



BRITISH TELECOMMUNICATIONS PUBLIC LIMITED COMPANY

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

guaranteed on a subordinated basis by

BT GROUP PLC

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

€500,000,000 Capital Securities due 2080

Issue Price: 100 per cent.

The €500,000,000 Capital Securities due 2080 (the "Securities") will be issued by British Telecommunications public limited company (the "Issuer") on 18 February 2020 (the "Issue Date") and guaranteed on a subordinated basis as described herein by BT Group plc (the "Guarantor" and the "Guarantee" respectively). The Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 18 August 2080 (the "Maturity Date"). From (and including) the Issue Date to (but excluding) 18 August 2025 (the "First Reset Date") the Securities will bear interest on their principal amount at a rate of 1.874 per cent. per annum, payable annually in arrear on 18 August in each year. The first payment of interest, to be made on 18 August 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 18 August 2020. Thereafter, unless previously redeemed, the Securities will bear interest from (and including) the First Reset Date to (but excluding) the First Step-up Date at a rate per annum which shall be 2.13 per cent. above the 5-year Swap Rate (as defined in the "Terms and Conditions of the Securities" (the "Conditions")), payable annually in arrear on 18 August in each year. From (and including) the First Step-up Date to (but excluding) the Second Step-up Date the Securities will bear interest at a rate per annum which shall be 2.38 per cent. above the 5-year Swap Rate payable annually in arrear on 18 August in each year. From (and including) the Second Step-up Date to (but excluding) the Maturity Date, the Securities will bear interest at a rate per annum which shall be 3.13 per cent. above the 5-year Swap Rate payable annually in arrear on 18 August in each year, all as more particularly described in "Terms and Conditions of the Securities — Interest Payments". The Guarantee contains provisions which, for so long as BT Group plc remains Guarantor, permit a termination of the Guarantee at the sole discretion of the Issuer or the Guarantor where: (i) the Issuer or the Guarantor has issued a certificate signed by two Directors of the Issuer or the Guarantor certifying that no Event of Default (as defined in the Conditions) is continuing; and (ii) a deed supplemental to the Guarantee has been entered into discharging the Guarantor's obligations as the guarantor under the Trust Deed.

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities as more particularly described in "Terms and Conditions of the Securities — Optional Interest Deferral". Any amounts so deferred, together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute Deferred Interest (as defined in the Conditions). The Issuer may pay outstanding Deferred Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding this, the Issuer shall pay any outstanding Deferred Interest, in whole but not in part, on the first to occur of (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event (as defined in the Conditions), (ii) the next scheduled Interest Payment Date if the Issuer pays interest on the Securities on such date, (iii) the date on which the Securities are redeemed or repaid in accordance with the Conditions, and (iv) the date on which the Securities are substituted for, or the terms of the Securities varied so that they become, Qualifying Securities (as defined in the Conditions), all as more particularly described in "Terms and Conditions of the Securities — Optional Interest Deferral — Mandatory payment of Deferred Interest".

Unless previously repaid, redeemed, purchased and cancelled or substituted, the Securities will be redeemed on the Maturity Date at their principal amount, together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Deferred Interest. In addition, upon the occurrence of an Accounting Event, a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event (each such event as defined in the Conditions), the Securities shall be redeemable (at the option of the Issuer) in whole but not in part at the prices set out, and as more particularly described, in "Terms and Conditions of the Securities — Redemption".

The Issuer may, upon the occurrence of an Accounting Event, a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event, at any time, without the consent of the holders of the Securities, either (i) substitute all, but not some only, of such Securities for, or (ii) vary the terms of such Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 8 thereof and subject to Condition 9 of the Conditions.

The Securities will be unsecured securities of the Issuer and will constitute subordinated obligations of the Issuer, all as more particularly described in "Terms and Conditions of the Securities — Status of the Securities" and "Terms and Conditions of the Securities — Subordination of the Securities". The obligations of the Guarantor under the Guarantee will be unsecured obligations of the Guarantor and will constitute subordinated obligations of the Guarantor, all as more particularly described in "Terms and Conditions of the Securities — Status of the Guarantee" and "Terms and Conditions of the Securities — Subordination of the Guarantee".

Payments in respect of the Securities shall be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in "Terms and Conditions of the Securities — Taxation".

Application has been made to the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000 (the "FCA") for the Securities to be admitted to the official list of the Financial Conduct Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Securities to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). References in this Prospectus to Securities being "listed" (and all related references) shall mean that the Securities have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU ("MIFID II") of the European Parliament and of the Council on markets in financial instruments.

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer and the Guarantor or the quality of the Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Securities.

The Securities will initially be issued in registered form and represented upon issue by a registered global certificate which will be registered in the register kept by Citigroup Global Markets Europe AG (the "Register" and the "Registrar") in the name of a nominee for a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg") on or about the Issue Date. Securities in definitive form will be issued only in limited circumstances (as described in "Summary of provisions of the Securities while in Global Form").

The Securities are expected to be rated BB+ by S&P Global Ratings Europe Limited ("Standard & Poor's"), Ba1 by Moody's Investors Service Ltd. ("Moody's") and BB+ by Fitch Ratings Limited ("Fitch") (each, a "Rating Agency"). Each of Standard & Poor's, Moody's and Fitch is established in the European Union (the "EU") or the United Kingdom and are registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Securities involves a high degree of risk. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

STRUCTURING AGENT AND ACTIVE BOOKRUNNER

Barclays

ACTIVE BOOKRUNNERS

BNP PARIBAS

BofA Securities

MUFG

Société Générale Corporate & Investment
Banking

PASSIVE BOOKRUNNERS

Santander Corporate & Investment Banking

J.P. Morgan

NatWest Markets

Citigroup

Lloyds Bank Corporate Markets

SEB

HSBC

Mizuho Securities

SMBC Nikko

This Prospectus comprises a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Guarantor and its subsidiaries including the Issuer, taken as a whole, are referred to in this Prospectus as the “**Group**”.

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

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Bookrunners (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Securities. The distribution of this Prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Bookrunners to inform themselves about and to observe any such restrictions. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Bookrunners or any parent company or affiliate of the Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Bookrunners or such parent company or affiliate on behalf of the Issuer in such jurisdiction.

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

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Bookrunners (as defined in “*Subscription and Sale*” below). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of either the Issuer or the Guarantor since the date hereof or that there has been no adverse change in the financial position of either the Issuer or the Guarantor since the date hereof or that the information contained in it or any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the greatest extent permitted by law, the Bookrunners accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by the Issuer or a Bookrunner or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Securities. Each Bookrunner accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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 Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a distributor) should take into consideration each manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA and UK retail investors – The Securities 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**”) or in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of

MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”) the Securities shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “**MAS**”) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Securities; and
- (e) be 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.

The Securities are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor’s overall investment portfolio.

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Securities.

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

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

Unless otherwise specified or the context requires, references to “£” are to the lawful currency of the UK and references to “euro” and “€” are to the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community.

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

Amounts payable under the Securities are calculated by reference to the 5-year swap rate for euro swaps with a term of five years which appears on the Reuters screen “ICESWAP2” as of 11.00 a.m. (Central European Time) on the Reset Interest Determination Date (as defined in the Conditions), which is provided by ICE Benchmark Administration Limited (“**IBA**”) or the Euro-zone inter-bank offered rate (“**EURIBOR**”) which is provided by the European Money Markets Institute (the “**EMMI**”, and each of the IBA and the EMMI, an “**Administrator**”). As at the date of this Prospectus, IBA and the EMMI each appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011).

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are forward-looking. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning:

- current and future years' outlook;
- adjusted EBITDA;
- normalised free cash flow;
- capital expenditure;
- shareholder returns including dividends and share buyback;
- net debt;
- credit ratings;
- the group-wide transformation and restructuring programme, cost transformation plans and restructuring costs;
- investment in and roll out of the Group's fibre network and its reach, innovations, increased speeds and speed availability;
- the Group's broadband-based service and strategy;
- investment in and rollout of 5G;
- the Group's investment in TV, enhancing its TV service and BT Sport;
- the investment in converged network;
- the recovery plan, operating charge, regular cash contributions and interest expense for the Group's defined benefit pension schemes;
- effective tax rate;
- growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice;
- growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities;
- expectations regarding competition, market shares, prices and growth;
- expectations regarding the convergence of technologies; plans for the launch of new products and services;
- network performance and quality;
- the impact of regulatory initiatives, decisions and outcomes on operations, including the regulation of the UK fixed wholesale and retail businesses and the impact of the Commitments the Group gave to Ofcom to provide Openreach with greater strategic and operational independence following Ofcom's Digital Communications Review;

- BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; adequacy of capital;
- financing plans and refinancing requirements;
- demand for and access to broadband and the promotion of broadband by third-party service providers;
- improvements to the control environment; and
- those preceded by, followed by, or that include the words "aims", "believes", "expects", "anticipates", "intends", "will", "should", "plans", "strategy", "future", "likely", "seeks", "projects", "estimates" or similar expressions.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to:

- market disruptions caused by technological change and/or intensifying competition from established players or new market entrants;
- unfavourable changes to the Group's business where Ofcom raises competition concerns around market power;
- unfavourable regulatory changes;
- disruption to the Group's business caused by an uncertain or adversarial political environment; geopolitical risks;
- adverse developments in respect of the Group's defined benefit pension schemes;
- adverse changes in economic conditions in the markets served by BT, including interest rate risk, foreign exchange risk, credit risk, liquidity risk and tax risk; financial controls that may not prevent or detect fraud, financial misstatement or other financial loss;
- security breaches relating to the Group's customers' and employees' data or breaches of data privacy laws;
- failures in the protection of the health, safety and wellbeing of the Group's people or members of the public or breaches of health and safety law and regulations;
- controls and procedures that could fail to detect unethical or inappropriate behaviour by BT's people or associates;
- customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth;
- failure to deliver, and other operational failures, with regard to BT's complex and high-value national and multinational customer contracts;
- changes to BT's customers' needs or businesses that adversely affect BT's ability to meet contractual commitments or realise expected revenues, profitability or cash flow; termination of customer contracts; natural perils, network and system faults or malicious acts that could cause disruptions or otherwise damage the Group's network;

- supply chain failure, software changes, equipment faults, fire, flood, infrastructure outages or sabotage that could interrupt the Group's services;
- attacks on the Group's infrastructure and assets by people inside BT or by external sources like hackers, criminals, terrorists or nation states;
- disruptions to the integrity and continuity of the Group's supply chain (including any impact of global political developments with respect to Huawei);
- insufficient engagement from the Group's people; and
- risks relating to the BT transformation plan.

All subsequent written or oral forward-looking statements attributable to us or any person acting on the Group's behalf are expressly qualified in their entirety by the factors referred to above.

No assurances can be given that forward-looking statements in this document will be realized. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events, or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Conduct Authority, shall be incorporated in, and form part of, this Prospectus (excluding all information incorporated by reference in any such documents either expressly or implicitly):

- (a) the unaudited condensed consolidated financial information of the Issuer for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018 and the independent review report thereon by KPMG LLP from the Results for the Half Year to 30 September 2019, excluding the paragraph on page 3 beginning “Unaudited pro forma results for BT Group plc...” and the hyperlink included therein under the sub-heading “IFRS 16 pro forma restated historical financial information”;
- (b) the Annual Report 2019 of the Issuer, which contains the auditors’ report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2019, from pages 1-35 and 46-157;
- (c) the Annual Report 2018 of the Issuer, which contains the auditors’ report and audited consolidated annual financial statements of the Issuer in respect of the financial year ended 31 March 2018, from pages 1-104 and 106-223;
- (d) the unaudited condensed consolidated financial information of the Guarantor for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018 and the independent review report thereon by KPMG LLP from the Results for the Half Year to 30 September 2019, excluding the paragraph on page 9 beginning “Unaudited pro forma results for the year...” and the hyperlink included therein under the sub-heading “IFRS 16 pro forma restated historical financial information”;
- (e) the Annual Report 2019 of the Guarantor, which contains the auditors’ report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2019, from pages 1-45 and 54-192;
- (f) the Annual Report 2018 of the Guarantor, which contains the auditors’ report and audited consolidated annual financial statements of the Guarantor in respect of the financial year ended 31 March 2018, from pages 1-199 and 201-320; and
- (g) the trading update of the Guarantor for the nine months to 31 December 2019, excluding the IFRS16 pro forma financial information.

Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of the documents referred to above are incorporated by reference in this Prospectus, the parts of the document which are not incorporated by reference are either not relevant for the prospective investors in the Securities or the relevant information is included elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus are available for viewing on the website of the Issuer (www.btplc.com). In addition, copies of documents incorporated by reference in this Prospectus are

available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Other than indicated above, neither the content of the Issuer's website, nor the content of any website accessible from hyperlinks on the Issuer's website, is incorporated into, or forms part of, this Prospectus and investors should not rely on them, without prejudice to the documents incorporated by reference into this Prospectus, which are made available on the Issuer's website.

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RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Securities. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Securities are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Securities, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Securities may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect (i) the Issuer's ability to fulfil its obligations under the Securities and (ii) the Guarantor's ability to fulfil its obligations with respect to the Securities under the Guarantee

STRATEGIC RISKS

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

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

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

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

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

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

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

Regulation impacts the Group's activities across all jurisdictions. In the UK, Ofcom (the independent regulator for the UK communications industries) can identify competition concerns in the communications markets and set rules requiring the Group to provide certain services on specified terms to its customers. Ofcom reviews markets regularly and can introduce, extend, relax or remove rules as a result of its findings in a market review. Ofcom has powers to conduct specific investigations about market behaviour, including price levels. In addition, Ofcom can set out rules for spectrum auctions (such as the 5G spectrum auction expected in Spring 2020) to ensure consumer protection in the sector.

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

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

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

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

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

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

Consumer issues, such as the charges applied once a customer's minimum contract term expires, were part of a super-complaint made by Citizens Advice in September 2018 to the Competition and Markets Authority (CMA), which covered matters across the telecommunications and financial services sectors. The issues identified were referred back to the sector regulators to deal with, in the case of telecommunications to Ofcom. The CMA retains oversight of regulators' progress in dealing with the issues the CMA identified in its report. As part of its oversight, the CMA reports into regular 'ministerial forums', chaired by the Minister for Small Business, Consumers and Social Responsibility.

The Department of Digital, Culture, Media and Sport published its Future Telecoms Infrastructure Review in July 2018 as part of the UK Government's modern industrial strategy, setting out a longer-term vision for the UK's connectivity and associated infrastructure. This thinking fed into the Government's 'statement of strategic priorities' for Ofcom, which was issued in October 2019, and to which Ofcom must have regard in exercising its functions.

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

Regulation outside the UK can also impact the Group's revenue. For example, the degree of restrictiveness of licence requirements and effectiveness of regulation can restrict the Group's ability to access other networks on fair terms. Regulation can also define and control the terms of access to necessary regulated inputs, which raises the Group's costs.

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

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

- In the UK, internet access is increasingly seen as an essential part of people's lives. As a result, the level of political debate continues to focus on network coverage, price, quality and speed of service as well as broader issues of online safety and security. This includes the recent decision by the Government restricting the use of equipment from certain vendors in the UK telecoms network. As well as providing a critical element of the UK's national infrastructure, both fixed and wireless, the Group is also engaged in supporting high profile programmes such as the Broadband Delivery UK regional fibre deployment programme and the Emergency Services Network.
- The result of the UK referendum to leave the European Union ("Brexit") has increased political uncertainty and instability. This continues to impact political debates around the UK, including regarding the nature of the UK's future relationship with the EU, the possibility of a second Scottish independence referendum and the complex situation in Northern Ireland including border matters.
- Outside the UK, political and geopolitical risk can impact the Group's business through changes in the regulatory and competitive landscape, but also as a direct threat to its people and assets as a result of social unrest or a break down in the rule of law.

Political uncertainty can have direct financial consequences across the economy, impacting, for example, foreign exchange rates, the availability and cost of capital, interest rates may also result in changes in the tax regime. In addition, the effects of political uncertainty and other political and geopolitical risks can exacerbate the effects of other risks to the Group's business. For example, in the UK there is an increasing overlap between political debate and the regulatory environment, which increases the Group's regulatory risk profile. In particular, there has continued to be high political interest and policy focus around communications – particularly fibre broadband, 5G and improving mobile coverage in rural areas, including the publication by the Department for Digital, Culture, Media and Sport of its Future Telecoms Infrastructure Review in July 2018, subsequent issuance of the Government's October 2019 statement of strategic priorities for Ofcom and related focus in the December 2019 General Election campaign. There has also been more political focus on issues like consumer pricing and contracts, as well as security and competition in the communications supply chain. The pace and scale of BT's investment in fibre to the premises will also be influenced by Government decisions, for example on business rates.

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

uncertainty, and the possibility of a disorderly exit after the transition period (which is due to run until 31 December 2020) could have a damaging impact on consumer and business confidence.

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

FINANCIAL RISKS

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

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

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

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

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

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

The Group faces a variety of financial risks which could adversely affect profitability, liquidity and reputation

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

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

In 2018, Standard & Poor's and Fitch downgraded the Group's credit rating, due to concerns over the effect that competing pressures, including those related to the Group's pensions and its network investments, may have on the Group's cash flows.

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

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

COMPLIANCE RISKS

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

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

During 2018/19, the Group commenced a significant Sarbanes-Oxley control enhancement programme which identified two particular areas requiring remediation: IT general controls and risk assessment. Although significant improvements have been made, remediation and testing of all remediation plans was not complete at 31 March 2019 and are a continuing focus for 2019/20. The Group concluded that unremediated deficiencies in the two areas resulted in material weaknesses in the Group's internal control over financial reporting as at 31 March 2019 under the U.S. Sarbanes-Oxley Act. As a result, the Group's management concluded that the disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by the Group in the reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms.

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

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

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

As a major data controller and processor of customer information around the world, the Group recognises the importance of adhering to data privacy laws. The Group wants individuals and businesses to be confident that when they give their data to the Group they can trust the Group to do the right thing with that data. This includes properly securing customer data, keeping it protected against both internal and external threats (such as cyber-attacks), preserving the integrity of the personal data processed, only keeping the data required to provide

customers with the services for which they have signed up. It also includes ensuring transparency around how the Group uses and shares that data, ensuring personal data is processed in a way that is legal, fair and in line with customers' rights and wishes as well as ensuring that the Group fulfils its legal obligations when customers want to exercise their rights under data legislation. The ability to use data in a compliant manner is therefore critical to the future success of the Group.

As a communications provider, the Group currently operates under a stringent reporting regime to tell the UK Information Commissioner's Office ("**ICO**") if the Group becomes aware of a personal data security breach. The Group must also tell any affected individuals as quickly as possible if the incident is likely to have an impact on them. An individual's fundamental right to privacy is reflected in the fact that data privacy laws are in force in more than 100 countries. The nature of those laws varies across different parts of the world. Increasingly, the Group must show that it is handling personal data in line with a complex web of national data laws and society's ethical expectations.

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

These regulatory regimes present a significant challenge. A number of major corporations have fallen victim to significant data breaches this year, which resulted in a significant impact to their share price and ongoing costs as a consequence of non-compliance. Failure to comply with data protection and privacy obligations may result in regulatory enforcement action, significant fines, legal action (class-action or breach of contract), criminal sanctions (including prison sentences), significant reputational damage, customer churn and the Guarantor's shareholder divestment and financial loss. The sanctions for breaching the GDPR are significantly higher than under the previous regime, which could result in a substantial fine in the event of a breach.

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

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

The failure to implement and maintain effective health safety management could generate significant human and financial costs as a result of injury to the Group's workforce or members of the public, financial penalties, hindered or stopped operations and/or reputational damage. The Group aims to adapt technology and working practices to help reduce the physical risks to people, although there can be no assurances that these changes will be successful.

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

A change in the Group's workforce is increasing risks in areas such as driving. The Group has had a mature workforce, with little labour turnover, for many years. That cadre is reaching retirement age and consequently

the Group is recruiting large numbers of younger people. The new intake of younger people may have a different risk attitude, combined with less experience, resulting in the need for the Group to make sure it puts in place additional safeguards, with less reliance on expertise and individual judgment.

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

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

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

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

The Group is committed to maintaining high ethical standards, and has a zero tolerance approach to fraud, bribery, any form of corruption or any illegal or unethical activity. The Group has to comply with a wide range of local and international laws, including anti-corruption and bribery laws. The UK Bribery Act and the United States Foreign Corrupt Practices Act ("FCPA") have extraterritorial reach and thereby cover the Group's global operations. The Group has seen a steady flow of significant cases under both the UK Bribery Act and the FCPA. The Group also has to ensure compliance with trade sanctions as well as import and export controls. The Group complies with the UK Modern Slavery Act and follows international standards on human rights, such as the International Labour Organisation's Principles and the United Nations Guiding Principles on Business and Human Rights. There has been a steady flow of significant cases from both the UK Bribery Act and the FCPA. There has also been an increase in legislation (either enacted or proposed) to address and report on human rights abuses by companies.

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

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

OPERATIONAL RISKS

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

Failure of the Group to deliver customers the positive experience they expect with respect to products and services, culture, brand, processes leadership, technology, employees and policies could damage the Group's

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

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

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

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

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

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

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

One of the Group's largest contracts is the delivery of a key element of the UK Emergency Services Network, which is being delivered with several partners and is managed by the UK Home Office. In addition, the Group continues to deliver a number of contracts with local authorities through regional fibre deployment programmes including the Broadband Delivery UK programme. As with the Group's other major contracts, failure to deliver either of these contracts successfully may lead to a reduction in the Group's expected future revenue, profitability and cash generation. These contracts are high-profile and therefore carry a higher reputational risk, and they present specific risks around deployment, delivery and the Group's ability to recover public funding. The Group also has an obligation to potentially either re-invest or repay grant funding depending on a number of factors, including the level of customer take-up achieved.

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

The security and resilience of the Group's services are critical factors in its commercial success. There is a risk that the Group is unable to prevent and respond to incidents caused by natural perils, network and system faults, and malicious acts that threaten the Group's network. The Group faces a variety of hazards that could cause

significant interruptions to the delivery of its services, including cyber-attacks supply chain failure, software changes, equipment faults, fire, flood, infrastructure outages and sabotage.

Extreme weather always challenges the Group's IT and network estate. In 2019 the Group had to keep its network operating through lightning storms and heavy rain.

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

Failure to manage cyber and information security threats

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

Cyber-attackers are learning how to defeat conventional defences such as anti-virus ("AV"), proxy servers, and basic authentication. They are changing malware signatures faster than AV vendors can deliver matching identity files, launching 'Denial of Service' attacks that are disguised as legitimate traffic at the application level, and using increasingly convincing phishing emails to trick users into giving access to restricted systems. Major corporates continue to fall victim to cyber-attack, with a number of high-profile incidents occurring in 2018 and 2019.

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

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

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

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

The Group is committed to ensuring that all dealings with its suppliers, from selection and consultation through to contracting and payment, are in accordance with its trading and ethical policies. If any link in the Group's supply chain does not meet the applicable legal requirements or fails to meet the Group's ethical expectations, its reputation could be damaged and it may be subject to legal action, fines and lost revenue.

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

Threats to the supply chain include the impacts of the United Kingdom vote to leave the European Union, which has required extensive preparation on the part of the Group to understand its suppliers' readiness and the impact on the availability of goods and services. Other impacts of supplier risk include the threat of modern slavery and human trafficking, the growing threat of cyber-attacks on the Group's systems and networks where its suppliers represent a source of vulnerability, and public health issues (such as the recent outbreak of Coronavirus in China and elsewhere).

Over the course of 2019 there was significant geopolitical focus on Huawei, one of the Group's major suppliers whose products include mobile handsets and also equipment for both current networks and for future 5G networks. The Group has been monitoring these developments and will continue to do so as governments determine their future policies. In December 2018, the Group announced that, in line with its long-standing network architecture principles around the use of Huawei, the Group will replace the current Huawei 4G core (inherited through the EE acquisition). This will be implemented as the Group moves in the future to a new and combined 4G/5G core.

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

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

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

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

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

Failure to manage and implement the change programme successfully could result in poorer customer experiences, negative impacts on employee engagement or potential overspend on the projects themselves. In addition, the projects may not successfully achieve the efficient processes, cost savings or differentiated products and services intended. If the Group's transformation programmes do not deliver the intended customer benefits, or if they divert employees' attention away from the Group's customers, the Group may suffer a

reduction in the quality of service it provides, and as a result incur customer churn and even financial penalties in some cases.

Risks related to the Securities generally

The Securities will be subject to optional redemption by the Issuer including upon the occurrence of certain events

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8) substituted, the Issuer will redeem the Securities on 18 August 2080, at 100 per cent. of their principal amount together with any accrued and unpaid interest to such date (including any accrued but unpaid Deferred Interest). The Securities will be redeemable, at the option of the Issuer, in whole but not in part on (i) any date during the period commencing (and including) on the date three months prior to the First Reset Date to (and including) the First Reset Date and (ii) any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Deferred Interest.

In addition, upon the occurrence of an Accounting Event, a Rating Capital Event, a Tax Deductibility Event, a Substantial Repurchase Event or a Withholding Tax Event (each as defined in the Conditions and as more fully described in Condition 7 of the Securities and subject to the relevant provisions in Condition 7 and Condition 9 of the Securities), the Issuer shall have the option to redeem, in whole but not in part, the Securities at (i) 101 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of an Accounting Event, a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs before 18 May 2025) or (ii) 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time or in the case of an Accounting Event, a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs on or after 18 May 2025).

Furthermore, if an Accounting Event, a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event occurs, then, subject to the provisions of Conditions 8 and 9 of the Securities, the Issuer may at any time, instead of giving notice to redeem the Securities, substitute all, but not some only, of the Securities for, or vary the terms of the Securities so that they remain or become, as the case may be, Qualifying Securities. Whilst Qualifying Securities are required to have terms not otherwise materially less favourable to Holders (as defined below) than the terms of the Securities, there can be no assurance that the substitution or variation of the Securities will not have a significant adverse impact on the price of, and/or market for, the Securities or the circumstances of relevant individual Holders. For example, it is possible that the Qualifying Securities will contain conditions that are contrary to the investment criteria of certain investors and the tax and stamp duty consequences of holding the Qualifying Securities could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Securities prior to such substitution or variation.

During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest payable on them. 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 payable on the Securities 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.

The interest rate on the Securities will reset on the First Reset Date and on every Reset Date thereafter, which can be expected to affect the interest payment on the Securities and the market value of such Securities.

Although the Securities will earn interest at a fixed rate until (but excluding) the First Reset Date, the current market interest rate on the capital markets (the “**market interest rate**”) typically changes on a daily basis. Since the initial fixed rate of interest for the Securities will be reset on the First Reset Date (as set out in the Conditions) and on each subsequent Reset Date, the interest payment on the Securities will also change. Holders of the Securities (respectively, the “**Holders**”) should be aware that movements in these market interest rates can adversely affect the price of the Securities and might lead to losses for the Holders if they sell the Securities.

Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Securities.

Integral multiples of less than the specified denomination

The denominations of the Securities are €100,000 and integral multiples of €1,000 in excess thereof. Therefore, it is possible that the Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than €100,000, will not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive Securities are issued, Holders should be aware that definitive Securities which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

The Issuer’s and Guarantor’s obligations under the Securities are subordinated

The Issuer’s obligations under the Securities will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “*successor in business*” (as defined in the Trust Deed) of the Issuer: (A)(x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with the Conditions) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders will rank (i) junior to the claims of holders of all Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Securities of the Issuer and (iii) in priority to the claims of holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital. See “*Terms and Conditions of the Securities — Status of the Securities*” and “*Terms and Conditions of the Securities — Subordination of the Securities*”.

The Guarantor’s obligations under the Guarantee will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation of the Guarantor or an administrator of the Guarantor has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders under the Guarantee will rank (i) junior to the claims of holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of holders of all Parity Securities of the Guarantor and (iii) in priority to the claims of holders of the ordinary share capital of the Guarantor and any other obligations of the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital. See “*Terms and Conditions of the Securities — Status of the Guarantee*” and “*Terms and Conditions of the Securities — Subordination of the Guarantee*”.

By virtue of such subordination, payments to a Holder will, in the events described in the Conditions, only be made after all obligations of the Issuer and/or the Guarantor resulting from higher ranking claims have been satisfied. A Holder may, therefore, recover less than the holders of unsubordinated or other prior ranking subordinated liabilities of the Issuer and/or the Guarantor. Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Securities which may be incurred or assumed by the Issuer and the Guarantor from time to time, whether before or after the Issue Date. The incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up or administration of the Issuer and/or the Guarantor and/or may increase the likelihood of a deferral of interest payments under the Securities. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with, the Securities and each Holder shall, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt securities, such as the Securities, may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

The Issuer has the right to defer interest payments on the Securities

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities, subject to limited exceptions. See “*Terms and Conditions of the Securities — Optional Interest Deferral*”. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities or on certain instruments ranking *pari passu* with the Securities and, in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

Any such deferral of interest payments or perceived likelihood of a future deferral of interest payments will not constitute a default for any purpose unless such payments are required in accordance with Condition 6(c) of the Securities.

Any deferral of interest payments in respect of the Securities is likely to have an adverse effect on the market price of the Securities. In addition, as a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s and/or the Guarantor’s financial condition.

The Securities may not be redeemed unless and until all outstanding Deferred Interest in respect of such Securities is satisfied in full, on or prior to the date set for the relevant redemption.

Limited Remedies

Payments of interest on the Securities may be deferred in accordance with Condition 6(a) of the Securities and interest will not, therefore, be due other than in the limited circumstances described in Condition 6(c) of the Securities.

The only event of default in the Conditions is if a default is made by the Issuer and the Guarantor for a period of 14 days or more in relation to the payment of principal or for a period of 28 days or more in respect of any payment of interest (including any Deferred Interest), in each case in respect of the Securities and which is due and payable. In the event of such a default the Trustee may institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

Therefore, it will only be possible for the Holders to enforce claims for payment of principal or interest in respect of the Securities when the same are due.

In addition, if an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a “successor in business” of the Issuer) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of Holders will be subordinated to the claims of holders of all Senior Obligations of the Issuer as further described in Condition 3(a) of the Securities. Accordingly, without prejudice to the rights of the Trustee and the Holders against the Guarantor, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or administration proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto the Holders will have only limited ability to influence the conduct of such winding-up or administration proceedings.

Furthermore, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up of the Guarantor) or an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders under the Guarantee will be subordinated in accordance with Condition 4(c) of the Securities. Accordingly, without prejudice to the rights of the Trustee and the Holders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings before the Holders may expect to obtain from the Guarantor any recovery pursuant to the Guarantee in respect of their Securities and prior thereto the Holders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

Modification, Waiver and Substitution

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

The Conditions and the Trust Deed will also provide that the Trustee may, without the consent of the Holders, agree to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement in respect of the Securities which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification to (except as mentioned in the Trust Deed in respect of the Securities), and any waiver or authorisation of, any breach or proposed breach by the Issuer and/or the Guarantor of, any of the Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement in respect of the Securities which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any modification entitling the Holders to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor which are more extensive than those set out in Condition 12 of the Securities) or (iii) if so requested by the Issuer, agree to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of the Securities of certain other entities in place of the Issuer (or any previous substituted Issuer) as a new principal debtor under the Trust Deed and the Securities (and in certain circumstances, if so requested by the Issuer, the Trustee shall agree, without the consent of the Holders, to such substitution). Additionally, the Trustee shall, without any requirement for the consent or approval of the Holders, (i) be obliged to concur with the Issuer in effecting any Benchmark Amendments (as defined in the Conditions) required by the Issuer pursuant to (and subject to the provisions of) Condition 5(i) of the Securities or (ii) execute any documents necessary to effect either (a) the substitution of all, but not some only, of the Securities for, or (b) the variation of the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 8 of the Securities, upon the occurrence of

an Accounting Event, a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event and subject to certain conditions specified in Conditions 8 and 9 of the Securities.

Any such modification, waiver, and/or substitution may have a significant adverse impact on the price of, and/or the market for, the Securities.

Change of law

The Securities will be governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or any administrative practice thereof after the Issue Date.

Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Securities

Future discontinuance of EURIBOR and benchmark reforms

EURIBOR and any other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Regulation (EU) No. 2016/1011 (the "**Benchmark Regulation**"), published in the Official Journal of the European Union on 29 June 2016 and applicable from 1 January 2018, could have a material impact on the Securities linked to EURIBOR, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the benchmark.

Following the implementation of any potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the EURIBOR benchmark, or changes in the manner of its administration, could require or result in an adjustment to the interest calculation provisions of the Conditions, or result in adverse consequences to Holders. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the Securities, the return on the Securities and the trading market for securities (including the Securities) based on the same benchmark.

Potential for a fixed rate return

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for the period from (and including) the Reset Date, which is based on a reset mid-swap rate, may be affected. If such rate is not available, the rate of interest on the Securities will be determined by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the Screen Page.

In addition, any changes to the administration of the applicable annualised mid-swap rate for swap transactions in euro with a term of five years as referred to in the Conditions or the emergence of alternatives to such mid-swap rate as a result of these potential reforms, may cause such rate to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of such rate or changes to its administration could require changes to the way in which the Reset Interest Rate is calculated on the Securities from (and including) the Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the relevant mid-swap rate may adversely affect the Reset Interest Rate, the return on the Securities and the trading market for securities (such as the Securities) based on the same mid-swap rate. The development of alternatives to the relevant mid-swap rate may result in the Securities performing differently than would otherwise have been the case if such alternatives to the relevant mid-swap

rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Securities.

Benchmark Event

The Conditions also provide for certain fall-back arrangements in the event that the Issuer determines that a Benchmark Event has occurred. The Issuer may, having used reasonable endeavours to appoint and consult an Independent Adviser, determine a Successor Rate or, failing which, an Alternative Rate to be used in place of the mid-swap rate. The use of any such Successor Rate or Alternative Rate to determine the Reset Interest Rate may result in the Securities performing differently (including paying a lower Reset Interest Rate than they would do if the relevant mid-swap rate were to continue to apply in its current form).

Furthermore, if a Successor Rate or Alternative Rate is determined by the Issuer, the Conditions provide that the Issuer may, following consultation with the Independent Advisor, vary the Conditions of the Securities, the Paying Agency Agreement and/or the Trust Deed, as necessary, to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Holders. If a Successor Rate or Alternative Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread will be determined by the Issuer, in consultation with the Independent Advisor, to be applied to such Successor Rate or Alternative Rate. Accordingly, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Securities may not do so and may result in the Securities performing differently (which may include payment of a lower interest rate) than they would do if sub-paragraph (i) of the definition of 5-year Swap Rate Conditions were to apply. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Securities. However, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer and the Guarantor, the same could reasonably be expected to cause a Rating Capital Event (as defined in the Conditions) to occur.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of Condition 5(i) will not be applied if the same could reasonably be expected to cause a Rating Capital Event to occur, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of the relevant mid-swap rate could adversely affect the ability of the Issuer to meet its obligations under the Securities and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

Risks related to the market generally

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in Euro. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a 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 Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities and (3) the Investor's Currency equivalent market value of the Securities.

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

Interest rate risks

Investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. Fluctuations in interest rates can affect the market values of, and corresponding levels of capital gains or losses on, fixed rate securities. During periods of rising interest rates, the prices of fixed rate securities, such as the Securities, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Securities involves the risk that changes in market interest rates may adversely affect the value of the Securities.

Credit ratings may not reflect all risks

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

OVERVIEW

The following overview refers to certain provisions of the “*Terms and Conditions of the Securities*” and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in “*Terms and Conditions of the Securities*”.

Issuer	British Telecommunications public limited company.
Guarantor	BT Group plc.
Legal Entity Identifier of the Issuer	549300WFMSO9NYV4H90
Legal Entity Identifier of the Guarantor	213800LRO7NS5CYQMN21
Trustee	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent and Calculation Agent	Citibank, N.A., London Branch
Issue Size	€500,000,000
Issue Date	18 February 2020.
Maturity Date	18 August 2080
Interest	<p>The Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 18 August 2080 (the “Maturity Date”). From (and including) the Issue Date to (but excluding) 18 August 2025 (the “First Reset Date”) the Securities will bear interest on their principal amount at a rate of 1.874 per cent. per annum, payable annually in arrear on 18 August in each year. The first payment of interest, to be made on 18 August 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 18 August 2020. Thereafter, unless previously redeemed, the Securities will bear interest from (and including) the First Reset Date to (but excluding) the First Step-up Date at a rate per annum which shall be 2.13 per cent. above the 5-year Swap Rate (as defined in the “<i>Terms and Conditions of the Securities</i>” (the “Conditions”)), payable annually in arrear on 18 August in each year. From (and including) the First Step-up Date to (but excluding) the Second Step-up Date the Securities will bear interest at a rate per annum which shall be 2.38 per cent. above the 5-year Swap Rate payable annually in arrear on 18 August in each year. From (and including) the Second Step-up Date to (but excluding) the Maturity Date, the Securities will bear interest at a rate per annum which shall be 3.13 per cent. above the 5-year Swap Rate payable annually in arrear on 18 August in each year, all as more particularly described in</p>

“Terms and Conditions of the Securities — Interest Payments”.

Issue Price	100 per cent.
Status	The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves and with any Parity Securities of the Issuer.
Subordination	The rights and claims of the Holders will be subordinated to the claims of holders of all Senior Obligations of the Issuer in that if at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, (A)(x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with the Conditions) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders will be subordinated in accordance with Condition 3(a) thereof. Accordingly without prejudice to the rights of the Trustee and the Holders under the Guarantee, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See <i>“Risk Factors — Risks related to the Securities generally — Limited Remedies”</i> .
Status of the Guarantee	The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank <i>pari passu</i> and without any preference among themselves and with any Parity Securities of the Guarantor.
Subordination of the Guarantee	The rights and claims of the Holders under the Guarantee will be subordinated to the claims of holders of all Senior Obligations of the Guarantor in that if at any time an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation,

reconstruction or amalgamation of the Guarantor, (A) the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed); and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with the Conditions) or an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders under the Guarantee will be subordinated in accordance with Condition 4(c) of the Securities. Accordingly without prejudice to the rights of the Trustee and the Holders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings before the Holders may expect to obtain from the Guarantor any recovery under the Guarantee in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “*Risk Factors — Risks related to the Securities generally — Limited Remedies*”.

Termination of the Guarantee

The Trust Deed contains provisions which, for so long as BT Group plc remains Guarantor, permit a termination of the Guarantee at the sole discretion of the Issuer or the Guarantor where: (i) the Issuer or the Guarantor has issued a certificate signed by two directors of the Issuer or the Guarantor certifying that no Event of Default (as defined in the Conditions) is continuing; and (ii) a deed supplemental to the Trust Deed has been entered into discharging the Guarantor’s obligations as the guarantor under the Guarantee.

Optional Interest Deferral

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date) by giving a Deferral Notice of such election to the Holders, the Trustee, the Registrar and the Principal Paying Agent. Subject as described in “*Terms and Conditions of the Securities – Optional Interest Deferral – Mandatory payment of Deferred Interest*”, if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then neither it nor the Guarantor will have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Securities or the Guarantee or for any other purpose.

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the “**Deferred Interest Settlement Date**”) following delivery of a notice to such effect

given by the Issuer to the relevant Holders, the Trustee, the Registrar and the Principal Paying Agent informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being “**Deferred Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 6(c), in each case such further interest being compounded on each Interest Payment Date. Non-payment of Deferred Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 6(c).

Mandatory Settlement

Notwithstanding the right to defer payment of interest, the Issuer shall pay any outstanding Deferred Interest, in whole but not in part, on the first to occur of (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event, (ii) the next scheduled Interest Payment Date if the Issuer pays interest on the Securities on such date, (iii) the date on which the Securities are redeemed or repaid in accordance with the Conditions on such date, and (iv) the date on which the Securities are substituted for, or where the terms of the Securities are varied so that they become Qualifying Securities, all as more particularly described in “*Terms and Conditions of the Securities — Optional Interest Deferral — Mandatory payment of Deferred Interest*”.

Optional Redemption

The Issuer may redeem all, but not some only, of the Securities on any Business Day in the period commencing on the date three months prior to the First Reset Date to (and including) the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Deferred Interest.

Special Event Redemption

If a Special Event has occurred and is continuing, then the Issuer may redeem at any time all, but not some only, of the Securities at:

- (i) in the case of a Rating Capital Event, Tax Deductibility Event or Accounting Event where the relevant date fixed for redemption falls prior to 18 May 2025, 101 per cent. of their principal amount;

- (ii) in the case of a Rating Capital Event, Tax Deductibility Event or Accounting Event where the relevant date fixed for redemption falls on or after 18 May 2025, their principal amount; or
- (iii) in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount,

in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Deferred Interest.

Substitution or Variation instead of Special Event Redemption

The Issuer may, if an Accounting Event, a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, without the consent of the Holders of the Securities, either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 8 thereof and subject, *inter alia*, to the receipt by the Trustee of the certificate of the directors of the Issuer.

Event of Default

If a default is made by the Issuer or the Guarantor for a period of 14 days or more in relation to the payment of principal or for a period of 28 days or more in respect of any payment of interest (including any Deferred Interest) in respect of the Securities which is due and payable (an “**Event of Default**”), then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed and the Securities and the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c)) institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

Additional Amounts

Payments by or on behalf of the Issuer in respect of the Securities or on behalf of the Guarantor in respect of the Guarantee shall be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described under “*Terms and Conditions of the Securities* —

Taxation".

Replacement intention

The Issuer intends (without thereby assuming a legal obligation), that if it redeems the Securities pursuant to Condition 7(b) or repurchases the Securities, it will so redeem or repurchase the Securities only to the extent the part of the aggregate principal amount of the Securities to be redeemed or repurchased which was assigned equity credit (or such other nomenclature used by S&P from time to time) at the time of the issuance of the Securities does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings Europe Limited ("S&P") "equity credit" (or such similar nomenclature used by S&P from time to time) (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:

- (i) the issuer credit rating assigned by S&P to the Issuer is at least "BBB" (or such similar nomenclature then used by S&P) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years; or
- (iii) the Securities are not assigned an "equity credit" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or
- (iv) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued by the Issuer remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or
- (v) such redemption or repurchase occurs on or

after 18 August 2045.

Form	The Securities will be issued in registered form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof. A security certificate (each a “ Certificate ”) will be issued to each holder in respect of its registered holding of Securities. Each Certificate will be serially numbered with an identifying number which will be recorded on the relevant Certificate and in the register of holders which the Issuer will procure to be kept by Citigroup Global Markets Europe AG as registrar (the “ Registrar ”) (the “ Register ”).
Denominations	€100,000 and integral multiples of €1,000 in excess thereof.
Listing and Admission to Trading	Application has been made to the Financial Conduct Authority for the Securities to be admitted to the Official List and to the London Stock Exchange for the Securities to be admitted to trading on the Market.
Governing Law of the Securities and the Guarantee	English law.
Ratings	The Securities are expected to be rated BB+ by Standard & Poor’s, Ba1 by Moody’s and BB+ by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended). As such each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.
Use and Estimated Net Amount of Proceeds	The estimated net proceeds of the issue of the Securities, after deduction of commissions, fees, and estimated expenses, will be €497,500,000 and the estimated net proceeds will be used for general corporate purposes.
Selling Restrictions	<p>The United States, prohibition on sales to EEA and UK retail investors, the UK, Japan, Singapore and the Republic of Italy. See “<i>Subscription and Sale</i>”.</p> <p>Category 2 offering restrictions have been implemented for the purposes of Regulation S under the Securities Act.</p>
Risk Factors	Prospective investors should carefully consider the information set out in “ <i>Risk Factors</i> ” in conjunction with the other information contained or incorporated by reference in this Prospectus.

ISIN

XS2119468572

Common Code

211946857

TERMS AND CONDITIONS OF THE SECURITIES

The following, except for paragraphs in italics, are the terms and conditions of the Securities which will be endorsed on the Certificates issued in respect of the Securities.

The issue of the €500,000,000 Capital Securities due 2080 (the “**Securities**”, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 20 and forming a single series with the Securities) of British Telecommunications public limited company (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer dated 3 February 2020. The obligations of the Issuer in respect of the Securities and the Trust Deed are guaranteed (such guarantee, the “**Guarantee**”) by BT Group plc (the “**Guarantor**”) as described below and in the Trust Deed. The Guarantee was authorised by a resolution of the board of directors of the Guarantor passed on 28 January 2020 and by resolutions of a sub-committee of the board of directors of the Guarantor passed on 7 February 2020. The Securities are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 18 February 2020 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities. Copies of (i) the Trust Deed and (ii) a paying agency agreement (as amended and/or supplemented and/or restated from time to time) (the “**Paying Agency Agreement**”) dated 18 February 2020 relating to the Securities between the Issuer, Citibank N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, and together with any additional or successor paying agents, the “**Paying Agents**”), Citibank N.A., London Branch as calculation agent (the “**Calculation Agent**”), Citigroup Global Markets Europe AG as registrar (the “**Registrar**”) and the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities) and the Trustee are available for inspection by prior arrangement during usual business hours at the principal office of the Trustee and at the specified offices of each of the Paying Agents. The holders of the Securities are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Securities are issued in registered form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof. A security certificate (each a “**Certificate**”) will be issued to each Holder (as defined below) in respect of its registered holding of Securities. Each Certificate will be serially numbered with an identifying number which will be recorded on the relevant Certificate and in the register of Holders which the Issuer will procure to be kept by the Registrar (the “**Register**”).

(b) *Title*

Title to the Securities shall pass only by registration in the Register. Except as ordered by a court of competent jurisdiction or as otherwise required by law, the Holder of any Security shall be deemed to be, and may be treated as, its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate) and no person will be liable for so treating the holder. In these Conditions, **Holder** or **holder** means the person in whose name a Security is registered in the Register.

(c) *Transfers*

A Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Transfer Agents.

(d) *Delivery of new Certificates*

Each new Certificate to be issued upon transfer of Securities will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the Security to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Securities not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Securities not so transferred to the address of such Holder appearing on the Register or as specified in the form of transfer.

(e) *Formalities free of charge*

Registration of transfer of Securities will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent upon payment (or the giving of such indemnity as the Issuer, the Registrar or any Transfer Agent may reasonably require) in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(f) *Closed periods*

No Holder may require the transfer of a Security to be registered during the period of 15 days ending on the due date for any payment of principal or premium on that Security or in the period falling 15 days prior to any Interest Payment Date.

(g) *Regulations*

All transfers of Securities and entries on the Register will be made subject to such reasonable regulations as the Issuer, the Registrar and the Trustee may from time to time agree (the initial such regulations being set out in Schedule 3 to the Paying Agency Agreement).

2. Status of the Securities

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Issuer. The rights and claims of the Holders in respect of the Securities against the Issuer are subordinated as described in Condition 3.

3. Subordination of the Securities

(a) *General*

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, (A)(x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security, such amounts, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares of the Issuer**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Issuer (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder were entitled to receive in respect of each Notional Preference Share of the Issuer on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and any accrued and unpaid interest (including any accrued but unpaid Deferred Interest) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up). For the purpose of construing the provisions of the Guarantee and the Guarantor’s payment obligations in respect thereof, the latter amounts shall be treated as due and payable by the Issuer on the date such order is made or such resolution is passed or notice is given, as the case may be and, consequently, a claim under the Guarantee in respect of such amount may be made on, or at any time after, such date.

Accordingly, without prejudice to the rights of the Trustee and the Holders under the Guarantee, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders may expect to obtain from the Issuer any recovery in respect of their Securities and prior thereto any Holder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.

- (b) *Set-off*

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities and each Holder shall, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention.

4. Guarantee

- (a) *Guarantee*

The payment of the principal, premium and interest in respect of the Securities has been guaranteed by the Guarantor pursuant to the Guarantee.

The Guarantee may be terminated by the Guarantor or the Issuer at any time as described in the Trust Deed and Condition 17.

(b) *Status of the Guarantee*

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Guarantor. The rights and claims of the Holders in respect of the Guarantee against the Guarantor are subordinated as described in Condition 4(c).

(c) *Subordination of the Guarantee*

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Guarantor (A) the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed); and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Guarantor being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Guarantor under the Guarantee in respect of each Security, such amounts, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Guarantor (“**Notional Preference Shares of the Guarantor**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Guarantor and any other obligations of the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Guarantor (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder were entitled to receive in respect of each Notional Preference Share of the Guarantor on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and any accrued and unpaid interest (including any accrued but unpaid Deferred Interest) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up).

Accordingly, without prejudice to the rights of the Trustee, the Holders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings of the Guarantor before the Holders may expect to obtain from the Guarantor any recovery pursuant to the Guarantee in respect of their Securities, as the case may be, under the Guarantee and prior thereto any Holder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.

(d) *Set-off*

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee and each Holder shall, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention.

5. Interest Payments

(a) *Interest Payment Dates*

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 18 February 2020 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 5.

Subject to Condition 6, interest shall be payable on the Securities annually in arrear on 18 August in each year (each an “**Interest Payment Date**”) and ending on the Maturity Date, as provided in this Condition 5, except that the first payment of interest, to be made on 18 August 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 18 August 2020.

(b) *Interest Accrual*

The Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 7 or the date of substitution or variation thereof pursuant to Condition 8, as the case may be, unless, upon due surrender (where such surrender is required), payment of all unpaid amounts in respect of the Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 5(c), where it is necessary to compute an amount of interest in respect of any Security for a period which is less than or equal to a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (or, in respect of interest accruing during the first Interest Period, the period from (and including) 18 August 2019 to (but excluding) 18 August 2020) (“**day-count fraction**”). Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 5(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

(c) *Initial Interest Rate*

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 1.874 per cent. per annum (the “**Initial Interest Rate**”). The Interest Payment in respect of each such Interest Period will amount to €18.74 per Calculation Amount. The first payment of interest, to be made on 18

August 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 18 August 2020 and will amount to €9.32 per Calculation Amount.

(d) *Reset Interest Rates*

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5-year Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a “**Reset Interest Rate**”).

(e) *Determination of Reset Interest Rates and Calculation of Interest Amounts*

The Calculation Agent will, as soon as practicable after 11.00 hours (Central European Time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the “**Interest Amount**”).

(f) *Publication of Reset Interest Rates and Interest Amounts*

Unless the Securities are to be redeemed on or prior to the next following Reset Date, the Issuer (failing which the Guarantor) shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Trustee, the Registrar, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 19, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) *Calculation Agent and Reference Banks*

Unless the Securities are to be redeemed on or prior to the First Reset Date, the Issuer will, no later than fourteen days before the first Reset Interest Determination Date, appoint and thereafter maintain a Calculation Agent.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in the Calculation Agent’s place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) *Determinations of Calculation Agent Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Registrar, the Transfer Agents, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders, the Issuer or the Guarantor shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) *Benchmark Event*

(i) Notwithstanding the provisions above in this Condition 5, if the Issuer determines that a Benchmark Event has occurred when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its

reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(i)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(i)(iv)).

In making such determination and any other determination pursuant to this Condition 5(i), the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Agents or the Holders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(i).

If the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(i)(i) prior to the relevant Reset Interest Determination Date in respect of a relevant Reset Period, the 5-year Swap Rate applicable to the next succeeding Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent in consultation with the Issuer. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(i).

- (ii) If the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be pursuant to Condition 5(i)(i) above, determines that:
 - (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)); or
 - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)).
- (iii) The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (iv) If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(i) and the Issuer, following consultation with the Independent Adviser, determines (i) that amendments to these Conditions, the Paying Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(i)(v), without any requirement for the consent or approval of Holders, vary these Conditions, the Paying Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Principal Paying Agent of a certificate signed by two directors of the Issuer pursuant to Condition 5(i)(v), the

Trustee and the Principal Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Holders be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and/or the Paying Agency Agreement) and the Trustee and the Principal Paying Agent shall not be liable to the Holders or to any person for any consequences thereof irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Holder or other person, provided that the Trustee and the Principal Paying Agent shall not be obliged so to concur if in the opinion of the Trustee or the Principal Paying Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or any supplemental paying agency agreement) in any way.

In connection with any such variation in accordance with this Condition 5(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 5(i), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Capital Event to occur.

- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(i) will be notified promptly by the Issuer to the Trustee, the Agents and, in accordance with Condition 19, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Agents of the same, the Issuer shall deliver to the Trustee and the Agents a certificate signed by two directors of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(i); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Agents, and the Holders.

- (vi) Without prejudice to the obligations of the Issuer under Condition 5(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(d) and the related definitions will continue to apply unless and until the Issuer determines that a

Benchmark Event has occurred and the Trustee and the Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be), and the Adjustment Spread and any Benchmark Amendments, in accordance with Condition 5(i)(v).

(vii) As used in this Condition 5(i):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (b) the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be pursuant to Condition 5(i)(i) above, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)
- (c) the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be pursuant to Condition 5(i)(i) above, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser, determines is customarily applied in international debt capital markets transactions for the purposes of determining resettable rates of interest (or the relevant component part thereof) in euro.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(i)(iv).

“**Benchmark Event**” means:

- (a) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally or in respect of the Securities; or
- (e) a public statement by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative of its underlying market or may no longer be used; or

- (f) it has or will become unlawful for any Agent or the Issuer to calculate any payments due to be made to any Holders using the Original Reference Rate,

provided that in the case of sub-paragraphs (b), (c) and (d), the Benchmark Event shall be deemed to occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its expense under Condition 5(i)(i) and notified in writing to the Trustee.

“**Original Reference Rate**” means the originally specified benchmark or screen rate (as applicable) used to determine the Reset Interest Rate (or any component part thereof) on the Securities (or, if applicable, any other Successor Rate or Alternative Rate (or any component part thereof) determined and applicable to the Securities pursuant to the earlier application of Condition 5(i)).

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

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

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

6. **Optional Interest Deferral**

(a) *Deferral of Interest Payments*

The Issuer may, at its discretion, elect to defer, in whole or in part, payment of any Interest Payment (any such deferred Interest Payment, a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 19, the Trustee, the Registrar and the Principal Paying Agent not more than 30 nor fewer than seven Business Days prior to the relevant Interest Payment Date. Subject to Condition 6(c), if the Issuer elects to defer (in whole or in part) payment of any Interest Payment on an Interest Payment Date in accordance with this Condition 6(a), then neither it nor the Guarantor will have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach of its obligations under the Securities or the Guarantee or for any other purpose.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being “**Deferred Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such Deferred Interest

Payment is paid in accordance with Condition 6(c), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose, unless such payment is required in accordance with Condition 6(c).

(b) *Optional payment of Deferred Interest*

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the “**Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19, the Trustee, the Registrar and the Principal Paying Agent not more than 30 nor fewer than 7 Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

(c) *Mandatory payment of Deferred Interest*

Notwithstanding the preceding provisions of this Condition 6, the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;
- (ii) the next scheduled Interest Payment Date if the Issuer pays interest on the Securities on such date;
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12; and
- (iv) the date on which the Securities are substituted for, or where the terms of the Securities are varied so that they become, Qualifying Securities in accordance with Condition 8.

7. **Redemption**

(a) *Final Redemption Date*

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8) substituted as provided in these Conditions, the Securities will be redeemed on the Maturity Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the Maturity Date (including any accrued but unpaid Deferred Interest).

(b) *Issuer’s Call Option*

The Issuer may, having given not fewer than 15 nor more than 45 days’ notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

(c) *Redemption for Taxation Reasons*

If a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, having given not fewer than 15 nor more than 45 days’ notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at

100 per cent. of their principal amount in the case of a Withholding Tax Event, or, in the case of a Tax Deductibility Event, (i) 101 per cent. of their principal amount where such redemption occurs before 18 May 2025, or (ii) 100 per cent. of their principal amount where such redemption occurs on or after 18 May 2025, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

(d) *Redemption for Rating Reasons*

If a Rating Capital Event has occurred and is continuing, then the Issuer may, having given not fewer than 15 nor more than 45 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at (i) 101 per cent. of their principal amount, where such redemption occurs before 18 May 2025, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after 18 May 2025, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

(e) *Redemption Following Substantial Repurchase*

If a Substantial Repurchase Event has occurred, then the Issuer may, having given not fewer than 15 nor more than 45 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

(f) *Redemption for Accounting Reasons*

If an Accounting Event has occurred and is continuing, then the Issuer may, having given not fewer than 15 nor more than 45 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at (i) 101 per cent. of their principal amount, where such redemption occurs before 18 May 2025, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after 18 May 2025, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on the Accounting Event Adoption Date. For the avoidance of doubt, such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect.

8. Substitution or Variation

If a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 8 and Condition 9 have been complied with, and having given not fewer than 30 nor more than 45 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the

Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 8 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 9 below) agree to such substitution or variation but without further responsibility or liability on the part of the Trustee.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 8.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 6(c).

The Trustee shall, without any requirement for the consent or approval of the Holders, execute any documents necessary to effect the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to execute any such documents if, in the Trustee's opinion, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party in any way. If the Trustee does not execute any necessary documents as provided above, the Issuer may redeem the Securities as provided in Condition 7.

In connection with any substitution or variation in accordance with this Condition 8, the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

9. Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 7 (other than redemption pursuant to Condition 7(b)) or any notice of substitution or variation pursuant to Condition 8, the Issuer shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer or, as the case may be, the Guarantor taking such measures and (ii) in the case of redemption pursuant to Condition 7(c) only, an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom experienced in such matters to the effect that the relevant requirement or circumstance giving rise to such right of redemption applies. In relation to a substitution or variation pursuant to Condition 8, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Issuer, acting reasonably, in consultation with an independent investment bank or counsel of international standing and that the criteria specified in paragraphs (a) to (j) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled to accept such certificate without liability to any person and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Holders.

Any redemption of the Securities in accordance with Condition 7 or any substitution or variation of the Securities in accordance with Condition 8 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 6 on or prior to the date of such redemption, substitution or, as the case may be, variation, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have received express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

10. Purchases and Cancellation

(a) *Purchases*

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price.

(b) *Cancellation*

All Securities redeemed or substituted by the Issuer pursuant to Condition 7 or 8, as the case may be, will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the Issuer or the Guarantor, as the case may be, be held, reissued, resold or surrendered for cancellation to a Paying Agent. Securities held by the Issuer, the Guarantor and/or any of their respective Subsidiaries shall not entitle the holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 15.

11. Payments

(a) *Method of Payment*

Payments of principal, premium and interest in respect of each Security will be made by transfer to the registered account of the Holder or by euro cheque drawn on a bank (nominated in writing to the Registrar by the Holder) that processes payments in euro mailed to the registered address of the Holder if it does not have a registered account, provided that the nomination is received by the Registrar not later than 10 Business Days before any date on which payment is scheduled. Payments of principal and premium and payment of interest (including, for the avoidance of doubt, Deferred Interest) due otherwise than on an Interest Payment Date (other than payments due pursuant to Condition 6(a)) will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents or the Registrar. Interest on the Securities due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the “**record date**”) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 11, a Holder’s **registered account** means the euro account maintained by or on behalf of it with a bank that processes payments in euro in a city in which banks have access to the Target System, details of which appear on the Register at the close of business on the relevant record date, and a Holder’s registered address means its address appearing on the Register at that time.

If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Holder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of

interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) *Payments Subject to Fiscal Laws*

Without prejudice to the terms of Condition 13, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) *Payments on Business Days*

If any date for payment in respect of any Security is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 11, **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and a day on which the Target System is open.

12. **Events of Default**

(a) *Proceedings*

If a default is made by the Issuer or the Guarantor for a period of 14 days or more in relation to the payment of principal or for a period of 28 days or more in respect of any payment of interest (including any Deferred Interest) in respect of the Securities which is due and payable (an “**Event of Default**”), then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed and the Securities and the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c)) institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

(b) *Enforcement*

The Trustee may at its discretion (subject to Condition 12(c)) and without further notice institute such actions, steps or proceedings against the Issuer and/or the Guarantor, as the case may be, as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor, as the case may be, under the Trust Deed or the Securities but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed or the Securities or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Right of Holders*

No Holder shall be entitled to proceed directly against the Issuer and/or the Guarantor or to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor unless the Trustee, having become so bound to

proceed or being able to prove in such winding-up or claim in such liquidation, fails or is unable to do so within a reasonable period and such failure or inability shall be continuing, in which case the Holder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) *Extent of Holders' remedy*

No remedy against the Issuer and/or the Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee (on behalf of the Holders) or to the Holders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed (including the Guarantee) or in respect of any breach by the Issuer and/or the Guarantor of any of its/their other obligations under or in respect of the Securities or the Trust Deed.

13. **Taxation**

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Securities or by or on behalf of the Guarantor in respect of the Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature ("**Taxes**") imposed or levied by or on behalf of the United Kingdom or any political subdivision of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been receivable in respect of the Securities had no such withholding or deduction been made, except that no such Additional Amounts shall be payable in respect of any Security:

- (i) held by or on behalf of, a person who is liable to such taxes or duties in respect of such Security by reason of his having some connection with the United Kingdom other than the mere holding of such Security; or
- (ii) to a person who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption to a tax authority; or
- (iii) in respect of which the Certificate representing it is surrendered for payment (where such surrender is required) more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such additional amounts on surrendering the same for payment on such 30th day (assuming that day to have been a day on which surrender for payment is permitted by Condition 11(c)); or
- (iv) in respect of which the Certificate representing it is surrendered for payment (where such surrender is required) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by satisfying any statutory or procedural requirements (including, without limitation, the provision of information).

Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Securities by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). None

of the Issuer, the Guarantor nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

14. Prescription

Claims against the Issuer and/or the Guarantor in respect of Securities or under the Guarantee will become void unless surrendered for payment (where such surrender is required) or made, as the case may be, within a period of 10 years (in respect of claims relating to principal and premium) and five years (in respect of claims relating to interest) from the Relevant Date relating thereto.

15. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 50 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3 and/or Condition 4, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities, any applicable premium or the Interest Rate) and certain other provisions of the Trust Deed, the quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 5(i), or of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 8 in connection with the substitution or variation of the terms of the Securities so that they remain or become Qualifying Securities, to which the Trustee has agreed pursuant to the relevant provisions of Condition 8.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any modification which would entitle the Holders to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in Condition 12). In addition, the Trustee and the Principal Paying Agent shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(i) without the consent or approval of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and such modification, authorisation or waiver shall be notified to the Holders in accordance with Condition 19, as soon as practicable.

If so requested by the Issuer, the Trustee shall, without the consent of the Holders, agree to the substitution, on a subordinated basis equivalent to that referred to in Conditions 2 and 3, in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Securities and the Trust Deed of another company, being a successor in business or a Holding Company (as defined in the Trust Deed) of the Issuer or a Subsidiary (as defined in the Trust Deed) of such Holding Company, (a “**Substituted Obligor**”) subject to (a) the Securities being unconditionally and irrevocably guaranteed by the Issuer, (b) certification to the Trustee by two directors of the Issuer that, in the opinion of the Issuer, the substitution will not be materially prejudicial to the interests of the Holders and will not have any adverse effect on the payment in a timely manner of all moneys payable under the Conditions and the Trust Deed, (c) confirmations being received by the Trustee from each rating agency which has, at the request of the Issuer, rated the Securities that the substitution will not adversely affect the then current rating of the Securities, (d) an opinion of independent legal advisers of recognised standing being provided to the Trustee as further described in the Trust Deed and (e) certain other conditions set out in the Trust Deed being complied with.

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution, on a subordinated basis equivalent to that referred to in Condition 2 and 3, in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Securities and the Trust Deed of a Substituted Obligor subject to (a) the Securities being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

In connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 15), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to the consequences of such exercise for individual Holders. In connection with any substitution or such exercise as aforesaid, no Holder shall be entitled to claim, whether from the Issuer, the Guarantor, the Substituted Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders, except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such substitution shall be binding on all Holders and shall be notified to the Holders in accordance with Condition 19 as soon as practicable thereafter.

16. Replacement of the Securities

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Principal Paying Agent may require. Mutilated or defaced Certificates must be surrendered before any replacement Certificates will be issued.

17. Termination of Guarantee

Notwithstanding any provision of these Conditions, the Trust Deed contains provisions which, for so long as BT Group plc remains the Guarantor, permit a termination of the Guarantee at the sole discretion of the Issuer or the Guarantor where:

- (i) the Issuer or the Guarantor has issued a certificate to the Trustee signed by two directors of the Issuer or the Guarantor certifying that no Event of Default is continuing; and
- (ii) a deed supplemental to the Trust Deed has been entered into discharging the Guarantor's obligations as the guarantor under the Guarantee.

BT Group plc has undertaken in the Trust Deed to promptly notify Holders in accordance with Condition 19 of any such termination of the Guarantee.

18. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification or prefunding of, and/or provision of security for, the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor or any of their respective subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer, the Guarantor or any of their respective subsidiary undertakings, parent undertakings, joint ventures or associated undertakings. The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Holders.

19. Notices

All notices to the Holders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the Holders (or the first of any joint named Holders) at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if published more than once, on the first date on which such publication is made.

20. Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

21. Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Issuer will:

- (i) at all times maintain a Principal Paying Agent and a Registrar; and
- (ii) at all times maintain a Paying Agent having its specified office in a major European city, which shall be London so long as the Securities are admitted to the Official List and admitted to trading on the London Stock Exchange's Main Market.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 19.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

22. Governing Law and Jurisdiction

The Trust Deed and the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Trust Deed and the Securities and any non-contractual obligations arising out of or in connection with them.

Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

Nothing in this Condition 22 prevents the Trustee or any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Holders may take concurrent Proceedings in any number of jurisdictions.

23. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

24. Definitions

In these Conditions:

"**5-year Swap Rate**" means (i) the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Central European time) on the relevant Reset

Interest Determination Date or, (ii) if the 5-year Swap Rate does not appear on such screen page at such time on the relevant Reset Interest Determination Date, the 5-year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

The “**5-year Swap Rate Quotations**” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

- (a) has a term of five years commencing on the relevant Reset Date;
- (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Act/360 day count basis);

an “**Accounting Event**” shall occur if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered a letter or report to the Issuer, stating that, as a result of a change in accounting principles (or the application thereof) which have been officially adopted after 18 February 2020 (such date, the “**Accounting Event Adoption Date**”), the Securities may no longer be recorded as a “financial liability” in full in the audited annual or the semi-annual consolidated financial statements of the Issuer pursuant to IFRS or any other accounting standards that may replace IFRS. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date;

“**Additional Amounts**” has the meaning given in Condition 13;

“**Agents**” means the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agents and the Paying Agents or any of them;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the Target System is operating;

“**Calculation Agent**” has the meaning given to it in the preamble to these Conditions;

“**Calculation Amount**” has the meaning given to it in Condition 5(b);

Each of the following is a “**Compulsory Payment Event**”:

- (a) (subject as provided below) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor declares or pays any distribution or dividend (other than a dividend declared by the Issuer or the Guarantor, as the case may be, before the earliest Deferral Notice in respect of the then-outstanding Deferred Interest was given in accordance with Condition 6(a)) or makes any other payment on, the ordinary share capital of the Issuer or the Guarantor or any Parity Securities of the Issuer or any Parity Securities of the Guarantor (other than, for the avoidance of doubt, the payment or making of a dividend or distribution by any Subsidiary of the Issuer and/or the Guarantor on any of its share capital or other securities which do not benefit from a guarantee or support agreement of the type referred to in the definition of either Parity Securities of the Issuer or Parity Securities of the Guarantor) except where (A) such distribution or dividend or other payment was required to be made in respect of any stock option plan of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; (B) such distribution, dividend or other payment was required to be declared, paid or made under the terms of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by

mandatory operation of law; or (C) such distribution, dividend or other payment is made (or to be made) only to the Issuer, the Guarantor and/or any Subsidiary of the Issuer or the Guarantor;

- (b) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor redeems, purchases, cancels, reduces or otherwise acquires, any ordinary shares of the Issuer, any ordinary shares of the Guarantor, any Parity Securities of the Issuer or any Parity Securities of the Guarantor, except where (A) such redemption, purchase, cancellation, reduction or other acquisition was required to be made in respect of any stock option plan or employee share scheme of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; (B) such redemption, purchase, cancellation, reduction or other acquisition is effected as a public cash tender offer or public exchange offer in respect of Parity Securities of the Issuer or Parity Securities of the Guarantor at a purchase price per security which is below its par value; (C) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor is obliged under the terms and conditions of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by mandatory operation of law to make such redemption, purchase, cancellation, reduction or other acquisition; or (D) any payment in respect of such redemption, purchase, cancellation, reduction or acquisition is made (or to be made) only to the Issuer, the Guarantor and/or any Subsidiary of the Issuer or the Guarantor,

and provided that following termination of the Guarantee pursuant to Condition 17 and the Trust Deed, (i) references in this definition to “the Guarantor” shall be deemed to be references to “BT Group plc”; and (ii) references in this definition to “Parity Securities of the Guarantor” shall be deemed to be references to “Parity Securities of BT Group plc”.

A Compulsory Payment Event shall not occur pursuant to paragraph (a) above in respect of any *pro rata* payment of deferred interest on a Parity Security of the Issuer and/or any Parity Security of the Guarantor which is made simultaneously with a *pro rata* payment of any Deferred Interest provided that such *pro rata* payment on a Parity Security of the Issuer and/or a Parity Security of the Guarantor is not proportionately more than the *pro rata* settlement of any such Deferred Interest;

“**Conditions**” means these terms and conditions of the Securities, as amended from time to time;

“**Deferral Notice**” has the meaning given in Condition 6(a);

“**Deferred Interest**” has the meaning given in Condition 6(a);

“**Deferred Interest Payment**” has the meaning given in Condition 6(a);

“**Deferred Interest Settlement Date**” has the meaning given in Condition 6(b);

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate;

“**Euro zone**” means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended;

“**euro**” or “**€**” means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**Event of Default**” has the meaning given in Condition 12(a);

“**First Reset Date**” means 18 August 2025;

“**First Step-up Date**” means 18 August 2030;

“**Guarantee**” has the meaning given in the preamble to these Conditions;

“**Guarantor**” means BT Group plc;

“**Holder**” has the meaning given in Condition 1(b);

“**Initial Interest Rate**” has the meaning given in Condition 5(c);

“**Interest Amount**” has the meaning given in Condition 5(e);

“**Interest Payment**” means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 5;

“**Interest Payment Date**” has the meaning given in Condition 5(a);

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

“**Interest Rate**” means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 5(a);

“**Issuer**” means British Telecommunications public limited company;

“**Margin**” means (i) 2.13 per cent. per annum from and including the First Reset Date to (but excluding) the First Step-up Date (ii) 2.38 per cent. per annum from (and including) the First Step-up Date to (but excluding) the Second Step-up Date and (iii) 3.13 per cent. per annum from (and including) the Second Step-up Date to (but excluding) the Maturity Date;

“**Maturity Date**” means 18 August 2080;

“**Notional Preference Shares of the Guarantor**” has the meaning given in Condition 4(c);

“**Notional Preference Shares of the Issuer**” has the meaning given in Condition 3(a);

“**Official List**” means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded);

“**Optional Redemption Date**” means (i) any Business Day from (and including) 18 May 2025 to (and including) the First Reset Date and (ii) each Interest Payment Date thereafter;

“**Parity Securities of BT Group plc**” means (if any) the most junior class of preference share capital in BT Group plc and any other obligations of (i) BT Group plc, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such preference shares and/or which would have ranked *pari passu* with the Guarantee had the Guarantee not been terminated in accordance with Condition 17 and the Trust Deed; or (ii) any Subsidiary of BT Group plc (other than the Securities) having the benefit of a guarantee or support agreement from BT Group plc which ranks and/or is expressed to rank *pari passu* with such preference shares or which would have ranked *pari passu* with the Guarantee had the Guarantee not been terminated in accordance with Condition 17 and the Trust Deed;

“Parity Securities of the Guarantor” means (if any) the most junior class of preference share capital in the Guarantor and any other obligations of (i) the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee or such preference shares or (ii) any Subsidiary of the Guarantor (other than the Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee or such preference shares;

“Parity Securities of the Issuer” means (if any) the most junior class of preference share capital in the Issuer and any other obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Securities or such preference shares;

“Paying Agency Agreement” has the meaning given to it in the preamble to these Conditions;

“Paying Agents” has the meaning given to it in the preamble to these Conditions;

“Principal Paying Agent” has the meaning given to it in the preamble to these Conditions;

“Qualifying Securities” means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (j) below have been satisfied) of two directors of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Securities upon which certificate the Trustee shall rely absolutely), provided that:

- (a) they shall be issued by (x) the Issuer with a guarantee of the Guarantor (which shall be permitted to include termination rights on substantially the same terms as the existing Guarantee) to the extent the Guarantee has not been terminated at such time, (y) the Guarantor or (z) a wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of the Issuer and, to the extent the Guarantee has not been terminated at such time, the Guarantor (which shall be permitted to include termination rights on substantially the same terms as the existing Guarantee); and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a winding-up or administration (in circumstances where the administrator has given notice of its intention to declare and distribute a dividend) of the Issuer with the Securities; and
- (c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Securities, save where (without prejudice to the requirement that the terms are not materially less favourable to Holders than the terms of the Securities as described above)

any modifications to such terms are required to be made to avoid the occurrence or effect of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or, as the case may be, a Withholding Tax Event; and

- (h) they shall be (i) listed on the Official List and admitted to trading on the London Stock Exchange's Main Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;
- (i) they shall, immediately after such substitution or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Securities at the invitation of or with the consent of the Issuer immediately prior to such substitution or variation; and
- (j) they shall not provide for the mandatory deferral or cancellation of payments of interest and/or principal;

“Rating Agency” means Fitch Ratings Limited or any of its subsidiaries and their successors or Moody's Investors Service, Ltd. or any of its subsidiaries and their successors or S&P Global Ratings Europe Limited or any of its subsidiaries and their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of the Holders);

a **“Rating Capital Event”** shall be deemed to occur if the Issuer and/or Guarantor has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency that, as a result of a change in its hybrid capital methodology or the interpretation thereof which becomes, or would become, effective on or after 18 February 2020 (or, if later, effective after the date when the equity credit is assigned to the Securities by such Rating Agency for the first time), the Securities will no longer be eligible for the same, or higher amount of, “equity credit” (or such other nomenclature as the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date or, if later, at the time when the relevant Rating Agency first publishes its confirmation of the “equity credit” attributed by it to the Securities;

“Recognised Stock Exchange” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“Register” has the meaning given to it in Condition 1(a);

“Registrar” has the meaning given in the preamble to these Conditions;

“Relevant Date” means:

- (a) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor, as the case may be, in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 19; and

- (b) in respect of any sum (i) to be paid by or on behalf of the Issuer or the Guarantor, as the case may be, in a winding-up of the Issuer or the Guarantor, as the case may be, or (ii) if following the appointment of an administrator of the Issuer or the Guarantor, as the case may be, the administrator gives notice of an intention to declare and distribute a dividend, to be paid by the administrator by way of such dividend, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

“**Reset Date**” means the First Reset Date and each fifth anniversary thereof up to and including 18 August 2075;

“**Reset Interest Determination Date**” means the day falling two Business Days prior to the relevant Reset Date;

“**Reset Interest Rate**” has the meaning given in Condition 5(d);

“**Reset Period**” means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and “**relevant Reset Period**” shall be construed accordingly;

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the 5-year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent in consultation with the Issuer;

“**Reset Reference Banks**” means five leading swap dealers in the interbank market selected by the Issuer;

“**Reset Screen Page**” means Reuters screen “ICESWAP2” or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Calculation Agent in consultation with the Issuer, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

“**Second Step-up Date**” means 18 August 2045;

“**Securities**” has the meaning given in the preamble to these Conditions;

“**Senior Obligations of the Guarantor**” means all obligations of the Guarantor issued directly or indirectly by it (including, without limitation, any obligation of the Guarantor under any guarantee which ranks or is expressed to rank *pari passu* with the most senior present or future preferred stock or preference shares of the Guarantor and with any present or future guarantee entered into by the Guarantor in respect of any of the most senior present or future preferred stock or preference stock of any Subsidiary of the Guarantor) other than Parity Securities of the Guarantor and the ordinary share capital of the Guarantor;

“**Senior Obligations of the Issuer**” means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Securities of the Issuer and the ordinary share capital of the Issuer;

“**Special Event**” means any of an Accounting Event, a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and “**Subsidiaries**” shall be construed accordingly;

“**Substantial Repurchase Event**” shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer, the Guarantor or any of their respective Subsidiaries repurchases (and effects corresponding cancellations) or (in the case of the Issuer only) redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further securities issued pursuant to Condition 20);

“**Substituted Obligor**” has the meaning given in Condition 15;

“**Target System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“**Taxes**” has the meaning given in Condition 13;

a “**Tax Deductibility Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of the expense recognised by the Issuer for accounting purposes as attributable to such Interest Payment in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced or materially delayed (a “**disallowance**”); or
- (b) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not to any material extent be entitled to have any loss attributable to, or resulting from, such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 18 February 2020 or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance in (a);

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which the United Kingdom is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 18 February 2020;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities or the Guarantee, the Issuer or the Guarantor, as the case may be, has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing in connection with the Securities or the Guarantee, as the case may be, by taking reasonable measures available to it.

The following paragraph does not form part of the terms and conditions of the Securities.

The Issuer intends (without thereby assuming a legal obligation), that if it redeems the Securities pursuant to Condition 7(b) or repurchases the Securities, it will so redeem or repurchase the Securities only to the extent the part of the aggregate principal amount of the Securities to be redeemed or repurchased which was assigned equity credit (or such other nomenclature used by S&P from time to time) at the time of the issuance of the Securities does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings Europe Limited (“S&P”) “equity credit” (or such similar nomenclature used by S&P from time to time) (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:

- (i) *the issuer credit rating assigned by S&P to the Issuer is at least “BBB” (or such similar nomenclature then used by S&P) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*
- (ii) *in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years; or*
- (iii) *the Securities are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (iv) *in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued by the Issuer remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or*
- (v) *such redemption or repurchase occurs on or after 18 August 2045.*

SUMMARY OF PROVISIONS OF THE SECURITIES WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Securities in respect of which they are issued while they are represented by the Global Certificate, some of which modify the effect of the Conditions and which are summarised below. Terms defined in the Conditions have the same meaning in paragraphs 1 to 13 below.

1. Accountholders

For so long as any of the Securities are represented by the Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a particular nominal amount of such Securities (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or any Alternative Clearing System as to the aggregate principal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such nominal amount of such Securities (and the expression “**Holders**” and references to “**holding of Securities**” and to “**holder of Securities**” shall be construed accordingly) for all purposes other than with respect to payments on such Securities, the right to which shall be vested, as against the Issuer and the Guarantor, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”), in accordance with and subject to the terms of the Global Certificate and the Paying Agency Agreement. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, or any Alternative Clearing System as the case may be, for its share of each payment made to the Relevant Nominee.

2. Redemption and Cancellation

On any redemption or payment of interest being made in respect of, or purchase and cancellation of, any of the Securities represented by the Global Certificate, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in the Register. Upon any such redemption, payment of an instalment or purchase and cancellation the nominal amount of the Global Certificate and the Securities held by the registered holder of the Global Certificate shall be reduced by the nominal amount of such Securities so redeemed or purchased and cancelled. The nominal amount of the Global Certificate and of the Securities held by the registered holder of the Global Certificate following any such redemption or purchase and cancellation as aforesaid or any transfer or exchange as referred to below shall be the nominal amount most recently entered in the Register.

3. Payments

Payments of principal, premium and interest (including, for the avoidance of doubt, Deferred Interest) in respect of Securities represented by the Global Certificate will be made to the Relevant Nominee upon presentation or, if no further payment falls to be made in respect of the Securities, against presentation and surrender of such Global Certificate to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of the Global Certificate for such purpose. A record of each payment made will be entered into by or on behalf of the Registrar in the Register and shall be prima facie evidence that payment has been made.

Distributions of amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant clearing system’s rules and procedures.

For the purposes of Condition 11 (*Payments*) of the Conditions, the record date in respect of the Securities shall be the Clearing System Business Day immediately prior to the date of payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

4. Notices

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, or Clearstream, Luxembourg or any Alternative Clearing System notices to Holders may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 19 (*Notices*) provided that the Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any such notice shall be deemed to have been given to the Holders on the day such notice is delivered to Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System (as the case may be) as aforesaid.

5. Exchange and Registration of Title

Transfers of the holding of Securities represented by the Global Certificate pursuant to Condition 1(c) may only be made in part:

- (a) if the Securities represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) upon or following any failure to pay principal in respect of any Securities when it is due and payable; or
- (c) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the Securities represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Securities represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System.

6. Transfers

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

7. Calculation of Interest

For so long as all the Securities outstanding are represented by the Global Certificate, interest shall be calculated on the basis of the aggregate principal amount of the Securities represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5(b) (*Interest Payments – Interest Accrual*).

8. Prescription

Claims against the Issuer in respect of Securities which are represented by the Global Certificate will become void unless it is presented for payment, or made, as the case may be, within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 24).

9. Meetings

The holder of the Global Certificate shall (unless such Global Certificate represents only one Security) be treated as having one vote in respect of each €1,000 in principal amount of the Securities.

10. Purchase

Securities represented by the Global Certificate may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the right to receive all future payments of interest on those Securities.

11. Issuer's Option

Any option of the Issuer provided for in the Conditions while the Securities are represented by the Global Certificate shall be exercised by the Issuer giving notice to the Holders within the time limits set out in and containing the information required by the Conditions.

12. Trustee's Powers

In considering the interests of Holders while any Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, the Trustee may have regard to any information provided to it by the relevant clearing system or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to such Global Certificate and may consider such interests, and treat such Accountholders, as if such Accountholders were the holders of the Securities represented by such Global Certificate.

13. Electronic consents and written resolutions

While the Global Certificate is registered in the name of any nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer, the Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding (an “**Electronic Consent**”) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer, the Guarantor and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Trustee, as the case may be, by (i) Accountholders in the clearing system with entitlements to such Global Certificate and/or (ii) where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that Accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (ii) above, the relevant clearing system and the Accountholder identified by the relevant clearing system for the purposes of (ii) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the Accountholder of a particular principal or nominal amount of the

Securities is clearly identified together with the amount of such holding. Neither the Issuer, the Guarantor nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

DESCRIPTION OF THE ISSUER

INTRODUCTION

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

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

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

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

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

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

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

HOW BT IS ORGANISED

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

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

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

REGULATION

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

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

BOARD OF DIRECTORS OF THE ISSUER

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

Simon Lowth (appointed 17 October 2017)

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

Neil Harris (appointed 17 October 2017)

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

Ulrica Fearn (appointed 1 June 2018)

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

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

DESCRIPTION OF THE GUARANTOR

INTRODUCTION

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

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

DIVIDEND HISTORY

The historic dividend payment made by the Guarantor to its shareholders was per the following table:

Year	Dividend payment (£)
2009/10	534m
2010/11	574m
2011/12	654m
2012/13	749m
2013/14	880m
2014/15	1,028m
2015/16	1,324m
2016/17	1,532m
2017/18	1,524m
2018/19	1,527m

BOARD OF DIRECTORS OF THE GUARANTOR

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

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

Chairman

Skills and experience

Jan has significant experience on the boards of major UK public companies, having served as chairman and non-executive director of various FTSE100 companies across a range of sectors. Jan was chairman of Rio Tinto

from 2009 to March 2018 and chairman of SABMiller from July 2015 until October 2016 having been with the company since 2014. He was also a director and senior independent director of Marks & Spencer from 2008 and 2012, respectively, until March 2015.

Other appointments

None outside the Group.

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

Chief executive

Skills and experience

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

Other appointments include

Senior adviser at Bain Capital, a trustee of Wellbeing of Women and a director of Wellbeing Traded Limited

Simon Lowth (appointed July 2016)

Chief financial officer

Skills and experience

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

Other appointments

None outside the Group.

Mike Inglis (appointed September 2015)

Independent non-executive director

Skills and experience

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

Other appointments

None outside the Group.

Matthew Key (appointed October 2018)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Allison Kirkby (appointed March 2019)

Independent non-executive director

Skills and experience

Allison has valuable experience in the international telecoms sector and in driving performance, improving customer service and delivering shareholder value. Allison will become President and Group CEO of Telia Company in May 2020. She was previously President and Group CEO of TDC Group from 2018 to 2019, and Group CFO and then President and Group CEO of Tele2 AB, positions she held from 2014 and 2015 respectively. Alison was a non-executive director of Greggs until May 2019 and has also held roles within 21st Century Fox, Virgin Media, Procter & Gamble and Guinness.

Other appointments include

President & CEO of Telia Company from May 2020 and President and CEO of Securevalue Consulting Limited.

Iain Conn (appointed June 2014)

Independent non-executive director

Skills and experience

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

Other appointments include

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

Tim Höttges (appointed January 2016)

Non-independent, non-executive director

Skills and experience

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

Other appointments include

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

Isabel Hudson (appointed November 2014)

Independent non-executive director

Skills and experience

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

Other appointments include

Non-executive chair of National House Building Council. Isabel is also an ambassador for the disability charity, SCOPE.

Leena Nair (appointed July 2019)

Independent non-executive director

Skills and experience

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

Other appointments include

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

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

Senior independent director and independent non-executive director

Skills and experience

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

Other appointments include

Chairman of Williams Grand Prix Holdings, senior independent director of BAE Systems and director of the Pure Winery Limited.

Rachel Canham (appointed November 2018)

Company secretary & general counsel, governance

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

EXECUTIVE COMMITTEE OF THE GUARANTOR

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

The Executive Committee assists the chief executive in:

- (a) developing the group strategy and budget for the Board's approval;
- (b) executing the strategic plan once agreed by the Board; and
- (c) providing assurance to the Board in relation to overall performance and risk management.

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

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

Chief executive

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

Simon Lowth (appointed July 2016)

Chief financial officer

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

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

CEO, Enterprise

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

Howard Watson (appointed February 2016)

Chief technology and information officer

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

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

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

CEO, Consumer

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

Bas Burger (appointed June 2017)

CEO, Global

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

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

Sabine Chalmers (appointed April 2018)

General counsel

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

Sabine is a non-executive director of Anheuser-Busch InBev.

Ed Petter (appointed November 2016)

Corporate affairs director

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

Cathryn Ross (appointed January 2018)

Regulatory affairs director

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

Cathryn is chair of Regulatory Horizons Council of BEIS.

Michael Sherman (appointed May 2018)

Chief strategy and transformation officer

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

Alison Wilcox (appointed July 2015)

HR director

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

Clive Selley (appointed February 2016)

Invitee, CEO, Openreach

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

Rachel Canham (appointed November 2018)

Company secretary & general counsel, governance

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

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

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net proceeds of the issue of the Securities, after deduction of commissions, fees, and estimated expenses, will be €497,500,000 and the estimated net proceeds will be used for general corporate purposes.

TAXATION

The following is a general description of certain United Kingdom tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities whether in that country or elsewhere. Prospective purchasers of Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United Kingdom of acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

I. UK TAX DISCLOSURE

The comments below, which apply only to persons who are beneficial owners of the Securities, concern only certain taxation obligations with respect to the Securities and are of a general nature based on current United Kingdom tax law as applied in England and Wales, and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), and are not intended to be exhaustive. The comments below do not deal with any other transaction implications of acquiring, holding or disposing of the Securities. Any Holders who are in doubt as to their own tax position should consult their professional advisers.

Interest on the Securities

The Securities issued will constitute “quoted Eurobonds” within the meaning of section 987 of the UK Income Tax Act 2007 provided they are and continue to be listed on a “recognised stock exchange”, within the meaning of section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are admitted to listing on the official list of the UK Listing Authority and to trading on the London Stock Exchange.

Whilst the Securities are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Securities may be made without withholding or deduction for or on account of UK income tax.

In all other cases, an amount must generally be withheld on account of UK income tax at the basic rate (currently 20 per cent), subject to the availability of other reliefs or exceptions or to any direction to the contrary from HM Revenue & Customs under an applicable double taxation treaty. If any amount must be withheld by the Issuer on account of UK tax from payments of interest on the Securities then such Issuer will, subject to the provisions of Condition 13 (*Taxation*) of the Securities, pay such additional amounts as will result in the Holders receiving an amount equal to that which they would have received had no such withholding been required.

Interest on the Securities constitutes UK source income for UK tax purposes and, as such, may be subject to UK income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Holder who is not resident for tax purposes in the UK unless that Holder carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the Securities are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The provisions relating to additional amounts referred to in Condition 13 (*Taxation*) of the Securities would not apply if HM Revenue & Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Security directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

The Securities may in certain circumstances on occurrence of a Special Event be redeemed at 101 per cent. of their principal amount. Recently published HM Revenue & Customs guidance indicates that any premium payable in such circumstances might be treated as interest, in which case the position will be as for other interest payments made on the Securities (see above).

Depending on the correct legal analysis of any payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of UK tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax should be payable on issue of the Securities or on a transfer of the Securities.

II. FTT

Proposed Financial Transaction Tax (“FTT”)

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

The European Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, be exempt.

Under the European Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities 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 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. In any event, the UK’s position has been that it will not be a participating Member State and, as the UK has left the European Union as a result of Brexit, it is no longer a Member State.

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

SUBSCRIPTION AND SALE

Barclays Bank PLC, Banco Santander, S.A., BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International, Mizuho International plc, MUFG Securities EMEA plc, NatWest Markets Plc, Skandinaviska Enskilda Banken AB (publ), SMBC Nikko Capital Markets Limited and Société Générale (the “**Bookrunners**”) have, pursuant to a Subscription Agreement dated 14 February 2020, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe to the Securities at 100 per cent. of their principal amount. The Issuer has agreed to pay to the Bookrunners a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Bookrunners for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Bookrunners to terminate it in certain circumstances prior to payment in respect of the Securities being made to the Issuer.

Selling Restrictions

United States

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

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

Each Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver any Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities 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 Securities, an offer or sale of such Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

Each Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area or the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) 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.

United Kingdom

Each Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Bookrunner has represented and agreed, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, of Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Bookrunner has acknowledged that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Bookrunner has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Republic of Italy

The offering of the Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Securities be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Bookrunner has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or distribute any copy of this Prospectus or any other document relating to the Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Securities or distribution of copies of this Prospectus or any other document relating to the Securities in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and the CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

General

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

Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Each Bookrunner has agreed that it will, to the best of its knowledge, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities 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.

GENERAL INFORMATION

1. It is expected that listing of the Securities on the Official List and admission of the Securities to trading on the Market will be granted on or about 18 February 2020, subject only to the issue of the Global Certificate.
2. The issue of the Securities was authorised by resolutions of the Board of Directors of the Issuer passed on 3 February 2020. The entry into the Trust Deed in respect of the Securities and granting of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor passed on 28 January 2020 and by resolutions of a sub-committee of the Board of Directors of the Guarantor passed on 7 February 2020.
3. There has been no significant change in the financial performance or financial position of the Issuer and its consolidated subsidiaries (considered as a whole) since 30 September 2019 and there has been no material adverse change in the prospects of the Issuer since 31 March 2019.
4. There has been no significant change in the financial performance or financial position of the Guarantor and its consolidated subsidiaries (considered as a whole) since 31 December 2019 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2019.
5. Save as disclosed in note 10, note 29 and note 30 to the Issuer's consolidated financial statements on pages 81 to 83, pages 122 to 124 and page 124, respectively, of its Annual Report 2019, incorporated by reference in this Prospectus, and in note 10 and note 30 to the Guarantor's consolidated financial statements on pages 130 to 132 and pages 171 to 172, respectively, of its Annual Report 2019, incorporated by reference in this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Guarantor and their respective consolidated subsidiaries.
6. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). In respect of the Securities, the International Securities Identification Number ("ISIN") is XS2119468572 and the Common Code is 211946857.
7. 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.
8. For the life of this Prospectus, copies of the following documents will be available on the website of the Issuer (<https://www.btplc.com/Sharesandperformance/>):
 - (a) the Memorandum and Articles of Association of the Issuer and the Guarantor;
 - (b) the published unaudited condensed consolidated financial information of the Issuer for the six months ended 30 September 2019;
 - (c) unaudited condensed consolidated financial information of the Guarantor for the six months ended 30 September 2019;
 - (d) the Annual Report 2019 of each of the Issuer and the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Issuer and the Guarantor in respect of the financial year ended 31 March 2019;

- (e) the Annual Report & Form 20-F 2018 of each of the Issuer and the Guarantor which contains the auditors' report and audited consolidated annual financial statements of the Issuer and the Guarantor in respect of the financial year ended 31 March 2018;
- (f) the trading update of the Guarantor for the nine months to 31 December 2019;
- (g) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- (h) the Trust Deed between the Issuer, the Guarantor and the Trustee relating to the Securities and the Paying Agency Agreement between the Issuer, the Trustee and the agents named therein.

In addition, a copy of this Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

9. The auditors of the Issuer are KPMG LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Issuer and Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for the financial year ended on 31 March 2019. KPMG LLP have also issued independent review reports on the Issuer's and Guarantor's unaudited condensed financial information for the Half Year to 30 September 2019, which have been incorporated by reference into this Prospectus. The auditors of the Issuer have no material interest in the Issuer.
10. The auditors of the Issuer for the financial year ended 31 March 2018 were PricewaterhouseCoopers LLP (Registered Auditors and a member of the Institute of Chartered Accountants in England and Wales), who have audited the Issuer's and Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for the financial year ended on 31 March 2018. PricewaterhouseCoopers LLP have no material interest in the Issuer.
11. For the period from (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 1.874 per cent. per annum. Such yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
12. The expenses related to the admission of the Securities to the Official List and to trading on the Market are estimated to amount to £7,515.00.
13. Certain of the Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Bookrunners and their affiliates may have positions, deal or make markets in the Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its 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 Bookrunners 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 or the Issuer's affiliates. Certain of the Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Bookrunners 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 Securities. Any such positions could adversely affect future trading prices of the Securities. The Bookrunners 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.

14. Save for the fees payable to the Bookrunners, the Trustee and the Paying Agents, so far as the Issuer is aware, no person, natural or legal, involved in the issue of any Securities has an interest that is material to the issue of the Securities.

REGISTERED OFFICE OF THE ISSUER

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

GUARANTOR

BT Group plc
81 Newgate Street
London EC1A 7AJ

STRUCTURING AGENT AND ACTIVE BOOKRUNNER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

ACTIVE BOOKRUNNERS

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

BNP Paribas
10 Harewood Avenue
London NW1 6AA

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ

Société Générale
29, boulevard Haussmann
75009 Paris
France

PASSIVE BOOKRUNNERS

Banco Santander, S.A.
Ciudad Financiera Santander
Avda. De Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

**Citigroup Global Markets
Limited**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

HSBC Bank plc
8 Canada Square
London E14 5HQ

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

**Lloyds Bank Corporate Markets
plc**
10 Gresham Street
London EC2V 7AE

Mizuho International plc
Mizuho House
30 Old Bailey
London EC4M 7AU

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA

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AB (publ)**
Kungsträdgårdsgatan 8
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Sweden

**SMBC Nikko Capital Markets
Limited**
One New Change
London EC4M 9AF

AUDITORS OF THE ISSUER

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20 Castle Terrace
Edinburgh EH1 2EG

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor
100 Wood Street
London EC2V 7EX

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

PAYING AGENT

Citibank, N.A., London Branch

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Citigroup Global Markets Europe AG

Reuterweg 16
Frankfurt Am Main
Germany 60323

LEGAL ADVISERS

To the Issuer as to English law

**Freshfields Bruckhaus Deringer
LLP**
65 Fleet Street
London EC4Y 1HS
United Kingdom

*To the Bookrunners and the
Trustee as to English law*

Linklaters LLP
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London EC2Y 8HQ
United Kingdom