In March 2020, the Group completed the disposals of Sage Pay and its Brazilian business, in March 2021 it completed the disposal of its Polish business, in May 2021 it disposed of its businesses in Asia and Australia and, in November 2021 it completed the sale of its Swiss business (in each case, excluding global products that are core to the Group's strategy such as Sage Intacct, Sage People and Sage X3). This disposal process has reduced the Group's exposure to non-core business lines and geographies and is now largely complete, with the Group's South African payroll outsourcing business remaining as held-for-sale.

The Guarantor was incorporated in 2012 and is a wholly-owned subsidiary of the Issuer. The Guarantor is a private limited company with an unlimited duration registered in England and Wales under company registration number 08319044 and incorporated under the Companies Act 2006. Its registered office is at C23 5 & 6 Cobalt Park Way, Cobalt Business Park, Newcastle-Upon-Tyne, Tyne & Wear, NE28 9EJ and its telephone number is +44 191 294 3000.

STRATEGY

The Group has made significant progress in delivering the strategy set out at the start of FY2019, reshaping its operating model and culture as a SaaS-focused business. This has resulted in a shift towards a more focused and higher quality business model, underpinned by predictable subscription revenue streams. Business software has traditionally been sold through perpetual licences, where customers pay for their product once to be able to use it forever. Conversely, on subscription, customers pay an on-going fee which entitles customers to the use of the Group's products and access to support services as long as they continue to pay, and they receive all future updates to the product as soon as the upgrades become available. The subscription and SaaS model drives higher quality recurring revenue with greater predictability of cash flows.

The Group believes that a SaaS model will transform the relationship it has with its customers. The model will result in increased interaction with customers, allowing the Group to continuously refine its understanding of customers' needs, thereby enabling it to add greater value to its customers over time. The Group believes that focus on continuous improvements to the lifetime value of customers, as well as optimising the cost to acquire and serve each customer, will help drive a rapid growth in value creation and provide benefits to the Group through higher quality revenue with improved forward visibility and predictability.

The Group's SaaS transition has focused on cloud solutions rather than on-premise software, with significant progress made in moving customers to cloud based or connected products and a subscription based consumption model over the course of FY2018 to FY2021. The Group focused on a number of key strategic priorities during FY2021, delivering on the following:

- Growth of Sage Business Cloud in its target markets of Northern Europe and North America, with particular success in growing cloud native (with the Group’s cloud native ARR growing by 44.0 per cent. from £240 million in FY2020 to £347 million in FY2021) and Sage Business Cloud penetration (which grew by 7 percentage points from 60 per cent. in FY2020 to 67 per cent. in FY2021);
- Increased investment in sales and marketing to drive growth in sales capacity and capability as well as increased product development spend enhancing the Sage Business Cloud digital network capabilities;
- Embedding of SaaS capabilities based on an innovative and high performing culture, with colleague net promoter score increase from minus 6 in FY2019 to plus 32 in FY2020 and plus 35 in FY2021; and
- A simplified business model focused on those geographies and verticals where the Group’s market opportunity is maximised, with the cumulative value of disposals of non-core businesses increasing from £81 million in FY2019 to £323 million in FY2020 and £523 million in FY2021.

Ahead of FY2022, the Group’s strategic framework was refreshed to reflect its evolving priorities, reflecting the growth in market opportunity as businesses accelerate their digital transformations. The Group’s purpose is to ‘knock down barriers so everyone can thrive’, enabling its ambition to be the trusted network for SMBs. To serve this purpose and achieve its ambition, the Group will focus on five strategic priorities that that Group believes will help create value for customers, colleagues, society and shareholders, in FY2022 and beyond.

1. Scale Sage Intacct

Sage Intacct forms the heart of the Group’s cloud native financial management proposition for mid-sized businesses, in a fast-growing market driven by rapid digital transformation. It provides finance professionals with a powerful cloud financial management platform that brings significant benefits to its customers in terms of productivity and business insights. The Group has already invested significantly in building the proposition to drive accelerated scale, establishing Sage Intacct in new markets beyond the United States, including Canada, the UK, Australia and South Africa, and expanding its vertical focus into the construction and real estate sector. The Group intends to continue to grow Sage Intacct’s customer base and addressable market, which it believes will deepen its capabilities in existing verticals, drive expansion into new verticals and accelerate international growth.

2. Expand medium beyond financials

The Group believes its well-established position in providing financial management solutions to mid-sized businesses around the world creates a compelling opportunity to expand into adjacent areas – automating and adding value to a broader set of business processes and delivering improved data accuracy and insight. Customers can already benefit from powerful, integrated tools such as Sage Intacct Budgeting and Planning to streamline the planning process, as well as a wide range of add-on modules and services provided by partners. The Group has also partnered with Corporate Spending Innovations to streamline the accounts payable process, while Sage People offers a versatile cloud HR and people management system. Through a combination of organic and inorganic development, the Group intends to continue to broaden its value proposition for mid-sized businesses to support their digital transformation, by automating manual processes and by delivering integrated solutions that connect and deliver insight.

3. Build the small business engine

The Group made significant progress in the small business market in FY2021, increasing its share of new business wins in the UK by offering an integrated suite of cloud native solutions, including Sage Accounting, Sage Payroll, Sage HR and AutoEntry. By investing in customer experience and digital marketing capabilities, the Group has created a scalable growth ‘engine’ that can be deployed in other geographies to leverage economies of scale and best practice. To complement this approach, the Group is also focusing on supporting and building advocacy with accountants, as key partners and recommenders, by investing in solutions such as Sage for Accountants, launched in November 2021, to help them digitise their own practice. The Group’s priority is to continue to build the small business digital growth engine, including through acquisitions where appropriate, refining the proposition and capabilities in the UK while scaling and internationalising the approach in other markets.

4. Scale the network

The Group is focused not only on developing solutions for specific business needs but also on integrating those solutions to provide a unified digital experience, and on creating a digital network of connections between businesses and their customers, suppliers, employees and regulatory bodies. The Group has several unique assets and capabilities to help it rapidly scale this digital network and drive sustainable competitive advantage, including its strong and loyal global customer base, its vibrant partner, accountant and independent software vendor (ISV) network, and its brand and reputation. The Group’s priority is to enable and encourage participation in the digital network, migrating customers to Sage Business Cloud so they enjoy an expanding number of cloud-based digital services, delivered either by the Group or through its ISV ecosystem. More digital network participants contributing more data will power the insight required to build more innovative customer experiences, improving the Group’s ability to retain existing and attract new customers.

5. Learn and disrupt

Innovation is key to the long-term success of the Group. By providing the opportunity to create actionable insights through data, the Sage Business Cloud digital network is a key enabler of innovation and the Group will continue to invest in the technology and capabilities that underpin it. The Group has already made significant progress in developing the core components of the network (for example through the SageID identity management system, the Service Fabric and the Group’s microservices architecture) as well as capabilities in artificial intelligence and machine learning. The resulting innovation, from outlier detection capabilities to intelligent timesheet capture, is already delivering value to customers today. The Group intends to continuously improve its innovation capability and culture, (which it will complement with partnerships, investments and acquisitions) in order to share in early learnings from disruptive trends and inform subsequent investment choices.

LATEST FINANCIAL RESULTS

The Group’s progress in strategic execution in FY2021 has resulted in:

- growth in ARR of 7.7 per cent. from £1,560 million in FY2020 to £1,680 million in FY2021 reflecting continued revenue growth despite the continued impact of Covid-19, which particularly impacted the first two quarters. Growth in ARR in Original FY2020 compared to FY2019 was 4.8 per cent.;
- software subscription penetration of 70 per cent.¹ in FY2021 compared to 65 per cent. in FY2020, as the Group continues to transition existing customers and attract new customers to subscription and Sage Business Cloud;

¹ This number has subsequently further increased, as noted under “*Trading update*” below.

- Sage Business Cloud penetration of 67 per cent.² in FY2021 compared to 60 per cent. in FY2020, reflecting continued progress in the shift towards cloud native and cloud connected solutions; and
- renewal by value of 99 per cent. in FY2021 compared to 99 per cent. in FY2020, reflecting lower levels of upsell to existing customers during the first half of FY2021.

The Group's total organic revenue growth in FY2021 was 3.1 per cent. at £1,778 million (FY2020: £1,725 million), reflecting growth in organic recurring revenue of 5.4 per cent. to £1,637 million, underpinned by an 11.3 per cent. rise in software subscription revenue to £1,242 million, which was driven by growth from existing and new customers, principally in North America and Northern Europe. Other revenue (Software and Software-Related Services (SSRS) and processing) declined by 18 per cent., in line with the Group's strategy to transition to subscription revenue and away from licence sales and professional services implementations.

In FY2021, the Group's organic operating profit was £343 million, a decline of 9.8 per cent. from FY2020. The Group's organic operating margin was 19.3 per cent. in FY2021 compared to 22.0 per cent. in FY2020. The FY2021 margin reflects planned increases in investment in both sales and marketing and in research and development to drive strategic execution in line with guidance given at the end of FY2020.

The Group generated £451 million of cash from operations in FY2021, representing cash conversion of 126 per cent., the third consecutive year that the Group delivered cash conversion in excess of 100 per cent. The strong performance in FY2021 reflects the continued growth in software subscription and sustained improvements in working capital.

Trading update

On 26 January 2022, the Group published its trading update for the three months ended 31 December 2021. The Group's recurring revenue increased by 7.8 per cent. to £429 million, underpinned by a 20.7 per cent. rise in Sage Business Cloud revenue to £280 million, with continued strength in new customer acquisition. Software subscription revenue grew by 13.5 per cent. to £336 million, increasing subscription penetration to 73 per cent. from 68 per cent. at the end of the first quarter of FY2021.

Regionally, North America achieved growth in recurring revenue of 10.8 per cent. to £174 million, reflecting further strength in Sage Intacct, together with growth in cloud connected products. In Northern Europe, recurring revenue increased by 6.7 per cent. to £102 million, driven by accelerating growth in cloud native solutions including Sage Accounting and Sage Intacct. In International, recurring revenue increased by 4.8 per cent. to £152 million, with growth across Sage Business Cloud supported by further progress in migrations.

In terms of the portfolio view of recurring revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) grew by 10.4 per cent. to £394 million. This was driven by strong growth in cloud native revenue of 44.3 per cent. to £90 million primarily through new customer acquisition, as well as further growth in the cloud connected portfolio. Sage Business Cloud penetration increased to 71 per cent. from 65 per cent. at the end of the first quarter of FY2021.

Other revenue (SSRS and processing) decreased by 21.6 per cent. to £29 million, in line with the Group's strategy to transition away from licence sales and professional services implementations.

The Group's total revenue increased by 5.3 per cent. to £458 million in the first three months of FY2022.

² This number has subsequently further increased, as noted under "Trading update" below.

On 17 January 2022, the Group completed the previously announced acquisition of Brightpearl, a cloud native multichannel retail management system for the retail and ecommerce vertical. The acquisition accelerates the Group’s strategy for growth, including scaling Sage Intacct, broadening the value proposition for mid-sized businesses and expanding the Group’s digital network. See further “—Recent developments” below.

STRENGTHS

The Group believes that its key strengths are:

A large and growing total addressable market with fragmented competition

Operating across small, medium and large businesses gives the Group access to a total addressable market (**TAM**) that the Group estimates is set to be worth approximately U.S.\$38 billion in 2022 and to comprise 67 million SMBs, increasing in value to approximately U.S.\$40 billion in 2023. The Group’s TAM includes Accounting and Financials, HR and Payroll applications for businesses with up to 2,000 employees. The Group expects cloud growth to be 12 per cent. in 2022 and 2023 with a 1 per cent. decline in the on-premise market. The Group also believes that cloud adoption rates globally may reach 55 per cent. in 2022 and 58 per cent. in 2023. The United States is the most cloud adoptive region and the Group believes that its cloud adoption rate may reach 65 per cent. in 2023, with the UK and Ireland’s rate expected to be at 56 per cent. and France’s at 41 per cent.

Competition within this market is highly fragmented and the Group is active across multiple geographies, customer types and software categories. The Group aims to solve multiple core back-office issues for its customers and thereby establish a deeper relationship with its customers.

The heightened pressure on businesses globally to be more efficient and agile, coupled with increasing regulatory and compliance requirements, is increasing the pace of software adoption. Moreover, constant technological advances in cloud deployment models, enhanced process automation, artificial intelligence and machine learning are also increasing the pace of software adoption, saving users time and money, and making back-office software more and more fundamental to a business’s long-term success. The Group uses these latest advances in technology to provide a suite of solutions that allow its customers to run their entire back office through the Group.

A strong customer proposition

The Group continually innovates and invests in technology to provide market leading solutions that connect Sage Business Cloud customers into a single digital network. Sage Business Cloud delivers a suite of cloud software solutions for the accounting, financial management, enterprise resource planning (**ERP**), people and payroll categories, supported by a number of high value third party market-place applications that can be used to create bespoke offerings for customers, tailored to their individual needs. These cloud services comprise both cloud connected versions of the Group’s traditionally on-premise solutions, and fully-hosted cloud native solutions.

The Group’s cloud connected solutions (Sage 50cloud and Sage 200cloud) combine the power and productivity of the desktop with the freedom and security of the cloud. The Group’s cloud native solutions (Sage Accounting, Sage Intacct, Sage People and Sage Payroll) provide the operational advantages of a fully hosted solution, including anytime, anywhere access and automatic upgrades. Cloud native solutions offer open application programming interfaces, giving them access to a wide ecosystem of partners and ISVs.

Sage X3, which is sold to the Group’s larger business customers, can be deployed on-premise or in the cloud, providing a functional solution for end-to-end business processes.

Sage Business Cloud was introduced in FY2017. In each of FY2019, FY2020 and FY2021 it generated £652 million, £858 million and £997 million of organic recurring revenue respectively, representing significant growth year on year. For FY2021, Sage Business Cloud penetration was 67 per cent., up from 60 per cent. in FY2020, 61 per cent. in Original FY2020 and 51 per cent. in FY2019.

Globally diversified with significant market opportunity

A deep knowledge of local legislation has allowed the Group to scale globally, with a geographically diverse customer base, and a reputation for compliance, trust and excellent customer service.

The Group's three geographical segments are North America (the United States and Canada), which accounted for 39 per cent. of its organic revenue in FY2021, Northern Europe (the UK and Ireland), which accounted for 22 per cent. of its organic revenue in FY2021 and International (including South Africa, France, Iberia and Germany) which accounted for 39 per cent. of its organic revenue in FY2021.

Cloud adoption rates vary by geography. The United States is the most cloud adoptive region and is forecast to represent 65 per cent. in 2023, with the UK and Ireland's cloud adoption rate expected to be at 56 per cent. and France's at 41 per cent. The Group also believes that cloud adoption rates globally may reach 55 per cent. in 2022 and 58 per cent. in 2023.

The Group believes that transitioning to a high performing SaaS business has enabled it to develop a closer relationship with its customers. As a result, the Group is able to service customer needs better, increasing retention rates and driving greater value. With 70 per cent. of the Group's organic revenue in FY2021 and 65 per cent. in FY2020 driven by software subscription, the Group believes that there is still significant opportunity for growth.

Across the Group's global network, customers move significant funds through the Group's accounting and payroll software each year, making the Group an attractive proposition for ISVs and strategic alliances. Continuing to innovate and partner with technology partners, as well as further internal investment in research and development (**R&D**), means the Group can target further growth through new customer acquisition.

Strong environmental, social and governance credentials

The Group's purpose led culture is a key strength both in terms of colleague engagement and in how the Group interacts with customers and other stakeholders. Barriers like discrimination, bias and unequal access to education and technology negatively impact marginalised communities and under-represented groups. The Group's Sustainability and Society strategy is to 'knock down these barriers' to create equal opportunity by investing in education, technology and environmental change to give individuals, SMBs and the planet the opportunity to thrive.

This strategy has three key pillars:

- **Tech for Good** which tackles digital inequality for innovation, enterprise and progress. An estimated 70 per cent. of new value created in the global economy over the next decade will be based on digitally enabled platform business models.³ The Group will 'knock down barriers' to digital equality by making technology and data open to all and by being a leader in diversity, equity and inclusion innovation in the technology sector;
- **Fuel for Business** which tackles economic inequality by supporting under-represented groups. The Group will provide advice and support for businesses and start-ups run by under-represented

³ Source: <https://www.weforum.org/platforms/shaping-the-future-of-digital-economy-and-new-value-creation>.

groups by working with a number of global partners to address economic inequality, support business growth and create employment opportunities; and

- Protect the Planet by tackling the climate crisis through powering sustainable business models. The Group will help customers to more easily understand how to comply with environmental requirements and reduce their environmental impacts through its Sustainability Hub for small businesses launched in September 2021 in the UK and Ireland. The Group will lead by example with ambitious targets to achieve net zero greenhouse gas emissions by 2040 across Scope 1, 2 and 3 carbon emissions, with a mid-term goal to reduce carbon emissions by 50 per cent. by 2030 against a 2019 baseline and through the Group's commitment to the SBTi (Science-Based Targets initiative) and the UN climate change Race to Zero.

High quality recurring and cloud revenue with strong customer retention and a resilient business model

The Group's revenue comprises both recurring revenue, including software subscription and maintenance and support revenue, and non-recurring revenue, principally one-off licences and services revenue. In FY2021, 92 per cent. of the Group's total organic revenue was organic recurring revenue and 70 per cent. of the Group's total organic revenue was software subscription revenue. Over time, the Group's target is to achieve software subscription revenue aggregating between 85 to 90 per cent. of its total revenue.

During FY2021, the Group's recurring cloud native revenue grew by 35.0 per cent. (from £212 million in FY2020 to £286 million in FY2021) and the Group's recurring cloud connected revenue grew by 14.0 per cent. (from £623 million in FY2020 to £711 million in FY2021). Consistent with the Group's strategy to transition to subscription revenue and away from licence sales and professional services implementations, revenue from business still to be migrated to the cloud fell by 10 per cent. in FY2021 (from £546 million in FY2020 to £490 million in FY2021), and revenue from non-Sage Business Cloud business fell by 12 per cent. (from £172 million in FY2020 to £150 million in FY2021).

In FY2021, the Group's organic recurring revenue grew by 5.4 per cent. compared to 8.4 per cent. in FY2020 and 11.2 per cent. in FY2019. The increase in organic recurring revenue for FY2021 was driven by growth from existing and new customers, principally in North America and Northern Europe.

The Group has strong customer retention, with a renewal rate by value of 99 per cent. in FY2021. This, when combined with new customer acquisition, resulted in ARR growth during FY2021 of 7.7 per cent. (increasing from £1,560 million as at 30 September 2020 to £1,680 million as at 30 September 2021).

Attractive profitability and strong cash flow

The Group's organic operating profit margin was 19.3 per cent. in FY2021, 22.0 per cent. in FY2020 and 23.8 per cent. in FY2019. The change in the Group's organic operating profit margin in FY2020 compared to FY2019 reflected continued investment into the execution of the Group's strategy, and includes a £17 million additional charge to provide for potential bad debts in connection with Covid-19. The change in the Group's organic operating profit margin in FY2021 compared to FY2020 reflected an increased investment in sales and marketing and in R&D, again reflecting investment into the execution of the Group's strategy.

The Group benefits from strong cash flow, with its underlying cash conversion comprising 126 per cent. of its underlying operating profit in FY2021 compared to 123 per cent. in FY2020 and 129 per cent. in FY2019. The Group's free cash flow was 18 per cent. of its underlying revenue in FY2021 compared to 21 per cent. in FY2020 and 23 per cent. in FY2019.

Low leverage and conservative financial policy

The Group's strong cash generation allows it to maintain a low net debt/EBITDA leverage ratio. In FY2021 the Group's net debt/EBITDA leverage ratio was 0.6 times compared to 0.3 times in FY2020 and 0.8 times in FY2019. The increase in the Group's leverage in FY2021 resulted from a share buyback programme arising following the realisation of significant disposal proceeds. The Group issued a debut £350 million bond in February 2021 to repay existing indebtedness and for general corporate purposes. The majority of the Group's debt matures in 2025 and 2031, with only small amounts of debt maturing in 2022 and 2023.

Cash and liquidity are closely monitored by the Group, and cash resources required to meet business objectives are reviewed monthly with any surplus cash being repatriated to the Group as soon as possible.

Strong management team

The Group's management team is organised through an Executive Committee and has a broad range of experience in both FTSE100 operations and technology. The Executive Committee consists of two Board members with other key business leaders. The Executive Committee is led by Steve Hare, Chief Executive Officer. Steve joined the Group in 2014 as Chief Financial Officer and became Chief Executive Officer in 2018. Prior to joining the Group, Steve served as Operating Partner and Co-Head of the Portfolio Support Group at the private equity firm Apex Partners, which he joined in 2009.

Jonathan Howell, Chief Financial Officer, is also both a Board member and a member of the Executive Committee. Jonathan previously served as Group Finance Director of Close Brothers Group plc for ten years. In addition, he was a non-executive director and Chair of the Audit and Risk Committee at Sage from 2013 to 2018.

Since FY2019, the Group has also made appointments to its Executive Committee to help the Group to execute on its technology strategy and reinforce its focus on innovation and SaaS. In FY2019, the Group appointed Aaron Harris, Chief Technology Officer, to the Executive Committee. In FY2020, the Group appointed Lee Perkins, Chief Operating Officer⁴, Derk Bleeker, Chief Corporate Development Officer, Sue Goble, Chief Customer Success Officer⁵, and Cath Keers, Chief Marketing Officer to the Executive Committee and Keith Robinson became a full member of the Executive Committee. During FY2021, Rob Reid, managing director of Sage Intacct and Keith Robinson, Chief Strategy Officer, both stepped down from the Executive Committee. Derk Bleeker was subsequently appointed as Chief Strategy and Corporate Development Officer in FY2021 and Walid Abu-Habda, Chief Product Officer, was appointed as a member of the Executive Committee with effect from 1 January 2022.

BUSINESS

The Group's business model is centred around attracting new customers and retaining existing customers. The Group seeks to attract new customers through:

- its reputation as a trusted adviser based on its strong brand of trust and market leading customer services;
- its extensive local knowledge which helps its customers achieve compliance and allows the Group to plan for new legislation before it is introduced;
- its innovation through continual investment in technology to ensure its products remain among the market leaders;

⁴ Lee Perkins is leaving in March 2022.

⁵ Sue Goble is retiring at the end of March 2022.

- its caring and committed staff invested in driving success for its customers; and
- its multi-sales channel sales approach described below.

The Group aims to retain existing customers by:

- adding value through offering the latest features and functionality and providing solutions tailored to customers' evolving needs;
- enabling customers to move seamlessly to a new Sage product as their needs evolve; and
- providing exceptional customer service.

Markets and customers

The Group helps businesses face the day-to-day challenges of running a business by simplifying complexity, providing greater control and assisting with legislative compliance.

The Group provides accounting, financial management, ERP, people and payroll software to businesses of all sizes. These products are offered on a subscription basis for both its cloud native and cloud connected solutions.

The Group has a global presence with its largest markets of North America (comprising the United States and Canada) and Northern Europe (comprising the UK and Ireland) accounting for 61 per cent. of its organic revenue in FY2021.

The Group's customers comprise businesses from all sectors, including advertising, aerospace, chemicals, construction, credit, distribution, food and drink, financial services, human resources, logistics, marketing, professional services, trade and wholesale. The Group's customer base comprises four categories:

- subscription customers with a cloud native or cloud connected subscription;
- subscription customers with an on-premise product who the Group believes present an opportunity for revenue growth if they migrate to cloud-based subscription contracts which would provide them with superior functionality and access to Sage Business Cloud;
- on-plan customers with both a perpetual licence and a support contract. Again, the Group sees an opportunity to migrate these customers to a subscription contract which would generate additional revenue compared to the revenue derived from a maintenance contract; and
- off-plan customers with a perpetual licence but no support contract. The Group believes that many of these customers, who currently generate no revenue to the Group, will still be using an older version of the Group's product, which presents the Group with an opportunity to migrate them to the latest versions of its subscription based cloud connected products.

The Group has three main routes to market: inbound digital sales, inbound and outbound direct sales and partners. Direct sales include both desk-based inside sales teams and field sales teams for the Group's solutions targeting larger customer segments such as those using Sage Intacct, Sage People and Sage X3. The Group's partners operate in four channels: strategic alliances, accountants, value added resellers (VARs) and ISVs. These partners are incentivised to drive new customers to the Group both financially and through their access to the other benefits offered by the Group's partner programme.

The Group believes that its partners are at the heart of everything it does and are core to its strategy. As such, the Group is committed to continuous investment in its partners to drive their success and growth and has a partner code of conduct which defines the minimum standards of behaviour expected from all of its partners.

The Group has a network of approximately 80,000 accountants who buy and use its software while simultaneously recommending the Group's products to other customer segments. The Group believes that accountants are a critical partner as they continue to be a top trusted adviser to businesses, the technology recommendations that they make to their clients drive business decisions, and their consulting services are in high demand. The Group has invested in the growth of this channel through the acquisition of GoProposal (a cloud native client onboarding solution) which is core to the Group's Sage for Accountants platform which was launched in November 2021.

In addition, the Group has approximately 40,000 active VARs who promote and sell the Group's products to new customers, often bundling the products with their own software modules built on Sage technology (which are typically highly vertical specific), as well as value added services, such as integration, customisation, consulting, training and implementation, to meet customer needs.

The Group has approximately 700 ISVs who develop solutions that integrate with the Group's Sage Business Cloud solutions, enhancing their functionality and often allowing the Group to target a new vertical in the market because of the specialisation the ISVs bring.

The Group's strategic alliance partners, which include Microsoft, Salesforce and Amazon, enable the Group to differentiate its own Sage Business Cloud offering by supporting new product innovation and joint go-to-market opportunities. They are central to empowering and growing the Sage Business Cloud and other leading business solutions and innovative technologies.

Products

The Sage Business Cloud vision is at the heart of the Group's overall product strategy. The Group believes that this vision has enabled an alignment of purpose and execution and a prioritisation of investment. As digital working has increased throughout the economies served, this clarity of vision has ensured that the Group has responded appropriately. It involves a portfolio of attractive products and a set of cloud capabilities, equipping customers to thrive in this era of digital transformation. The Group believes that innovation is, and will continue to be, a clear driver of success.

Sage Business Cloud is a suite of unified solutions that add high value with common services, so customers can integrate and migrate across solutions. This is supported by a marketplace with around 700 ISV apps and emerging technology across artificial intelligence, machine learning and automation. Products in Sage Business Cloud include:

Sage Intacct

Sage Intacct is an award-winning cloud native financial management solution enabling organisations from start-ups to public companies to improve performance and make finance more productive. The Sage Intacct accounting software offers broad functionality that automates, accelerates and streamlines complex processes and delivers financial and operational insights through its multi-dimensional general ledger. The software handles basic needs (for example, inventory, accounts payable, accounts receivable, general ledger, and purchasing) as well as sophisticated challenges such as contract and subscription billing, revenue management and project billing. Sage Intacct allows the customer to configure a solution to its requirements, integrate with other solutions, and build its own applications on the Sage Intacct platform.

Sage People

Sage People streamlines core human resource processes by automating key tasks and workflows, all in a single system across a customer's entire organisation. It enables instant and complete visibility of a customer's global workforce, with smart analytics and actionable insights. Sage People has a wide range of features covering talent acquisition, attendance and leave management, payroll, compensation and benefit management and performance and talent management.

Sage People is targeted at medium and large businesses and is a cloud native solution.

Sage Accounting

Sage Accounting is an award-winning proposition that ensures small businesses, accountants and bookkeepers can remotely manage their customer data, accounts, and people all in one native cloud destination. This includes online invoicing and expense and stock management to compliance and tax. The invoicing software facilitates the creation and sending of an invoice online and also tracks which invoices have been sent, paid and are overdue, resulting in reduced time between sending an invoice and getting paid. Using the expense management tool, customers can log expenses simply by taking a smartphone photo of the invoice. The software also enables stock notifications and can be linked to the business bank account to allow bank transactions to be automatically matched to invoices.

Sage Payroll

Sage Payroll is a payroll and HR software that provides small businesses with the ability to pay their employees accurately and on time, while ensuring they remain compliant with the latest legislation. It delivers a simple and guided payroll process from start to finish, removing the need to outsource payroll or hire a dedicated payroll expert. The solution automates and streamlines payroll tasks, including data collection, payments and deductions, pension contributions, and submissions such as real time information and auto enrolment. Integration with Sage Accounting means that salary journals are automatically posted into accounts, to provide a complete view of the business. Each time a pay run is completed, the information is posted directly into Sage Accounting, thus removing duplication of effort. Sage Payroll is targeted at small businesses and is a cloud native solution.

Sage 50cloud

The Group's Sage 50cloud solution provides small businesses with an advanced, cloud connected accounting solution, enabling their businesses to benefit from the power of desktop software while giving the freedom of smart secure cloud through connected apps.

Sage 50cloud offers advanced features to enable businesses to streamline tasks including customer and supplier management, invoicing, banking with the ability to connect directly to bank accounts and securely import transactions, income and expense management, stock control, sales and purchase order processing, project management and VAT automation and submission.

Sage 50cloud is designed to support businesses in reducing unnecessary administration, improving cashflow and enabling access to insight to support better decision making and support business growth.

Sage 200cloud

Sage 200cloud is a cloud connected business management solution, which helps small to medium-sized businesses grow revenue, reduce costs and increase profitability. It helps them manage their sales funnel, cash flow, compliance, inventory, manufacturing and payments processes. It also reveals insight into how their business is performing, and areas where it can be further improved to reduce risk and increase profitability. Sage 200cloud combines the power and productivity of desktop software, with the freedom and control of smart, secure cloud and mobile access.

Sage X3

Sage X3 provides support across a customer's business, from procurement to production, warehousing, sales, customer service and financial management, and delivers insight into costs and performance at every step. It also adapts to users' unique roles, preferences and workflow and delivers secure cloud and mobile access to the data they need, while simplifying the management of their business software infrastructure with one cohesive suite of applications. The Group's enterprise management software offers flexible configuration options and applications to support industry-specific processes.

Sage X3 is targeted at medium and large businesses and has a number of deployment options including on-premise, privately hosted and cloud native.

SAGE DIGITAL NETWORK

The Group is focused on simplifying the SMB ecosystem by connecting participants, removing friction and delivering insights. The Group believes that digital networks are the breakthrough architecture of the digital era where businesses and individuals all have expectations of a connected world. With SaaS, customers share a common pool of computing resources. In the digital world, customers move beyond simply sharing computing resources to sharing data and activity. The Group's digital network capitalises on this computing evolution by digitising business relationships, allowing work and money to flow smoothly between businesses and everyone they need to connect with, for example, customers and suppliers, banks and governments. For participants of the network it creates trust, saves time and elevates human work.

The more members that participate in the network, the more value it provides as more connections can be digitised and more friction can be removed. Scale also makes the network more attractive for others to join – with network value growing as a direct result of more data being fed into it. The more relevant data that flows through the network, the more specific, tailored insights can be delivered to the Group's customers. With greater insights comes greater value and greater trust in the network – for all of its participants.

RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities. These activities reflect strategic, financial, operational and compliance considerations, and are designed to support the business to successfully achieve its operational and strategic objectives. The Group's risk management strategy provides parameters for the successful management of risk and provides the executive management team with the scope to successfully deliver the business strategy in the most efficient way possible.

The Group's risk identification process follows both a top down approach which seeks to identify strategic and emerging risks and a bottom up approach which seeks to identify operational risks. The Group's risk appetite reflects its ability or desire to accept a certain level of risk in order to achieve its strategy. Principal risks impacting the Group are measured and monitored against the risk appetite statements and supporting metrics which are defined by the Groups' Enterprise Risk Management framework. Risks are owned and managed within the business, and formally reviewed on a quarterly basis through appropriate risk committees.

In FY2021, the Group monitored 11 principal risks and created a new principal risk in relation to the Group's ability to deliver its commitments related to ESG issues. The Covid-19 pandemic continues to bring significant change to the global economic, social, political and business landscape. In response, the Group has continually reviewed the actual, emerging and potential impacts of the Covid-19 pandemic on its principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific focus on what could change the risk profile materially. Throughout FY2021,

the Group's Covid-19 Task Force supported its recovery approach, ensuring that the Group's colleagues, customers and partners were appropriately supported through the resources and expertise the Group had available. During the latter part of the year, the focus shifted to assisting the Group's colleagues with a safe return to an office environment.

RESEARCH AND DEVELOPMENT

The Group develops the substantial majority of its product offerings internally. In addition, it has extended its product offerings and intellectual property through acquisitions of businesses and technologies. The Group also purchases or licenses intellectual property rights in certain circumstances. The Group believes that internal development allows it to maintain technical control over the design and development of its products.

The Group has a number of patents and pending applications that relate to various aspects of its products and technology. While the Group believes that its patents have value, no single patent is essential to the Group or its business.

The Group's R&D expenditure was £281 million, £252 million and £220 million in FY2021, FY2020 and FY2019, respectively, or 15.2 per cent. of its statutory revenue in FY2021, 13.2 per cent. in FY2020 and 11.4 per cent. in FY2019. Rapid technological advances in software development, evolving standards in software technology, changing customer needs and frequent new product introductions, offerings and enhancements characterise the markets in which the Group operates. The Group intends to continue to dedicate a significant amount of resources to R&D efforts to maintain and improve its current product and services offerings.

FINANCIAL POLICY

The Group's leverage policy is to operate in a broad range of 1-2 times net debt to EBITDA over the medium term, with flexibility to move outside this range as the business needs require.

Within the confines of that policy, the Group operates a disciplined approach to capital allocation. The Group's focus is to accelerate strategic execution through organic and inorganic investment, including through acquisitions of complementary technology and partnerships to enhance Sage Business Cloud and further develop the Group's digital network. In line with management's focus on core geographies, the Group's businesses in Poland, Australia and Asia were sold during FY2021, and the sale of the Group's Swiss business completed in November 2021.

The Group's policy is to maintain the dividend in real terms. In line with the Group's policy, and reflecting its strong business performance and cash generation during FY2021, the full year dividend was increased by 2.5 per cent. to 17.68 pence per share.

The Group also considers returning surplus capital to shareholders. On 4 March 2021, the Group launched a £300 million share buyback programme that completed on 3 September 2021. A total of 45.4 million shares were purchased under this programme for a total consideration of £302 million inclusive of stamp duty and fees and are held as treasury shares. A further £300 million share buyback programme commenced on 6 September 2021 and ended on 24 January 2022. A total of £39.8 million shares were purchased under this programme for a total consideration of £298 million and are held as treasury shares.

The Group is committed to maintaining good financial discipline whilst continuing to invest in the business and delivering strong shareholder returns.

RECENT DEVELOPMENTS

On 20 December 2021, the Issuer announced that it had agreed to acquire Brightpearl, a cloud native multichannel retail management system for retailers and wholesalers with operations in the US and the

UK. The acquisition of Brightpearl, in which the Group already has a 17 per cent. minority stake, accelerates the Group's ongoing strategy for growth, including scaling Sage Intacct by providing a SaaS-based retail operating system, expands the Group's digital network and further strengthens its position as a leading, global enterprise resource planning and trusted network provider to SMBs. The transaction closed on 17 January 2022. The consideration for the 83 per cent. of Brightpearl that the Group did not own was U.S.\$299 million (£225 million) and was funded from the Group's existing cash and available liquidity.

MANAGEMENT AND EMPLOYEES

OVERVIEW

The Group's governance framework comprises the Board of Directors (the **Board**), three Board committees⁶, the Chief Executive Officer (the **CEO**) and the Executive Committee, which is chaired by the CEO who in turn reports to the Board.

Beneath the Executive Committee there exists a clearly defined organisational management structure and a governance framework consisting of sub-committees, each of which reports directly or indirectly into one of the Committees referred to above. These sub-committees operate within defined terms of reference and in accordance with the Group's suite of global governance policies, which include Finance, IT, Procurement, Legal and HR policies as well as the Group's Code of Conduct.

BOARD OF DIRECTORS

The Board provides leadership to the business as a whole to drive it forward for the benefit, and having regard to the views, of its shareholders and other stakeholders. The Board:

- sets the Group's long-term strategy and associated risk appetite;
- has overall responsibility for risk management and systems of internal control; and
- ensures processes are in place to identify and manage the Group's principal risks.

During FY2021, the Board held five scheduled meetings.

| <u>Name and title</u> | <u>Date of Appointment to the Board</u> | <u>Principal activities performed outside of the Group</u> |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Andrew Duff Chair | Appointed to the Board 1 May 2021 as Non-executive Director and as Chair on 1 October 2021 | UK Government Investments Ltd (UKGI) - Non-executive Director |
| Steve Hare CEO | Appointed to the Board 3 January 2014 and as CEO on 2 November 2018 | None |
| Jonathan Howell Chief Financial Officer (CFO) | Appointed to the Board 15 May 2013 and as CFO on 10 December 2018 | Experian plc – Independent Non-executive Director |
| Drummond Hall Senior independent director | 1 January 2014 | None |
| Jonathan Bewes Independent non-executive director | 1 April 2019 | Next plc - Senior Independent Director Corporate and Institutional Banking at Standard Chartered Bank - Vice Chair |
| Annette Court | 1 April 2019 | Admiral Group plc - Chair |

⁶ In addition to the three main board committees, the Group also has a Disclosure Committee.

Independent non-executive director

Dr John Bates 31 May 2019 SER Group Holding GmbH – Chief Executive Officer
Independent non-executive director

Sangeeta Anand 1 May 2020 None
Independent non-executive director

Irana Wasti 1 May 2020 Typeform – Chief Product Officer
Independent non-executive director

Derek Harding 2 March 2021 Spectris plc – Chief Financial Officer
Independent non-executive director

The address of each member of the Board is C23 – 5 & 6 Cobalt Park Way, Cobalt Business Park, Newcastle upon Tyne, NE28 9EJ. The Group’s governance procedures include provisions requiring directors to declare their interests at each Board meeting and not to vote on any matter in which they have an interest. On that basis, there are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Group.

BOARD COMMITTEES

Audit and Risk Committee

This committee oversees and assesses the integrity of the Group’s financial reporting, risk management and internal control procedures and the work of its internal and external auditors. The members of the Audit and Risk Committee are Jonathan Bewes (Chair), Annette Court, Drummond Hall, Sangeeta Anand and Derek Harding. The committee held four scheduled meetings in FY2021.

Nomination Committee

This committee reviews the structure, size and composition of the Board and its committees; plans for progressive refreshing of their membership; and considers succession plans for the Board and senior management, to ensure they have the correct balance of diversity, skills, knowledge and experience. The members of the Nomination Committee are Andrew Duff (Chair), Drummond Hall and Dr John Bates. The committee held two scheduled meetings in FY2021.

Remuneration Committee

This committee determines the Executive Director remuneration policy; sets remuneration for the Chair, Executive Directors, the Company Secretary, other Executive Committee members and senior management; and reviews workforce remuneration and policies. The members of the Remuneration Committee are Annette Court (Chair), Drummond Hall and Dr John Bates. The committee held six scheduled meetings in FY2021.

Disclosure Committee

This committee assesses when the Group may have inside information and advises the Board to ensure that the Group complies with all obligations under the UK Market Abuse Regulation, including the obligation to make accurate and timely disclosure of inside information. The Disclosure Committee

members include the Chair, the CEO, the CFO, the Chair of the Audit and Risk Committee and the General Counsel and Company Secretary.

EXECUTIVE MANAGEMENT

The Group’s CEO is responsible for management of the Group as a whole and the delivery of strategic objectives within the Board’s stated risk appetite. The CEO chairs the Executive Committee which assists the CEO in the performance of their duties, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- monitoring competitive forces in each area of operation.

The members of the Executive Committee are:

| Name | Title |
|--------------------------|----------------------------------------|
| Steve Hare | CEO |
| Jonathan Howell | CFO |
| Derk Bleeker | Chief Strategy and Development Officer |
| Vicki Bradin | General Counsel and Company Secretary |
| Amanda Cusdin | Chief People Officer |
| Sue Goble ⁷ | Chief Customer Success Officer |
| Aaron Harris | Chief Technology Officer |
| Cath Keers | Chief Marketing Officer |
| Lee Perkins ⁸ | Chief Operating Officer |
| Walid Abu-Hadba | Chief Product Officer |

The address of each member of the executive management team is C23 – 5 & 6 Cobalt Park Way, Cobalt Business Park, Newcastle upon Tyne, NE28 9EJ. There are no potential conflicts of interest between the private interests or other duties of the executive managers listed above and their duties to the Group.

⁷ Sue Goble is retiring at the end of March 2022.

⁸ Lee Perkins is leaving in March 2022.

EMPLOYEES

During FY2021, the Group employed on an average monthly basis, 11,785 employees (including Directors), including 3,446 in Northern Europe, 2,671 in North America and 5,668 in the International segment (including South Africa, France, Iberia and Germany).

BOARD OF DIRECTORS OF THE GUARANTOR

The table below sets out the names of the directors of the Guarantor, the date of their appointment and their other principal activities.

| <u>Name and title</u> | <u>Date of Appointment</u> | <u>Principal activities performed outside of the Group</u> |
|------------------------------------|----------------------------|------------------------------------------------------------|
| Victoria Bradin Director | 16 September 2016 | None |
| Jacqui Cartin Director | 6 August 2020 | None |
| James Thomas Director | 12 March 2020 | None |

The address of each director of the Guarantor is C23 – 5 & 6 Cobalt Park Way, Cobalt Business Park, Newcastle upon Tyne, NE28 9EJ. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Group.

TAXATION

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current UK law and published HM Revenue and Customs' practice (which may not be binding on HM Revenue & Customs), in each case as at the latest practicable date before the date of this Prospectus). The summary relates only to the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of Notes. It does not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. It relates only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding on account of UK income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The 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 admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of UK tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a UK source on account of UK 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, HM Revenue & Customs can, provided that any necessary conditions are satisfied, 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 UK withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a UK source is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantor makes any such payments, these may be subject to UK withholding tax at the basic rate.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the

U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under Condition 17 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SUBSCRIPTION AND SALE

HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International and NatWest Markets Plc (the **Joint Lead Managers**) have, pursuant to a subscription agreement dated 4 February 2022 (the **Subscription Agreement**), jointly and severally agreed to subscribe for the Notes at the issue price of 99.459 per cent. of the principal amount of the Notes less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain standard circumstances prior to payment being made to the Issuer.

General

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

Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

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

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

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

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed, that it has not offered, sold or otherwise made available any Notes to any retail investor in the UK. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

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

Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

GENERAL INFORMATION

- (1) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by a resolution of the Board of the Issuer passed on 5 December 2021 and a resolution of a Sub-Committee of the Board of the Issuer passed on 28 January 2022. The giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor passed on 26 January 2022.
- (2) Application has been made to the FCA for the Notes to be admitted to the Official List. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market. Such listing and admission to trading is expected to occur on or about 9 February 2022, subject only to the issue of the Notes.
- (3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £5,800.
- (4) There has been no significant change in the financial performance or financial position of the Issuer, the Guarantor or the Group, in each case since 30 September 2021 and there has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group, in each case since 30 September 2021.
- (5) 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 had in the recent past significant effects on the financial position or profitability of the Issuer, the Group or the Guarantor.
- (6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS2441259137 and the Common Code is 244125913. The CFI Code and the FISN are available from the website of the Association of National Numbering Agencies (ANNA). The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (7) The Notes (other than the Temporary Global Note) and the Coupons will contain the following legend:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.
- (8) The auditors of the Issuer and the Guarantor are Ernst & Young LLP, who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Ernst & Young LLP have audited the consolidated financial statements of the Issuer and the unconsolidated financial statements of the Guarantor for the financial years ended 30 September 2021 and 30 September 2020, as stated in their respective reports (which are incorporated by reference into this Prospectus).
- (9) For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available for inspection from www.sage.com:
 - (a) this Prospectus (together with any supplements to this Prospectus);
 - (b) the constitutional documents of the Issuer and the Guarantor; and

- (c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement.
- (10) For investors in the Notes, the Issue Price is 99.459 per cent. and the yield is 2.929 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.
- (11) The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Joint Lead Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. In addition, certain of the Joint Lead Managers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

THE ISSUER

The Sage Group plc
C23 5 & 6 Cobalt Park Way
Cobalt Business Park
Newcastle upon Tyne
NE28 9EJ
United Kingdom

THE GUARANTOR

Sage Treasury Company Limited
C23 5 & 6 Cobalt Park Way
Cobalt Business Park
Newcastle upon Tyne
NE28 9EJ
United Kingdom

JOINT LEAD MANAGERS

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

NatWest Markets Plc
250 Bishopsgate
London
EC2M 4AA
United Kingdom

TRUSTEE

**HSBC Corporate Trustee Company (UK)
Limited**
8 Canada Square
London E14 5HQ
United Kingdom

PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

PAYING AGENT

**Banque Internationale à
Luxembourg**
69, route d'Esch
L-2953 Luxembourg
Luxembourg

LEGAL ADVISERS

To the Issuer and the Guarantor

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

*To the Joint Lead Managers and the
Trustee*

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

**AUDITORS FOR THE ISSUER
AND THE GUARANTOR**

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom