

PROSPECTUS DATED 4 OCTOBER 2019



ROYAL MAIL PLC

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

€50,000,000

1.250 per cent. Guaranteed Notes due 2026

guaranteed by

ROYAL MAIL GROUP LIMITED

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

Issue Price: 99.794 per cent.

The €50,000,000 1.250 per cent. Guaranteed Notes due 2026 (the "**Notes**") will be issued by Royal Mail plc (the "**Issuer**") and guaranteed by Royal Mail Group Limited (the "**Guarantee**" and the "**Guarantor**", respectively).

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the UK competent authority for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval by the FCA 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 Regulated Market (the "**Market**"). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**").

The Notes bear interest from and including 8 October 2019 (the "**Issue Date**") at the rate of 1.250 per cent. per annum, payable annually in arrear on 8 October in each year, as described in Condition 5 (*Interest*) of the Terms and Conditions of the Notes (the "**Conditions**"). Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of United Kingdom taxes, to the extent described in Condition 8 (*Taxation*).

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 8 October 2026 (the "**Maturity Date**"). The Notes are subject to early redemption at the option of the Issuer (i) in whole or in part from and including the Issue Date up to and excluding 8 July 2026, at the relevant make-whole redemption amount described in Condition 7 (*Redemption and Purchase*), (ii) in whole but not in part at any time from and including 8 July 2026 to (but excluding) the Maturity Date, at their principal amount together with accrued interest, (iii) in whole but not in part at any time in the event of certain changes affecting taxes of the United Kingdom, at their principal amount together with accrued interest or (iv) in whole but not in part 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, at their principal amount together with accrued interest. In addition, if a Put Event (as defined in Condition 7 (*Redemption and Purchase*)) shall occur, the holder of any Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note at its principal amount together with accrued interest. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BBB by S&P Global Ratings Europe Limited ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the European Union and is registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009, as amended (the

"CRA Regulation") on credit rating agencies and is included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority.

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

Joint Lead Managers

BNP PARIBAS

ING

NatWest Markets

UniCredit Bank

This Prospectus comprises a prospectus for the purposes of Article 6(3) of the Prospectus Regulation. This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the "Group" or "Royal Mail"), the Guarantor and the Notes, which according to the particular nature of the Issuer, the Guarantor, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor, of the rights attaching to the Notes, and of the reasons for the issuance and its impact on the Issuer and the Guarantor. The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

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 in, and form part of, this Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form 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 the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

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

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

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

The Notes will be represented initially by a temporary global note (the "Temporary Global Note") which will be issued in new global note ("NGN") form and will be deposited on or about 8 October 2019 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 18 November 2019, 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*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or; (ii) a customer within the meaning of Directive (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 Regulation (EU) No. 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, NATWEST MARKETS 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 AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISING 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.

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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 53-week period ended 31 March 2019 and the audit report thereon (pages 151 to 225 (inclusive) of the Annual Report and Financial Statements 2018-19);
- (b) the audited consolidated financial statements of the Issuer for the 52-week period ended 25 March 2018 and the audit report thereon (pages 101 to 158 (inclusive) of the Annual Report and Financial Statements 2017-18);
- (c) the audited unconsolidated financial statements of the Guarantor for the 53-week period ended 31 March 2019 and the audit report thereon (pages 28 to 70 (inclusive) of the Annual Report and Financial Statements for the 53-week period ended 31 March 2019); and
- (d) the audited unconsolidated financial statements of the Guarantor for the 52-week period ended 25 March 2018 and the audit report thereon (pages 25 to 101 (inclusive) of the Annual Report and Financial Statements for the 52-week period ended 25 March 2018).

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Issuer (<https://www.royalmailgroup.com/en/investors/debt-investors/>).

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

PRESENTATION OF FINANCIAL INFORMATION

Financial Information Relating to the Issuer and the Guarantor

The Issuer prepares its consolidated financial statements and the Guarantor prepares its unconsolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") and, unless otherwise stated, all financial information relating to the Issuer contained or incorporated by reference in this Prospectus has been prepared in accordance with IFRS.

All financial information relating to the Issuer and the Guarantor contained in this Prospectus, unless otherwise stated, has been extracted from either the audited consolidated financial statements of the Issuer as of and for the 52-week period ended 25 March 2018 and the 53-week period ended 31 March 2019 which are incorporated by reference into this Prospectus, or from the unaudited consolidated financial statements of the Guarantor for the 52-week period ended 25 March 2018 and the 53-week period ended 31 March 2019 which are incorporated by reference into this Prospectus.

Percentages have been rounded and accordingly may not add up to 100.0 per cent. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data.

Alternative Performance Measures

The Group also publishes adjusted financial information which makes adjustments to results reported under IFRS to exclude specific items, for example in relation to the IAS 19 pension charge to cash difference adjustment. The Group believes this is a more meaningful basis upon which to analyse the business performance (in particular given the volatile nature of the IAS 19 charge). In addition, adjustments are made for non-recurring or distorting items, which by their nature may be unpredictable, such as the first year impact of acquisitions.

The Group uses these and a variety of other alternative performance measures ("**APMs**") to assess the performance of its business. These APMs are not calculated in accordance with IFRS. The Group does not regard these APMs as a substitute for, or superior to, any IFRS measures of performance.

Key APMs are presented below. The APMs presented below may not be directly comparable to similarly-titled measures used by other companies including competitors of the Issuer or Guarantor.

Reported operating profit before and after transformation costs

These measures are in accordance with IFRS and are a means by which the Group can understand its financial performance, taking into account business-as-usual (BAU) costs e.g. people, distribution and conveyance, infrastructure and other operating costs excluding operating specific items. They are presented before and after transformation costs, to provide the Group with a view of the ongoing impact of the costs of transforming the business.

Reported operating profit

This measure is in accordance with IFRS and is a means by which the Group can understand its financial performance of the Group. It is based on reported profit after transformation costs including operating specific items.

Adjusted operating profit before and after transformation costs

These measures are based on reported operating profit before and after transformation costs (see above) further adjusted to exclude the volatility of the pension charge to cash difference adjustment, which the Group considers to be a key adjustment in understanding its underlying profit at this level.

Adjusted operating profit

This measure is based on reported operating profit excluding the pension charge to cash difference adjustment and operating specific items, which the Group considers to be key adjustments in understanding its underlying profit at this level.

Adjusted operating profit margin after transformation costs

This is a fundamental measure of performance that the Group uses to understand the efficiency of the business in generating profit. It calculates 'adjusted operating profit after transformation costs' as a proportion of revenue in percentage terms.

Earnings before interest, tax, depreciation and amortisation (EBITDA) before transformation costs

Reported EBITDA before transformation costs is reported operating profit before transformation costs with depreciation and amortisation and share of associate company profits added back.

Adjusted EBITDA before transformation costs is reported EBITDA before transformation costs with the pension charge to cash difference adjustment added back.

EBITDA is considered to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating depreciation, amortisation and the performance of associate companies.

People costs

These are costs incurred in respect of the Group's employees and comprise wages and salaries, pensions and social security costs.

Transformation costs

These costs relate to the ongoing transformation of the business, including management time and costs associated with the cost avoidance programme, and other projects with the aim of making the Group's operations more efficient or improving its customer offering. They also include voluntary redundancy and other termination costs.

Pension charge to cash difference adjustment

This adjustment represents the difference between the IAS 19 income statement pension charge rate of 41 per cent. for the Royal Mail Pension Plan ("**RMPP**") to 31 March 2018 and 18.9 per cent. for the Defined Benefit Cash Balance Scheme ("**DBCBS**") from 1 April 2018 and the actual cash payments agreed with the RMPP Trustee of 17.1 per cent. of pensionable pay for RMPP to 31 March 2018 and 15.6 per cent. for the DBCBS. The Group believes this adjustment is appropriate in order to eliminate the volatility of the IAS 19 accounting charge and to include only the true cash cost of the pension plans in its adjusted operating profit.

Operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature relating to the operations of the business that, in the Group's opinion, require separate identification. The Group does not consider them to be reflective of year-on-year operating performance. These include items that have resulted from events that are non-recurring in nature, even though related income/expense can be recognised in subsequent periods.

Employee Free Shares charge

These relate to accounting charges arising from the granting of free shares to employees upon the Government's sales of its stake in the business (SIP 2013, 2014, 2015 and 2016) with no direct cash impact on the Group.

Amortisation of intangible assets in acquisitions

These notional charges, which arise as a direct consequence of IFRS business combination accounting requirements, are separately identified as the Group does not consider these costs to be directly related to its trading performance.

Legacy/other costs

These costs relate either to unavoidable ongoing costs arising from historic events (industrial diseases provision) or restructuring costs.

Non-operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and in the Group's opinion require separate identification.

Free cash flow

Free cash flow ("FCF") is calculated as statutory (reported) net cash flow before financing activities, adjusted to include finance costs paid and exclude net cash from the purchase/sale of financial asset investments. FCF represents the cash that the Group generates after spending the money required to maintain or expand its asset base.

In-year trading cash flow

In-year trading cash flow reflects the cash generated from the trading activities of the Group. It is based on reported net cash inflow from operating activities, adjusted to exclude other working capital movements and the cash cost of operating specific items and to include the cash cost of property, plant and equipment and intangible asset acquisitions and net finance payments. Other working capital movements include movements in General Logistics Systems ("GLS") client cash held and in deferred revenue from stamps purchased in prior periods. In-year trading cash flow is used primarily by the Group to show cash being generated by operations less cash investment.

Net cash investment

Net cash investment is a measure of the cash utilised by the Group in the period on investment activities netted off against cash received on the disposal of property, plant and equipment. It is a measure used by the Group to monitor investment.

Net debt

Net debt is calculated by netting the value of financial liabilities (excluding derivatives) against cash and other liquid assets. It is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's indebtedness and its cash position. The use of the term net debt does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

RISK FACTORS

In purchasing the Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL THEIR OBLIGATIONS UNDER OR IN CONNECTION WITH THE NOTES AND THE GUARANTEE

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

There is a risk that one or more material disagreements or disputes between the Group and its trade unions could result in widespread localised or national industrial action. In the UK, the Guarantor (which employs the majority of the Group's employees in the UK) recognises the Communications Workers Union (the "CWU") in respect of operational and administrative grade employees (who comprise almost all of its UK workforce) and the Communication and Managers Association section of Unite (the "CMA" and together with the CWU, the "Trade Unions") in respect of most managers across Royal Mail Group Limited ("RMGL"). The Group estimates that approximately 85 per cent. of RMGL's operational and administrative grade employees are members of the CWU and approximately 65 per cent. of RMGL's managers are members of the CMA. RMGL is therefore required to reach agreement with the CWU and the CMA prior to implementing changes to pay and terms and conditions of employment (for which the Trade Unions have been recognised to conduct collective bargaining) in respect of relevant employees. Changes to some non-contractual matters, including certain working arrangements and various processes for the introduction of new ways of working aimed at improving efficiency, are also subject to prior consultation and, in some circumstances, negotiation with the Trade Unions in accordance with the applicable industrial relations framework. The absence of major industrial action is a key assumption underpinning the Group's 'turnaround and grow' plan in the UK. The plan requires a high level of operational change in an increasingly competitive market, which may put additional strain on the stability of the Group's industrial relations. Widespread localised or national industrial action would cause material disruption to the Group's business in the UK and would be likely to result in an immediate and potentially ongoing significant loss of revenue for the Group. It may also cause Royal Mail to fail to meet the quality of service targets prescribed by Ofcom which may lead to enforcement action and fines.

As part of the Pensions, Pay and Pipeline Agreement (the "**2018 Agreement**") with the CWU, the Royal Mail Pension Plan closed to future accrual in its Defined Benefit form on 31 March 2018. Royal Mail has agreed with the CWU to implement a Collective Defined Contribution ("**CDC**") pension scheme. A new Defined Benefit Cash Balance Scheme was put in place from 1 April 2018 as a transitional arrangement until the CDC scheme can be established. In order for Royal Mail to implement the CDC scheme, the government must make legislative and regulatory changes. The Department for Work and Pensions has held a public consultation on the implementation of such plans, with the Government confirming its intention to legislate as soon as possible using the proposed Royal Mail scheme as its benchmark. However, there is a risk that Royal Mail may be unable to obtain the necessary legislative changes, which could lead to disagreements with the CWU and result in industrial action or the threat of industrial action.

Any industrial action or threat of industrial action could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively. Please see section entitled "*Recent Developments*".

The economic and political environment may have a material adverse effect on the Group

Royal Mail's business performance is closely aligned to UK economic growth and, historically, there has been a correlation between economic conditions and the level of letters and business to business parcel volumes. Low rates of economic growth could impact the Group's ability to maintain and grow revenue, either by reducing letter and parcel volumes or by encouraging customers to adopt cheaper products or formats for sending letters and parcels. While the shape of the future relationship between the UK and the EU remains unclear, it is not possible to predict with any degree of accuracy the impact the UK's departure from the EU could have on the Group. The main issues relate to any potential economic downturn, and changes associated with customs and VAT processing. The impact on cross-border parcel volumes will depend on the nature of the UK's future trading relationships, and what the future EU/UK customs and VAT arrangements will be. Should business uncertainty continue as a result of the uncertainty surrounding the shape of the future relationship of the UK and the EU, the Group's business customers may look to reduce costs and compete aggressively for contracts. This may adversely impact letter volumes.

The Labour Party's 2017 General Election Manifesto included a pledge to bring a number of private companies, including Royal Mail, back into public ownership. Future UK political developments, including but not limited to a general election being held, any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject.

The Group's performance is dependent on a number of macroeconomic factors outside the control of the Group, including political, financial and economic factors. These include inflation and consumer, business and government spending, all of which affect the business and economic environment, demand for the Group's products and services and the prices of the Group's products and services.

These factors could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Group may not be successful in delivering its transformation programme

The Group must become more efficient and flexible in order to compete effectively in the parcel and letter markets. The success of the Group's strategy relies on the effective control of costs across all areas of the business and the delivery of efficiency benefits.

The Group continues to operate a tight balance between achieving efficiency improvements whilst delivering high service levels. This requires careful management of efficiency and quality of service. Royal Mail has launched its 'turnaround and grow' plan in the UK. There is a risk it will not be able to deliver its transformation programme and meet its required cost avoidance and productivity improvement targets during the life of the plan.

Any failure of the Group to deliver the transformation programme could have a material adverse effect on its business, financial condition, results of operations and prospects and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

A major breach of information security, data regulation or a major cyber security incident could trigger material service and/or operational interruption

The Group is subject to a range of regulations, contractual obligations, and customer expectations around the governance and protection of various classes of data. The Group is a potential target of cyber-attacks that could threaten the confidentiality, integrity and availability of data in its systems. A cyber security incident could trigger material service and/or operational interruption. In addition, a major breach of data protection regulation could result in financial and reputational damage, including loss of customer confidence.

A major breach of data protection regulations or a major cyber security incident could have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The industry sectors in which the Group operates are highly competitive and customers are demanding more and the Group's competitors are responding quickly to these changing demands

The Group is exposed to changes in the behaviour of its customers and changes to the markets in which it sells its products and services. Such changes could impact the demand for the Group's products and services. Given the major cultural shift underway in UK society – more e-commerce and therefore fewer letters and more parcels – it is very important that Royal Mail changes too. While the Group expects to handle many more parcels in the years to come, work it commissioned from external consultants indicates it should expect domestic letter volumes to fall by about 26 per cent. over the next five years or so. This structural decline will continue to be driven by e-substitution, lower GDP, the impact of GDPR and business uncertainty. Such changes could have a material adverse effect on the business, financial condition, results of operations, and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

Competition in the UK domestic and international parcels markets is intense with competitors offering innovative solutions that include convenient, reliable delivery and return options, improved tracking services and features that put recipients increasingly in control of their deliveries. The Group's renewed focus on productivity, through operational excellence and key work tools, is vital to remaining competitive in the UK parcels market. So too is the Group's network extension,

which, in combination with productivity gains, should enable it to future proof its UK business against a backdrop of significant changes in customer demand. The Group is also continuing to see opportunities to develop profitable and sustainable investments overseas. There is a risk that these may be unsuccessful.

It is vital that the Group remains competitive in the UK and overseas parcels market. Should it fail to remain competitive this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

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

As the universal postal service provider in the UK designated by Ofcom under the Postal Services Act 2011 (the "Act"), the Guarantor is required, among other things, to provide postal services to the UK population, including delivery six days per week for letters and five days per week for parcels, throughout the UK, to high quality standards and at a uniform, affordable tariff. Moreover, the Guarantor is also mandated to grant access to its network at its Inward Mail Centres for bulk letter and large letter services to other operators. Ofcom can take enforcement action and impose fines on the Guarantor if it considers that the Guarantor has breached any of its regulatory obligations regarding provision of the universal postal service (including failing to meet quality of service standards) or in providing access on terms that are fair and reasonable. This in turn could have a material adverse effect on business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

The Guarantor is also subject to reporting obligations and monitoring by Ofcom and may be subject to enforcement action by Ofcom. Given the continuing structural decline in addressed letter volumes, and broader changes in the parcels market, Ofcom is enhancing its monitoring of Royal Mail. It is bringing forward some of the work it plans to undertake as part of its next review of the regulation of Royal Mail, which, overall, is intended to be completed by 2022. The work it will undertake includes: a) a review of Royal Mail's efficiency, designed to give more insights into the future sustainability of the Universal Postal Service; and b) research to review the extent to which the postal market is meeting the reasonable needs of users. In addition, Ofcom has responsibility for ensuring compliance with competition law in the UK postal services sector. Any adverse outcome to any investigation or other enforcement action by Ofcom could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore impact the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

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

The Group's performance, operating results and future growth depend on the ability of the Group to attract and retain talent with the appropriate level of expertise. The capability, experience and cohesion of senior management is integral to delivering the Group's transformation programme. Any failure by the Group to attract and retain highly skilled personnel could have a material adverse effect on its competitive position. This could in turn result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

Climate change and governmental actions to reduce its impact may have adverse operational, financial and reputational consequences on the Group

The cost of the Group's operations is likely to increase as the Group adapts its business in response to government action to reduce the effect of harmful emissions, such as the introduction of Clean Air Zones in UK cities. In addition, an increase in the frequency of extreme weather events may result in disruption to the Group's operational pipeline and impact its ability to meet its universal postal service provider requirements. This could in turn result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

Notes subject to Optional Redemption by the Issuer

The optional redemption features of the Notes may limit their market value. During any period where 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.

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

Modification, Waivers and Substitution

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

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

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

determination by the Trustee in terms of the interests of the Noteholders and (ii) may therefore be materially prejudicial to the interests of Noteholders.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000 (up to a maximum of €99,000). It is possible that the Notes may be traded in the clearing systems in amounts that are not integral multiples of €100,000. In such a case, should definitive Notes be required to be issued, holders of the Notes who, as a result of trading such amounts, hold less than €100,000 in their account in the relevant clearing system may need to purchase or sell, on or before the date of exchange of the Permanent Global Note for definitive Notes, a principal amount of Notes such that their holding is at least equal to €100,000, otherwise such Noteholders may not receive all of their entitlements in definitive Notes.

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

Interest Rate Risks

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

RISKS RELATED TO THE MARKET GENERALLY

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

Liquidity risks

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

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

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

Credit rating

S&P is expected to assign a credit rating to the Notes. The market value of the Notes from time to time is likely to be dependent upon the level of credit rating ascribed to the long-term debt of the Issuer. A credit rating reflects an assessment by a rating agency of the credit risk associated with a particular borrower or particular securities. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision, suspension or withdrawal at any time by the assigning rating agency. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. In general, European regulated

investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). This is subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). S&P is a registered credit rating agency under the CRA Regulation. If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

Exchange rate risk and exchange controls

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

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

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 €550,000,000 1.250 per cent. Guaranteed Notes due 2026 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of Royal Mail plc (the "**Issuer**") are constituted by a Trust Deed dated 8 October 2019 (the "**Trust Deed**") made between the Issuer, Royal Mail Group Limited (the "**Guarantor**") as guarantor and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**" respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 8 October 2019 (the "**Agency Agreement**") made between the Issuer, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent and together with any other paying agents appointed from time to time, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at 10 Harewood Avenue, London, NW1 6AA and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000, each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

1.2 Title

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

1.3 Holder Absolute Owner

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

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. GUARANTEE

3.1 Guarantee

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

3.2 Status of the Guarantee

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

4. NEGATIVE PLEDGES

4.1 Negative Pledges

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

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

- (b) the Guarantor will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Guarantor, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
 - (i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
 - (ii) such other Security Interest or guarantee or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

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

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

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

subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

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

all as more particularly defined in the Trust Deed;

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

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

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 8 October 2019 at the rate of 1.250 per cent. per annum (the "**Rate of Interest**"), payable annually in arrear on 8 October in each year (each an "**Interest Payment Date**"). The first payment representing a full year's interest (for the period from and including 8 October 2019 to but excluding 8 October 2020) and amounting to €12.50 per €1,000 in principal amount of the Notes shall be made on 8 October 2020.

5.2 Interest Accrual

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

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

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

6.2 Method of Payment

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

6.3 Missing Unmatured Coupons

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

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

6.5 Payment only on a Presentation Date

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

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

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

In these Conditions, "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and "**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

6.6 Initial Paying Agent

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

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; 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 termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 8 October 2026 (the "**Maturity Date**").

7.2 Redemption for Taxation Reasons

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

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 4 October 2019, on the next Interest

Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

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

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

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes or, if limb (i) of the definition of "Relevant Early Redemption Amount" applies to the date fixed for redemption and subject as provided in Condition 7.6 below, some only of the Notes, at any time at the Relevant Early Redemption Amount.

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

- (i) in relation to any date fixed for redemption which falls in the period from (and including) the Issue Date up to (and excluding) 8 July 2026, such amount as is equal to the greater of the amounts in subparagraph (A) and (B) below together with interest accrued to but excluding the date fixed for redemption:
 - (A) the principal amount outstanding of the Notes to be redeemed; and
 - (B) the price (expressed as a percentage (as reported in writing to the Issuer and the Trustee by the Determination Agent) which is equal to (x) the sum of the present values of the principal amount outstanding of the Notes to be redeemed at the date fixed for redemption and the Remaining Term Interest (exclusive of interest accrued to the date fixed for redemption) discounted

to the date fixed for redemption on an annual basis at the Reference Bond Rate, plus (y) 0.30 per cent.

In this Condition:

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

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

"Reference Bond" means the 0 per cent. German government bond due August 2026 with ISIN DE0001102408 (or, where the Determination Agent advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other government bond as the Determination Agent may recommend);

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

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

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

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

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

- (ii) in relation to any date fixed for redemption which falls in the period from (and including) 8 July 2026 to (but excluding) the Maturity Date, such amount as is equal to the principal amount outstanding of the Notes together with interest accrued to but excluding the date fixed for redemption.

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

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

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

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

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

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

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

being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**").

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

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

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

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

(e) In this Condition 7.4:

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

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

"Relevant Potential Change of Control Announcement" means any public announcement or statement by the Issuer, the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

7.5 Issuer Residual 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 and consolidated with this series of Notes shall be deemed to have been originally issued), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all of the Notes, but not some only, then outstanding at any time, at their principal amount together with interest accrued to (but excluding) the date fixed for redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that principal amount outstanding of the Notes is 20 per cent. or less of the aggregate principal amount of the Notes originally issued. The Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

7.6 Provisions relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each 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.

7.7 Purchases

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

7.8 Cancellations

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

7.9 Notices Final

Upon the expiry of any notice as is referred to in paragraph 7.2, 7.3, 7.4 or 7.5 above the Issuer shall be bound to redeem (or, as the case may be, the purchase or procure the

purchase of) the Notes to which the notice refers in accordance with the terms of such paragraph (in the case of 7.4, save as otherwise provided therein).

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 Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to be pay any additional amounts in respect of the Notes or Coupons for, or on account of, any withholding or deduction required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (as amended), any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8.2 Interpretation

In these Conditions:

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

"**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or

the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

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

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

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

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

10.1 Events of Default

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

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days or more in the case of principal or 14 days or more in the case of interest; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may

permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any of the Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any of the Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor or any of the Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment as extended by any applicable grace period; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and remaining unpaid as referred to in (i) to (iv) above which have occurred and are continuing, amounts to at least £20,000,000 (or its equivalent in any other currency); or
- (d) if (i) the Issuer, the Guarantor or any of the Material Subsidiaries is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or commences negotiations with one or more of its creditors (other than the Trustee and/or the Noteholders) with a view to rescheduling any of its indebtedness; or (ii) a moratorium is declared in respect of any indebtedness of the Issuer, the Guarantor or any of the Material Subsidiaries; or
- (e) if (i) a resolution of its shareholders or directors is passed for the suspension of payments of the Issuer, the Guarantor or any of the Material Subsidiaries, (ii) any order is made by any competent court or a resolution is passed, or a meeting of its shareholders or directors is convened for the purpose of considering a resolution, for the winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), of the Issuer, the Guarantor or any of the Material Subsidiaries, (iii) a composition, compromise, assignment or arrangement is made with any creditor of the Issuer, the Guarantor or any of the Material Subsidiaries, (iv) a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer is appointed in respect of the Issuer, the Guarantor or any of the Material Subsidiaries or any of its assets or an application is made or petition is presented to a court, or a notice is given or filed, in relation to the appointment of such an officer; or (v) any security over any assets (with a value of at least £5,000,000 (or its equivalent in any other currency)) of the Issuer, the Guarantor or any of the Material Subsidiaries is enforced; provided that this subparagraph (e) shall not apply to (A) any winding-up petition which is discharged, stayed or dismissed within 28 days of commencement or (B) any solvent liquidation or reorganisation taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) if any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer, the Guarantor or any of the Material Subsidiaries

having an aggregate value of £5,000,000 (or its equivalent in any other currency) or more and is not discharged within 28 days; or

- (g) if the Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on (or threatens to cease to carry on) all or substantially all of its business, save for the purposes of (a) any solvent liquidation or reorganisation (i) taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, (ii) in the case of the Guarantor, where all or substantially all of the undertaking and assets of the Guarantor are transferred to or otherwise vested in the Issuer, or (iii) in the case of any Material Subsidiary, where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Issuer's Subsidiaries or (b) in the case of any Material Subsidiary, any transfer or disposal where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to a third party for full consideration on an arms' length basis; or
- (h) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

10.2 Reports

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

10.3 Interpretation

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

11. ENFORCEMENT

11.1 Enforcement by the Trustee

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

11.2 Limitation on Trustee actions

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

11.3 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails or is unable so to do within 60 days and such failure or inability is continuing.

12. REPLACEMENT OF NOTES AND COUPONS

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

13. NOTICES

13.1 Notices to the Noteholders

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

13.2 Notices from the Noteholders

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

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

14. SUBSTITUTION

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

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

in each case, subject to:

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

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

- (x) two Directors of the Issuer have certified in writing to the Trustee that (I) the Guarantor is no longer a party to, or a guarantor under, the facilities agreement dated 12 September 2013 as amended on 11 November 2014 and as amended and restated on 2 March 2015 and 23 September 2019 (and as may be further amended from time to time) or any replacement or substitute loan(s) or financing agreement(s) (the "**Facilities Agreement**") and (II) the Issuer (or a Subsidiary of the Issuer which is guaranteed by the Issuer) is the principal obligor under the Facilities Agreement or the primary working capital and standby bank facilities for the Group;
- (y) each of the Rating Agencies then rating the Notes has confirmed in writing to the Trustee that it has determined that it would not downgrade or withdraw the credit rating assigned by it to the Notes as a result of such substitution; and
- (z) certain other conditions set out in the Trust Deed are complied with.

Following any such substitution of the Guarantor by the Issuer, all provisions relating to the Guarantor and the Guarantee (including, without limitation, paragraph (h) of Condition 10) in these Conditions and the Trust Deed shall cease to have effect and these Conditions and the Trust Deed shall be construed accordingly. A certification by two Directors of the Issuer under paragraph (x) above may be relied upon by the Trustee without further

enquiry or evidence and the Trustee shall suffer no liability whatsoever for so relying on, and acting in accordance with, such certification

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

15.1 Meetings of Noteholders

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

15.2 Modification, Waiver, Authorisation and Determination

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

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but

without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8.

15.4 Notification to the Noteholders

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

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

16.1 Indemnification and protection of the Trustee

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

16.2 Trustee Contracting with the Issuer and the Guarantor

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

17. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first

payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

18. GOVERNING LAW

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

19. RIGHTS OF THIRD PARTIES

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

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

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

1. Exchange

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

- (a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

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

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

For these purposes, "**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. **Payments**

On and after 18 November 2019, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the principal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. **Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 13 (*Notices*), provided that, the Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

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

4. **Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 7.4 (*Redemption at*

the Option of the Holders following Change of Control) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, 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.

5. Prescription

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

6. Cancellation

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

7. Put Option following Change of Control

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

8. Redemption at the Option of the Issuer and Issuer Residual Call 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, no drawing of Notes will be required under Condition 7.6 (*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 standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note(s) are to be subject to such option (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

9. Euroclear and Clearstream, Luxembourg

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

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Notes are expected to amount to approximately €47,217,000 and will be used for general corporate purposes.

DESCRIPTION OF THE GROUP

CORPORATE DETAILS OF THE ISSUER AND THE GUARANTOR

The Issuer

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

On 15 October 2013 shares in Royal Mail plc were listed on the London Stock Exchange. Royal Mail plc is currently a FTSE 250 company.

The Issuer is the ultimate parent company of the Group. It has five principal subsidiaries: Royal Mail Group Limited ("**RMGL**"), Royal Mail Investments Limited ("**RMIL**"), Royal Mail Estates Limited ("**RME**"), General Logistics Systems B.V. ("**GLS B.V.**") and RM Property and Facilities Solutions Limited (formerly Romec Limited) ("**RMPFS**").

RMGL operates the parcels and letters delivery business of the Group in the UK (through the UK Parcels, International and Letters division of the Group ("**UKPIL**")) and is the UK's designated universal provider of postal services. GLS B.V. is the holding company for the Group's European parcel business, General Logistics Systems ("**GLS**"). RME holds some of the Group's property interests. RMIL is an intermediate holding company which holds the majority of the Group's overseas businesses, including GLS. RMPFS largely provides facilities management services to the Group.

The Guarantor

The Guarantor is domiciled in the UK. It was incorporated in England and Wales on 10 January 2001 under the UK Companies Act 1985 and is registered as a private company limited by shares under registered number 04138203. Its registered office is at 100 Victoria Embankment, London EC4Y 0HQ and its telephone number is 020 7449 8000.

Group revenue and operating profit

For the 53 weeks ended 31 March 2019 ("**Financial Year 2018-19**"), the Group generated reported revenue of £10,581 million and reported operating profit after transformation costs (before operating specific items) of £341 million. In Financial Year 2018-19, 38 per cent. of the Group's revenue was generated from letters (£3,975 million) and 62 per cent. of the Group's revenue was generated from parcels (£6,606 million).

HISTORY AND OVERVIEW OF THE ROYAL MAIL BUSINESSES

Royal Mail is transforming from a UK focused letters business that delivers parcels, to a parcels-led, international business that delivers letters in the UK.

Royal Mail's origins date back over 500 years to the time of King Henry VIII. Today, the Group operates across 44 countries and nation states worldwide, including 41 in Europe and, following recent acquisitions, eight states in the Western US and Canada. It is the UK's sole designated universal postal service provider and delivers a "one price goes anywhere" service on a range of letters and parcels to over 30 million addresses across the UK.

Overview of UKPIL

UKPIL comprises the Group's UK and international parcels and letters delivery businesses operating under the "Royal Mail" and the "Parcelforce Worldwide" brands. Royal Mail's combined letter and parcel delivery network supports the provision of services for the collection, sorting and delivery of parcels and letters. This includes those services Royal Mail provides as the UK's designated universal postal service provider. Parcelforce Worldwide is a leading provider of express parcel delivery services. In addition, UKPIL provides specialist delivery services and carries out a number of other letter-related business activities.

Royal Mail is the UK's pre-eminent delivery company. Through the Royal Mail Core Network, the company delivers a one-price-goes-anywhere service on a range of parcel and letters products. Royal Mail has the capability to deliver to more than 30 million business and residential addresses in the UK six days a week (excluding UK public holidays). Parcelforce Worldwide operates a separate UK network, which collects and delivers express parcels. UKPIL also generates revenue from international parcels and letters exported from, and imported into, the UK. At the end of the Financial Year 2018-19, UKPIL employed approximately 143,000 employees.

In the Financial Year 2018-19, UKPIL handled and delivered around 13 billion letters, and around 1.3 billion parcels. In the same period, UKPIL generated reported revenue of £7,732 million and reported operating profit after transformation costs (before operating specific items) of £164 million.

Overview of GLS

GLS is one of the largest, ground-based parcels networks in Europe. The GLS network covers 41 countries and nation states in Europe, eight states in the Western US and Canada, through a combination of wholly-owned companies and partner companies. At the end of the Financial Year 2018-19, the GLS Group employed approximately 19,000 employees worldwide.

In the Financial Year 2018-19, GLS delivered 634 million parcels for its approximately 300,000 clients. In the same period, GLS generated reported revenue of £2,888 million and reported operating profit after transformation costs (before operating specific items) of £177 million.

GROUP STRATEGY

The Group's ambition is to build a parcels-led, more balanced and more diversified international business, with its purpose being to connect customers, companies and countries. To achieve this ambition, the Group's strategy over the next five years is focused on the delivery of three key priorities:

'Turnaround and grow' in the UK, which involves:

- a new transformation plan with a renewed focus on improved service, efficiency and productivity supported by a focus on productivity initiatives, a range of new, digitally enabled work tools and targeted investments;
- continued success in UK parcels; and
- an extension of the Groups' UK network to handle large parcels and small tracked parcels more efficiently.

'Scale up and grow' GLS, which involves:

- ongoing focus on profitable revenue growth including yield management;
- continued focus on business-to-business products and services, with selective growth in business-to-customer products and services; and
- integration of existing acquisitions.

Enhancing the Group's cross-border proposition, which involves:

- focus on driving incremental value from the combined strengths of Royal Mail and GLS in small and deferred parcel shipments; and
- growth in the Group's share of the UK export parcels market.

OVERVIEW OF THE REGULATORY FRAMEWORK

Certain Group activities are regulated at UK and EU levels.

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

The Guarantor is required, among other things, to provide postal services across the UK, including delivering letters six days a week and parcels five days a week, throughout the UK, to high quality standards and at a uniform, affordable tariff. In addition, the Guarantor is required to provide postal operators access to its postal network at its Inward Mail Centres for bulk letters and large letter services. Ofcom's primary duty under the Act is to carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. In discharging its duties in relation to the provision of the universal service, the Act also requires Ofcom to have regard to (a) the need for the provision of a universal postal service to be financially sustainable; and (b) the need for the provision of a universal postal service to be efficient within a reasonable time, and then remain so. "Financially sustainable" in this context includes the need for a reasonable commercial rate of return on the provision of the universal postal service.

Ofcom put in place the regulatory framework in 2012, which was intended to be in place for seven years. In 2015, Ofcom started a fundamental review of the regulation of the Guarantor to ensure the regulatory framework remained appropriate and sufficient to secure the efficient and financially sustainable provision of the universal postal service. Ofcom concluded in March 2017 that the current regulatory framework should remain in place until 2022.

Neither GLS nor Parcelforce are subject to regulatory oversight by Ofcom.

RECENT DEVELOPMENTS

The Group confirms it has received formal notice from CWU that it intends to ballot its members for industrial action. Under the terms of the notice, all CWU members (other than those working in Royal Mail Property and Facilities Solutions) will be balloted. The earliest opening date of the ballot will be 24 September 2019.

A ballot result for industrial action does not necessarily mean there will be industrial action. No industrial action can be taken before the conclusion of a mediation period. The Group will continue to engage in the agreed dispute resolution processes. However, if there is a threat of industrial action or industrial action takes place it could have an adverse effect on the business, results of operations and financial performance of the Group.

BOARD OF DIRECTORS

The Directors of Royal Mail plc are listed below.

Name of Director	Position	Principal activities outside the Group
Rico Back	Group Chief Executive Officer and Executive Director	
Maria Da Cunha	Non-Executive Director Member of the Nomination Committee, Remuneration Committee and Corporate Responsibility Committee	Non-executive director of De la Rue plc
Michael Findlay	Non-Executive Director Chair of the Audit and Risk Committee and Member of the Nomination Committee and Remuneration Committee	Chairman of Morgan Sindall Group plc
Rita Griffin	Non-Executive Director Chair of the Corporate Responsibility Committee and Member of the Nomination Committee	Chief Operating Officer for Global Petrochemicals Director of BP Chemicals Investments Limited and BP Chemicals East China Investment Limited
Sarah Hogg	Non-Executive Director Senior Independent Director Member of the Audit and Risk Committee and Nomination Committee	Senior Non-Executive Director of the Financial Conduct Authority
Lynne Peacock	Non-Executive Director (effective 1 November 2019) Chair of the Remuneration Committee (as of 1 November 2019) ¹ and Member of the Audit	Senior Independent Director of Nationwide Building Society Non-Executive Director of Serco Group plc

¹ Lynne Peacock will succeed Simon Thompson as Chair of the Remuneration Committee on 1 November 2019; Simon Thompson will remain a member of the Remuneration Committee.

Name of Director	Position	Principal activities outside the Group
	and Risk Committee and Nomination Committee	
Stuart Simpson	Chief Finance and Operating Officer Executive Director	
Simon Thompson	Non-Executive Director Designated Non-Executive Director for Engagement with the workforce Chair of the Remuneration Committee (until 1 November 2019) ¹ and Member of the Corporate Responsibility Committee and Nomination Committee	Chief Product Officer of Ocado Group plc Member of the Digital Advisory Board of Coca Cola European Partners
Keith Williams	Non-Executive Chairman Chair of the Nomination Committee and Member of the Remuneration Committee and Corporate Responsibility Committee	Deputy Chairman of John Lewis Chairman of Halfords Group plc Independent Chair of a review on behalf of the UK Government of British Railways

The Directors of Royal Mail Group Limited are listed below.

Name of Director	Position	Principal activities outside the Group
Rico Back	Director	
Michael Jeavons	Director	Director of Garrett Close Limited
Stuart Simpson	Director	

The business address of each of the Directors of the Issuer and of the Guarantor (in such capacity) is 100 Victoria Embankment, London EC4Y 0HQ, United Kingdom.

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

TAXATION

UNITED KINGDOM TAXATION

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

Payment of Interest on the Notes

1. UK Withholding Tax

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "ITA"). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes 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 United Kingdom tax.

In other cases, an amount on account of United Kingdom income tax at the basic rate (currently 20 per cent.) must generally be withheld from payments of interest on the Notes that has a United Kingdom source, subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

2. Payments by the Guarantor

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a United Kingdom source is uncertain. If the Guarantor makes any payments in respect of interest on the Notes, such payments may be subject to withholding on account of United Kingdom tax at the basic rate (currently 20 per cent.). Such payments by the Guarantor may not be eligible for the exemptions from the obligation to withhold tax described in paragraph 1 above.

3. Discount and Premium

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

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

4. UK Stamp Duty and Stamp Duty Reserve Tax

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

THE PROPOSED FINANCIAL TRANSACTIONS TAX

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

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

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

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

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

SUBSCRIPTION AND SALE

BNP Paribas, ING Bank N.V., NatWest Markets Plc and UniCredit Bank AG (the "**Joint Lead Managers**") have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 4 October 2019, jointly and severally agreed to subscribe for the Notes at the issue price of 99.794 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 in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

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 Joint Lead Manager (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance an available exemption from registration under the Securities Act.

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

United Kingdom

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

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

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 the 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 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 Directors of the Issuer passed on 18 September 2019 and by a resolution of a Committee of the Board of Directors of the Issuer passed on 18 September 2019 and the giving of the Guarantee by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 18 September 2019 and by a resolution of a Committee of the Board of Directors of the Guarantor passed on 18 September 2019.
- (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 October 2019, subject only to the issue of the Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third business day in London after the date of the transaction.
- (3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £4,790.
- (4) There has been no significant change in the financial performance or the financial position of the Issuer or the Guarantor or of the Group and no material adverse change in the prospects of the Issuer or the Guarantor or of the Group, in each case since 31 March 2019.
- (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) during the 12 months preceding the date of this Prospectus which may have or have had in such period significant effects on the financial position or profitability of the Issuer or the Group or the Guarantor.
- (6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS2063268754 and the Common Code is 206326875. The Financial Instrument Short Name (FISN) and the Classification of Financial Instruments (CFI) Code are as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN, as updated from time to time.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (7) The Notes will be issued in NGN form. The Notes are intended to be held in a manner which would allow Eurosystem eligibility that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria which is subject to change from time to time.
- (8) The following legend will appear on the Permanent Global Note and on all Notes in definitive form and Coupons:

Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.

- (9) The auditors of the Issuer and the Guarantor are KPMG LLP, which are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. KPMG LLP have, without qualification, audited (i) the consolidated financial statements of the Issuer for the 53-week period ended 31 March 2019 and the 52-week period ended 25 March 2018 and (ii) the unconsolidated financial statements of the Guarantor for the 53-week period ended 31 March 2019 and the 52-week period ended 25 March 2018.
- (10) For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available for inspection from the website of the Issuer (<https://www.royalmailgroup.com/en/investors/debt-investors/>) and at the registered office of the Principal Paying Agent:
 - (a) this Prospectus (together with any supplements to this Prospectus);
 - (b) the memorandum and articles of association of each of the Issuer and the Guarantor; and
 - (c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on any website does not form part of this Prospectus.

- (11) For investors in the Notes, the Issue Price is 99.794 per cent. and the yield is 1.281 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.
- (12) The Legal Entity Identifier (LEI) code of the Issuer is 213800TCZZU84G8Z2M70.
- (13) The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantor and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk or other trading activities.

In addition, in the ordinary course of their business activities the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions

could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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