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#### IMPORTANT NOTICE

##### **NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.**

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this preliminary prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this preliminary prospectus, you shall be deemed to have represented to us that you are either not a U.S. person (or acting for the account or benefit of a U.S. person) or that you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act); the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of such preliminary prospectus by electronic transmission. If you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

You are reminded that this preliminary prospectus has been delivered to you on the basis that you are a person into whose possession this preliminary prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this preliminary prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall this preliminary prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this preliminary prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus. This preliminary prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

This preliminary prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Citigroup Global Markets Limited nor Goldman Sachs International nor any person who controls either of them nor any director, officer, employee nor agent of either of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the preliminary prospectus distributed to you in electronic format and the hard copy version available to you on request from Citigroup Global Markets Limited or Goldman Sachs International.

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# SATELLITE FINANCING PLC

(incorporated with limited liability in England and Wales under registration number 5593543)

## £186,000,000 Issuer Floating Rate Secured Notes due 2020 £[●,000,000] Forward Purchase Issuer Floating Rate Secured Notes due 2020 £[●,000,000] Forward Purchase Enhancement Floating Rate Secured Notes due 2021

**Issue Price of the Issuer Notes: 100 per cent. of their initial principal amount**

**Issue Price of the Forward Purchase Issuer Notes: 100 per cent. of their initial principal amount**

**Issue Price of the Forward Purchase Enhancement Notes: 100 per cent. of their initial principal amount**

Satellite Financing PLC (the **Issuer**) will issue the £[●,000,000] Issuer Floating Rate Secured Notes due 2020 (the **Issuer Notes**), the £[●,000,000] Forward Purchase Issuer Floating Rate Secured Notes due 2020 (the **Forward Purchase Issuer Notes**), and the £● Forward Purchase Enhancement Floating Rate Secured Notes due 2021 (the **Enhancement Notes**). The Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes are referred to together as the **Notes**.

The issue date of the Notes is expected to be 15 December 2005 (the **Closing Date**).

The Forward Purchase Issuer Notes and the Enhancement Notes are referred to together as the **Forward Purchase Notes**. The Forward Purchase Notes will be immediately re-purchased (at par) by the Issuer on the Closing Date.

The Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes are separate tranches of debt forming a single series of Notes ranking *pari passu* amongst themselves.

The Issuer has been established as a subsidiary of Satellite Financing (Holdings) Limited (**Holdings**) for the sole purpose of issuing the Notes, acquiring the Issuer Share from Paradigm Secure Communications Limited (**Paradigm**), entering into the Issuer Transaction Documents and entering into the transactions referred to in, or contemplated by, this Prospectus in order to enable Paradigm (i) to restructure the financing in respect of the Project (including the raising of additional financing) and (ii) to repay the Existing Financing.

Interest on the Notes is payable by reference to successive interest periods. Interest will be payable on the Notes monthly in arrear at the rate per annum equal to the sum of the Screen Rate (or the Reference Bank rate if applicable) (determined in accordance with **Condition 4 (Interest)**) and a margin of ● per cent. per annum. Interest will be payable in Sterling on the last Business Day of each month (each a **Note Payment Date**) provided that the first Interest Period (as defined in **Condition 4.2 (Interest — Note Payment Dates)**) commences on (and includes) the Closing Date and ends on (but excludes) the Note Payment Date (as defined in **Condition 4.2 (Interest — Note Payment Dates)**) falling in January 2006.

Forward Purchase Notes will not bear interest or have any voting or other rights for so long as they are held by or on behalf of the Issuer, Holdings, Paradigm, EADS or any of their respective affiliates. None of the Issuer, the Payment Trustee, Holdings, Paradigm, EADS, Astrium, ServiceCo or any of their respective affiliates are permitted to acquire any Notes or have any of the Notes held on their behalf (other than, in the case of the Issuer, the Forward Purchase Issuer Notes and the Enhancement Notes purchased under the Forward Note Purchase Agreement on the Closing Date).

The Notes will mature on the Note Payment Date falling in February 2020 (in relation to Issuer Notes and the Forward Purchase Issuer Notes) and the Note Payment Date falling in May 2021 (in relation to the Enhancement Notes), in each case unless previously redeemed in full. The Issuer Notes will be subject to scheduled redemption in part in accordance with an amortisation schedule set at the Closing Date and may be subject to optional or mandatory redemption in part or in full before such date in certain circumstances. The Forward Purchase Notes will be subject to scheduled redemption in part in accordance with an amortisation schedule set at the time of their Sale under the Forward Note Purchase Agreement and may be subject to optional or mandatory redemption in whole or in part before their relevant Maturity Date in certain circumstances (see **Condition 6 (Redemption)**).

This document constitutes a prospectus (the **Prospectus**) for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). Application has been made to the Irish Financial Services Regulatory Authority (the **Financial Regulator in Ireland**), as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List and to trading on its regulated market.

Copies of this Prospectus will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

The Issuer Notes will initially be represented by one temporary global note in bearer form, without coupons or talons attached (the **Issuer Temporary Global Note**). The Issuer Temporary Global Note will be deposited on or about the Closing Date, with a Common Depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the **Issuer Permanent Global Note**) in bearer form, without coupons or talons attached, from and including the date which is 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership.

The Forward Purchase Issuer Notes will initially be represented by one temporary global note (the **Forward Purchase Issuer Temporary Global Note**) without coupons or talons attached. On or about the Closing Date, the Forward Purchase Issuer Temporary Global Note will be deposited with the Note Custodian and will be exchangeable for interests in a corresponding permanent global note (the **Forward Purchase Issuer Permanent Global Note**) in bearer form without coupons or talons attached, from and including the date which is 40 days after the Closing Date, upon certification as to non-US ownership.

The Enhancement Notes will initially be represented by two separate permanent global notes, in bearer form, without coupons or talons attached (each an **Enhancement Global Note**). On or about the Closing Date, one Enhancement Global Note will be deposited with the Common Depositary (the **Enhancement Common Depositary Global Note**) and the other Enhancement Global Note will be deposited with the Note Custodian (the **Enhancement Custodian Global Note**). The Enhancement Global Notes will not be issued in temporary form.

Save in certain limited circumstances, Notes in definitive form will not be issued. See "Terms and Conditions of the Notes — Form, Denomination and Title".

If any withholding tax or any deduction for or on account of tax is applicable to any payment of interest on, and/or principal and premium (if any) in respect of the Notes, such payment will be made subject to such withholding or deduction. In such circumstances none of the Issuer, the Paying Agents (as defined below) or any other entity will be obliged to pay any additional amount as a consequence save in the circumstances described in Condition 7 (Taxation).

The Notes will not, as at the Closing Date, be rated. However, the Issuer will be required, when instructed by the Majority Noteholders, to provide all reasonable assistance to the Noteholders in seeking a rating in respect of the Notes from one or more recognised Rating Agencies. Such assistance does not oblige the Issuer to agree to the amendment of any Transaction Document. Expenses incurred in respect of obtaining such rating are to be borne by the Noteholders.

An investment in the Notes involves certain risks. See "Risk Factors" on page 1 for a discussion of risks to be considered in connection with an investment in the Notes.

### Joint Bookrunners and Lead Managers

**Citigroup**

**Goldman Sachs International**

**Co-Lead Managers**

**Dexia Capital Markets**

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Prospectus dated 15 December 2005.

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The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

EADS and Paradigm jointly and severally accept responsibility for the information relating to each of them, Astrium, ServiceCo, Holdings and the Payment Trustee and contained in this Prospectus in the sections headed "*Paradigm, ServiceCo, Astrium and EADS*" and "*Service Payments, Termination of the CISD and the MoD Termination Payment*". Astrium and ServiceCo each accept responsibility for the information relating to it and contained in this Prospectus in the section headed "*Paradigm, ServiceCo, Astrium and EADS*." EADS and Paradigm further accept responsibility for the information relating to the MoD contained in this Prospectus in the sections headed "*The Ministry of Defence*" and "*Service Payments, Termination of the CISD and the MoD Termination Payment*". Having taken all reasonable care to ensure that such is the case, each of EADS and Paradigm confirms that the information relating to it or the MoD (as relevant) and contained in such sections is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

Citibank, N.A., London Branch and Goldman Sachs Capital Markets, L.P. (the **Paradigm Swap Counterparties**) each accept responsibility for the information relating to it and contained in this Prospectus in the section headed "*Paradigm Swap Counterparties*". Having taken all reasonable care to ensure that such is the case, Citibank N.A., London Branch and Goldman Sachs Capital Markets, L.P confirm that the information relating to it and contained in such section is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

Citibank, N.A., London Branch (the **Issuer Cash Manager**) accepts responsibility for the information relating to it and contained in this Prospectus in the section headed "*Issuer Cash Manager*". Having taken all reasonable care to ensure that such is the case, Citibank, N.A., London Branch confirms that the information relating to it and contained in such section is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the MoD, H.M. Government, EADS, Paradigm, Astrium, ServiceCo, Citigroup Global Markets Limited (**CGML**), Goldman Sachs International (**GSI** and, together with CGML, the **Underwriters**), Dexia Banque Internationale à Luxembourg and, ▲● (together the **Co-Lead Managers**), the Payment Trustee, the Note Trustee, the Issuer Security Trustee, Holdings, the Paying Agents, the Agent Bank, the Issuer Account Bank, the Payment Trustee Account Bank, the Payment Trustee Corporate Services Provider, the Payment Trustee Cash Manager, the Issuer Cash Manager, the Issuer Corporate Services Provider, the Note Custodian, the Paradigm Swap Counterparties or any of their respective affiliates or advisers. Neither the delivery of this Prospectus nor any sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer, or in the other information contained herein since the date hereof.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any state securities laws, and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. persons (as defined in Regulation S under the Securities Act).

No action has been or will be taken (save for action necessary to ensure the compliance of this Prospectus with the listing rules of the Irish Stock Exchange) to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (in whole or in part) falls are required by the Issuer and the Underwriters to inform themselves about, and to observe, any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*".

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Neither this Prospectus nor any part of this Prospectus constitutes an offer of, or an invitation by or on behalf of, the Issuer, EADS, Paradigm, Astrium, ServiceCo, Holdings, the Payment Trustee or the Underwriters to subscribe for or purchase any of the Notes and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof, any other Prospectus, prospectus, form of application, advertisement, other offering materials, nor other information, may be issued, distributed or published in any country or jurisdiction (including, without limitation, the United Kingdom and Ireland) except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer and sale of Notes in the United States and the European Economic Area (including, without limitation, the United Kingdom and Ireland) — see the section headed “*Subscription and Sale*”.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Underwriters that any recipient of this Prospectus should purchase any of the Notes. Purchasers of Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Underwriters, the Payment Trustee, the Note Trustee and the Issuer Security Trustee have not separately verified the information contained herein. Each of the Underwriters makes no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied by the Issuer in connection with the Notes or their distribution and does not accept any responsibility or liability therefor. The Underwriters do not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Underwriters.

All references in this document to **Sterling, sterling, pounds, £** and **pence** are to the lawful currency of the United Kingdom. All references to **Euro, euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

All references in this document to the **United Kingdom** and to the **UK** are to the United Kingdom of Great Britain and Northern Ireland.

Capitalised terms contained in this document and set out in the Glossary herein have the meanings given to them on the page indicated in the section headed “*Glossary*”.

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE MoD, H.M. GOVERNMENT, EADS, PARADIGM, ASTRIUM, SERVICECO, THE UNDERWRITERS, THE PAYMENT TRUSTEE, THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE ISSUER ACCOUNT BANK, THE PAYMENT TRUSTEE ACCOUNT BANK, THE PAYMENT TRUSTEE CORPORATE SERVICES PROVIDER, THE PAYMENT TRUSTEE CASH MANAGER, THE ISSUER CASH MANAGER, THE ISSUER CORPORATE SERVICES PROVIDER, THE NOTE CUSTODIAN, HOLDINGS, THE PARADIGM SWAP COUNTERPARTIES OR THE AGENTS OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (EACH AS DEFINED BELOW).**

**IN CONNECTION WITH THE ISSUE OF THE NOTES, EACH UNDERWRITER, OR ANY PERSON ACTING ON ITS BEHALF, MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT ANY SUCH UNDERWRITER (OR ANY PERSON ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR**

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**AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES.**

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**RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors that are specific to the Issuer, the MoD, Paradigm and their respective industries and factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on, or in connection with, any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*No assurance can be given that the Notes are suitable investments for any individual or class of investor. Prospective investors in the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risk. Such prospective investors should also ensure that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition.*

**FACTORS THAT ARE SPECIFIC TO THE ISSUER**

***Risks related to the Issuer***

*Noteholders' direct recourse for payment is only to the Issuer*

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibilities of, or guaranteed by, any other person. In particular, the Notes will not be obligations of, or the responsibilities of, nor will they be guaranteed by, any of the MoD, H.M. Government, EADS, Paradigm, Astrium, ServiceCo, the Payment Trustee, Holdings, the Underwriters, the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Agent Bank, the Issuer Account Bank, the Payment Trustee Account Bank, the Payment Trustee Corporate Services Provider, the Payment Trustee Cash Manager, the Issuer Cash Manager, the Issuer Corporate Services Provider, the Note Custodian, Holdings, the Paradigm Swap Counterparties or any other company in the same group of companies as, or affiliated to, any of the above (except the Issuer). Furthermore, no such person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Subject as provided below in respect of the MoD Termination Payment (in respect of which a Noteholder's entitlement may be received directly by a Noteholder in the circumstances described in "MoD Direct Agreement" below), the ability of the Issuer to meet its obligations under the Notes will be dependent primarily upon the receipt by it of funds from the Payment Trustee under the Payment Trust Deed. This in turn will depend upon the Payment Trustee's receipt of funds from the MoD under the CISD, from the Paradigm Swap Counterparties under the Assigned Hedging Arrangements, from third parties to whom services have been provided or from Astrium or ServiceCo.

Other than the foregoing, certain proceeds of Relevant Insurances credited to the Issuer Insurance Accounts and any profits and earnings on Permitted Investments and interest on amounts standing to the credit of the Issuer Accounts, the Issuer will not have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

***Limited resources of the Issuer***

The Issuer is a special purpose financing vehicle with no business operations other than those contemplated under the Transaction Documents to which it is a party. Subject as provided below, the ability of the Issuer to meet its obligations under the Notes will be dependent primarily upon its rights under the Payment Trust Deed and the Issuer Entitlement Sale Agreement. The Issuer has assigned or charged by way of security its rights in respect of these agreements in favour of the Issuer Security Trustee on behalf of the Issuer Secured Creditors, including the Noteholders. On enforcement of such security interests, the Issuer Security Trustee will only have direct recourse to the secured assets of the Issuer. In the event that the proceeds of such enforcement, after payment of all claims ranking in



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priority to or *pari passu* with amounts due in respect of the Notes, are insufficient to make payment in full of amounts due in respect of the Notes (taking into account any amounts of the Noteholder MoD Termination Payment which are paid direct to Noteholders by the MoD), Noteholders may not, depending on the other sources of funds which may be available to the Issuer, receive the full amount of interest and/or principal and/or other amounts which would otherwise be due and payable to them on the Notes.

#### *Insolvency of the Issuer*

The Issuer has been established and its obligations structured so that it is “bankruptcy remote”. There can be no assurance, however, that the Issuer will not become the subject of bankruptcy or insolvency-type proceedings at any time during which the Notes are outstanding. Should this occur, the ability of the Noteholders to exercise rights against the Issuer to which they may otherwise have been entitled may be curtailed.

The Issuer is a newly formed entity, having no prior operating or performance history. Therefore, there is no information available as to gains or losses realised by the Issuer in the past or by investors in securities of the Issuer similar to the Notes.

#### *Forward Note Purchase Agreement*

The Sale of Forward Purchase Issuer Notes and/or Enhancement Notes at Note Value in accordance with the Forward Note Purchase Agreement may result in an investor being required to purchase those Forward Purchase Issuer Notes and/or Enhancement Notes at a price that is different from the prevailing market price of the Issuer Notes and those Forward Purchase Notes already Sold.

There can be no assurance that the conditions precedent to Sale of the Forward Purchase Notes under the Forward Note Purchase Agreement will be satisfied or waived, although the Forward Note Purchasers will be committed to buy them under the terms of the Forward Note Purchase Agreement should such conditions precedent be satisfied or waived.

#### *Requirement to notify of Nominated Noteholder Account*

The Noteholder MoD Termination Payment (if payable as a lump sum) is payable (to the extent of their respective *pro rata* entitlements to it as determined by the applicable Issuer Priority of Payments) to each Noteholder into a Nominated Noteholder Account. Where a Noteholder does not notify the Issuer Security Trustee of such a Nominated Noteholder Account, the relevant amount will be paid to the order of the Issuer Security Trustee, to be held on trust for the Noteholder pending notification of a Nominated Noteholder Account, subject to the claim to the Noteholder’s entitlement in respect of the Noteholder MoD Termination Payment being prescribed in accordance with **Condition 8 (Prescription)**. Failure by a Noteholder to make such notifications could cause a delay in receipt by that Noteholder of its entitlement to the Noteholder MoD Termination Payment.

Payment of the Noteholder MoD Termination Payment as a lump sum will not be made through the Clearing systems and the Clearing systems shall have no liability in this regard.

#### *Reliance on warranties*

The Issuer has not independently undertaken any investigation as to the accuracy of the various representations given by Paradigm or EADS (or their Affiliates) or the Payment Trustee. Instead, it will rely on the representations and warranties to be given by such parties in the Transaction Documents.

#### **Risks related to the MoD**

The ability of the Payment Trustee to pay the Issuer Entitlement Amount to the Issuer (as a beneficiary under the Payment Trust) in accordance with the terms of the Payment Trust Deed will depend upon, *inter alia*, receipt by the Payment Trustee of payments by the MoD under the CISD. Certain risks associated with this are detailed below.

#### *MoD Funding*

Payments of sums of money by H.M. Government (including the MoD) require the statutory authority of an annual appropriation by the then UK Parliament in an Appropriation Act. Such appropriation (or the absence of any such appropriation) does not affect the validity of any contractual obligation of H.M. Government. No UK Parliament is able to bind its successors, or even itself, to agree to the appropriation of H.M. Government funds for a particular purpose in future years. However,

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H.M. Government (including the MoD) customarily enters into contracts with a duration of more than one year and, historically, the wording in Appropriation Acts in relation to MoD obligations would cover the MoD's obligations under the Project. In future years, the MoD intends to present estimates to the UK Parliament for approval in order that it may fulfil its contractual obligations. The Issuer has no reason to believe that the MoD will depart from this policy.

#### *No collateral or security*

To the extent that the MoD does not make the payments required under the CISD, notwithstanding its contractual obligation to do so, there is no collateral or security which is provided by the MoD securing the MoD's obligation to make such payments.

#### **Risks related to the Paradigm Swap Counterparties**

Under the Hedging Arrangements, Paradigm will enter into certain interest rate swaps with the Paradigm Swap Counterparties. The right to receive net amounts payable to Paradigm under certain Hedging Arrangements (the **Assigned Hedging Arrangements**) will be assigned by Paradigm to the Payment Trustee and will constitute Trust Property. To the extent that a Paradigm Swap Counterparty fails to make a payment to the Payment Trust as required under the Assigned Hedging Arrangements or the Assigned Hedging Arrangements are otherwise terminated, the Issuer may not receive sufficient moneys in respect of the Issuer Share to make payments of interest and/or principal on the Notes. If this were to occur, Noteholders would, subject to and in accordance with certain remedy provisions, be able to seek payment of the Noteholder MoD Termination Payment. The risk of payments not being made on termination of the Compensated Hedging Arrangements by the Paradigm Swap Counterparties will be borne by the MoD and will not affect payment of the MoD Termination Payment.

#### *Ability of Paradigm Swap Counterparties to terminate the CISD*

On a failure by Paradigm to make payments to the Paradigm Swap Counterparties under the Compensated Hedging Arrangements, if that failure continues for a period of 45 Business Days and, in certain other circumstances, the Paradigm Swap Counterparties may terminate the CISD. To the extent that the Noteholder MoD Termination Payment were to be paid in full in one payment rather than several instalments, Noteholders would, via the Issuer Share, retain their right to receive their respective portions of the Noteholder MoD Termination Payment. However, such payment would constitute an early repayment of the Notes. Noteholders may not expect this early repayment and it may not meet their investment intentions.

#### **Risks related to Paradigm**

##### *Paradigm default under its financing arrangements*

The Project will, in part, be financed by Paradigm entering into separate financing arrangements with third party creditors (which may include EADS). It is possible that if Paradigm defaults under these financing arrangements, Paradigm's creditors will seek to enforce their security (which would include Paradigm's interest in the Payment Trust) which may result in termination of the CISD. Noteholders will not have any input regarding such termination of the CISD. If the CISD were to be terminated in these circumstances and the MoD Termination Payment became payable, then, to the extent that the Noteholder MoD Termination Payment is to be paid in full in one payment rather than several instalments, Noteholders would, via the Issuer Share, retain their right to receive their respective portions of the Noteholder MoD Termination Payment. However, such payment would constitute an early repayment of the Notes. Noteholders may not expect this early repayment and it may not meet their investment intentions.

##### *Cost overruns*

There is a risk that the deductions from the Service Payment or the costs incurred by Paradigm in meeting its obligations under the CISD will be greater than currently expected. There are limited protections for Paradigm under the CISD in this regard (e.g. where such costs result from changes in law or force majeure events), but in the absence of such protections, Paradigm must meet these costs itself. If Paradigm is unable to meet these cost overruns, they may lead to default by Paradigm under the CISD or under its separate financing arrangements with third party creditors and may consequently lead to termination of the CISD, with the consequences discussed in the risk factor "Paradigm default under its financing arrangements" above.

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Cost overruns may occur as a result of the costs incurred by Paradigm under sub-contracts in place with the two Principal Sub-Contractors. In addition to the possibility of causing a default by Paradigm as described above, any such cost overrun could result in a delay in completing a Project Milestone and a consequent delay in the increase in the Issuer Share and consequently a delay in the Sale of the relevant Further Issuer Entitlement. Furthermore, if Paradigm is unable to meet these cost overruns, they may lead to non-payment of its other creditors. This may result, *inter alia*, in Paradigm becoming insolvent or being placed into administration and consequently lead to termination of the CISD, with the consequences discussed in the risk factor "*Paradigm default under its financing arrangements*" above.

#### *Performance under the CISD*

The manner in which Paradigm performs its obligations under the CISD and its ability to meet various CISD Milestones on schedule can have a direct and potentially significant effect on the level of Service Payment received by Paradigm under the CISD. Increases in the Service Payment level and the introduction of, and increase in, the Take or Pay Tariff are based on certain milestones being achieved. Failure by Paradigm to provide the required level of service under the CISD (even if such milestones have been met), which may arise as a result of a failure to perform by Paradigm or one of the Principal Sub-Contractors, may result in deductions being made from the Service Payment. Where the Take or Pay Tariff applies (following the achievement of INOS), the Service Payment may only be reduced below this level by the application of Take or Pay Deductions. For further information on the payment structure, see "*Project Documents — CISD*". Poor performance by Paradigm may lead to default by Paradigm and termination of the CISD, with the consequences described in the risk factor "*Paradigm default under its financing arrangements*" above.

#### *Invoicing*

Under the payment provisions of the CISD, payment by MoD of the Take or Pay Amount of the monthly Service Payment must be made within 20 CISD Business Days of receipt by the MoD's bill paying branch of a claim for payment from Paradigm or of a notice that the MoD has failed to approve the Take or Pay Amount within the applicable 15 CISD Business Day Period. The MoD has 15 CISD Business Days from receipt of an invoice for the Take or Pay Amount to approve it. On receipt of such approval, or failure by the MoD to approve within such 15 CISD Business Day period, Paradigm may submit a claim for payment to the MoD's bill paying branch. An Authority Default will occur if payment is not made within 15 CISD Business Days of a notice of non-payment by Paradigm. That notice can be issued at the expiry of the 20 CISD Business Day period referred to above. To the extent that Paradigm fails to submit an invoice to the MoD on a timely basis or fails to make a claim for payment, payment by the MoD may be delayed. Such a delay in payment by the MoD could cause a Payment Shortfall, which would give rise to the Noteholders' right to terminate the CISD. Noteholders would, via the Issuer Share, retain their right to receive their respective portions of the Noteholder MoD Termination Payment. However, such payment would constitute an early repayment of the Notes. Noteholders may not expect this early repayment and it may not meet their investment intentions.

#### *Delays*

There is a risk that delays may occur to Paradigm's achievement of Project Milestones and/or CISD Milestones. Delays may result in a delay in the increase in the Issuer Share and consequently a delay in the Sale of the Further Issuer Entitlements. To the extent that delays in achievement of CISD Milestones are sufficiently serious and are not due to causes in respect of which Paradigm is entitled to claim relief from its obligations by way of an extension of time (Compensation Events, Force Majeure Events, Relief Events and such other causes expressly set out in the CISD), they may result in a default by Paradigm under the CISD, which would give rise to a right for MoD to terminate the CISD, with the consequences described in the risk factor "*Paradigm default under its financing arrangements*" above. Such delays may also result in the risk that the Forward Notes are Sold later than anticipated, or not Sold at all because the relevant Forward Purchase Note Long Stop Date has occurred.

#### *Sub-Contractor risks*

Paradigm has entered into the System Prime Contract with Astrium for the construction of the satellites and the upgrade of the Ground Segment and the Service Contract with ServiceCo for the operation of the satellites and the operation and maintenance of the Ground Segment. Paradigm is

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relying upon the capability and covenant strength of these two Principal Sub-Contractors. To the extent that a Principal Sub-Contractor is in breach of its obligations, Paradigm will have the right to terminate the relevant sub-contract. However, while there is a theoretical possibility of replacing a Principal Sub-Contractor, the most likely result of any such termination would be a termination of the CISD, with the consequences discussed in the risk factor “*Paradigm default under its financing arrangements*” above.

#### *Adequacy of insurance cover*

The insurance programme set out in the CISD is designed to cover some of the risks associated with third party liability, product liability and loss and damage to assets in the System (and associated loss of revenue). However, the insurances will be subject to certain terms, conditions, exclusions and deductibles which may limit the coverage of the insurances and in certain circumstances enable the insurers to reduce or deny coverage altogether. Further, it is possible that the level of insurance coverage obtained may not be sufficient to cover the losses or liability suffered by Paradigm and/or the co-insureds nor be sufficient to enable Paradigm to fund rectification of damaged assets, to replace lost revenue or cover the liability of Paradigm and/or the co-insureds to third parties.

Where Paradigm or the co-insureds are not indemnified under the insurances for those losses, and/or liabilities, this may lead to a default by Paradigm and termination of the CISD, with the consequences discussed in the risk factor “*Paradigm default under its financing arrangements*” above.

#### *Issuer as loss payee*

On or prior to the Closing Date, the Issuer will be named as loss payee in relation to the loss of anticipated revenue insurance which Paradigm is required to obtain under the CISD and any loss of revenue insurance which Paradigm elects, but is not under an obligation, to obtain and proceeds from those insurances will be paid by the insurers direct to the relevant Issuer Insurance Account and will be available to be applied in payment of liabilities of the Issuer (including to make payments on the Notes). To the extent that such insurance proceeds are not received or are (for the reasons set out in the risk factor “*Adequacy of insurance cover*” above), insufficient, when aggregated with other amounts received by the Issuer (including the Issuer Entitlement Amount) to meet amounts payable by the Issuer in accordance with the relevant Issuer Priority of Payments on a Note Payment Date, this will lead to the Noteholders being entitled to exercise their right to terminate the CISD. If the CISD were to be terminated in those circumstances and the MoD Termination Payment became payable, then, to the extent that the Noteholder MoD Termination Payment is to be paid in full in one payment rather than several instalments, Noteholders would, via the Issuer Share, retain their right to receive their respective portions of the Noteholder MoD Termination Payment. However, such payment would constitute an early repayment of the Notes. Noteholders may not expect this early repayment and it may not meet their investment intentions.

#### *Unavailability of insurance*

##### (a) Uninsurable Risks

The term “Uninsurable” covers the circumstances in which the MoD will protect Paradigm from the inability to procure or maintain insurance which it is obliged to procure and maintain under the CISD. An **Uninsurable Risk** is a risk against which Paradigm is required to procure insurance under the CISD and for which insurance is not available to Paradigm in the worldwide market from jointly approved insurers, or is available in the worldwide market from those insurers but market capacity is insufficient to obtain cover for the full sum which the CISD requires Paradigm to insure. Paradigm will not be obliged to procure or maintain the insurance required under the CISD for a risk to the extent it is an Uninsurable Risk.

Where an Uninsurable Risk occurs, Paradigm is required to consult with the MoD to discuss a course of action based on Paradigm’s proposals and any alternative proposals made by the MoD. On the occurrence of the Uninsurable Risk, the MoD will:

- pay to Paradigm (or to the Issuer Insurance No 1 Account, where such insurance proceeds would have been paid to the Issuer Insurance No 1 Account) an amount equivalent to the insurance proceeds which would have been payable on the basis of the CISD requirements (less the amount for which Paradigm has procured insurance (if applicable)); or
- (where the uninsured loss exceeds the higher of £100,000,000 and 15% of the compensation amount payable by the MoD on Force Majeure termination of the CISD) terminate the CISD

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and pay compensation for termination on a Force Majeure basis (see “*Service Payments, Termination of the CISD and the MoD Termination Payment*” below).

The MoD is not required to provide protection for an Uninsurable Risk where insurance for that risk has become unavailable as a result of an action of a shareholder in connection with its interest in Paradigm, Astrium or ServiceCo or the actions of Paradigm, Astrium or ServiceCo.

(b) Disclosure Requirements

Given the military aspects of the Project, the potential inability to disclose information required to procure or maintain insurance could prevent Paradigm obtaining insurance and delay or prevent the settlement of a claim. Where Paradigm is unable to disclose information in certain circumstances such as for reasons of national security, the risks covered by the insurance which Paradigm is required to obtain under the CISD which are affected shall be deemed to be an Uninsurable Risk provided that Paradigm has amongst other things notified the MoD that it has been unable to disclose information to an insurer. Delays in progressing and settling insurance claims due to disclosure problems as outlined above will also give rise to compensation for Paradigm.

None of the above will affect the amount of the proportion of the Noteholder MoD Termination Payment payable to the Noteholders, but may (as described above) result in termination of the CISD with the consequences discussed in the risk factor “*Paradigm default under its financing arrangements*” above.

**Skynet System Performance — Related Risks**

As a result of failure by Paradigm to provide the communications capacity to the MoD as required by the CISD (which could result from a variety of factors), the MoD may be entitled to terminate the CISD in accordance with its terms. To the extent that the Noteholder MoD Termination Payment were to be paid in full in one payment rather than several instalments, Noteholders would, via the Issuer Share, retain their right to receive their respective portions of the Noteholder MoD Termination Payment. However, such payment would constitute an early repayment of the Notes. Noteholders may not expect this early repayment and it may not meet their investment intentions.

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

**Absence of Rating of Notes**

The Notes will not, as at the Closing Date, be rated by a recognised rating agency. This may affect the ability of Noteholders to sell the Notes at a price which might be expected if the Notes were assigned a credit rating. There is also a possibility that a rating agency could seek to rate the Notes on its own behalf (without the approval of the Issuer or Noteholders). This rating might be higher or lower than a rating which might be expected by Noteholders and could also affect the ability of Noteholders to sell the Notes at a price which they might have expected.

At any time following the Closing Date, the Issuer will be required, when instructed by the Majority Noteholders, to provide all reasonable assistance to the Noteholders in seeking a rating in respect of the Notes from one or more Rating Agencies. Such assistance will not oblige the Issuer to agree to the amendment of any Transaction Documents. Expenses incurred in respect of obtaining any such rating are to be borne entirely by the Noteholders.

**Modifications, waivers and substitution**

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

The Conditions of the Notes also provide that the Note Trustee may, without the consent of Noteholders, agree to (i) any modification of, or the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Issuer Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances and subject to the conditions described in **Condition 11 (Meetings of Noteholders, Modification and Waiver)**.

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**Secondary market — limited liquidity**

Notwithstanding the fact that an application has been made for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange, the Notes are new securities and there can be no guarantee that there is or will be established a liquid market in secondary trading of the Notes which are outstanding. The lack of a liquid market may affect the ability of Noteholders to sell the Notes at a price which might be expected in a fully liquid market. Therefore, any re-sale price that may be available for the Notes may be less than their initial offering price and, consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes. The liquidity and market value at any time of the Notes will be affected by, amongst other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the conditions of financial markets, international political events and the performance and financial condition of Paradigm, EADS, the MoD and H.M. Government.

**Transfer restrictions in respect of the Forward Purchase Notes**

The Forward Note Purchase Agreement provides that Forward Note Purchasers may only transfer their rights and obligations under the Forward Note Purchase Agreement with the prior written consent of the Issuer and Paradigm. Although such consent is not to be unreasonably withheld, there is no guarantee that a Forward Note Purchaser will be able to transfer its rights and obligations in respect of the Forward Purchase Notes (prior to their Sale by the Issuer to such Forward Note Purchaser) to a party of its choice.

**Notes will not be issued in physical form which may cause delays in distribution and hamper the Noteholders' ability to pledge or resell the Notes**

A Noteholder's beneficial ownership of the Notes will only be recorded in book-entry form with Euroclear and/or Clearstream, Luxembourg. The Notes will not (in the ordinary course) be exchanged for definitive Notes. The unavailability of Notes in physical form could, among other things:

- result in payment delays on the Notes because the Issuer will be sending distributions on the Notes to Euroclear or Clearstream, Luxembourg instead of directly to a Noteholder (other than with respect to a Noteholder's entitlement to its proportion of the Noteholder MoD Termination Payment where paid directly to a Noteholder by the MoD);
- make it difficult for a Noteholder to pledge the Notes if notes in physical form are required by the party demanding the pledge; and
- hinder a Noteholder's ability to resell the Notes because some investors may be unwilling to buy Notes that are not in physical form.

**Trading in the clearing systems**

Although the Notes will be issued in minimum denominations of £100,000 it is possible that the Notes may be traded in clearing systems in amounts in excess of the minimum denomination. In such a case, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination (or its equivalent) in its account with the relevant Clearing System at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination (or its equivalent).

**Limited gross up for withholding tax under the Notes**

In the event that withholding taxes are, or any deduction or withholding on account of tax is, imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, none of the Issuer, the Paying Agents or any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts that the Noteholders will receive as a result of the imposition of any such withholding or deduction, except to the extent that the MoD is required under the terms of the CISD and the MoD Direct Agreement to gross up any payments made thereunder as further described in **Condition 7 (Taxation)**. The imposition of such withholding or deduction would entitle (but not oblige) the Issuer to redeem the Notes at their Principal Amount Outstanding (plus accrued interest), thereby shortening the average lives of the Notes. For so long as any Note is outstanding, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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### **Forward looking statements**

Certain statements contained in this Prospectus, including any descriptions or statements regarding the possible future results of operations, any statement preceded by, followed by or which includes the words “believes”, “expects”, “intends”, “will”, “may”, “anticipates” or similar expressions, and other statements that are not historical facts, are or may constitute “forward-looking statements”. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (a) risks and uncertainties relating to United Kingdom defence spending, political and economic conditions and government regulation and (b) such other risks and uncertainties as are detailed herein. All written and oral forward-looking statements attributable to the Issuer, EADS, Paradigm, Astrium, ServiceCo or persons acting on its, or their, behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. The Issuer will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus.

### **LEGAL AND REGULATORY RISKS**

#### ***EU Directive on the Taxation of Savings Income***

Under European Council Directive 2003/48/EC on the taxation of savings income, since 1 July 2005 Member States have been required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the Issuer, the Paying Agents or any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Note is outstanding the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such Directive.

#### ***European Monetary Union: redenomination of Notes into euro***

It is possible that prior to the relevant Final Maturity Date of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event: (a) all amounts payable in respect of the Notes may become payable in euro; (b) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and take additional measures in respect of the Notes; and (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

#### ***If the Noteholders have a claim against the Issuer it may be necessary for the Noteholders to bring suit against the Issuer in England to enforce their rights***

The Issuer has agreed to submit to the non-exclusive jurisdiction of the courts of England, and it may be necessary for the Noteholders to bring a suit in England to enforce their rights against the Issuer.



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### **Effect of change of law**

The Transaction and the terms of the Transaction Documents have been structured on the basis of the laws of England and Wales in effect as at the date of this Prospectus. No assurance can be given as to the impact on the Notes or their respective payments of principal and/or interest of any possible change to English law or administrative practice (including in relation to tax) in England after the date of this Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law or administrative practice. Paradigm's exposure to additional costs of performing its obligations under the CISD and the Project Documents arising from any change in law (including tax law) is mitigated by certain factors, including the indexation provisions and certain provisions of the CISD addressing changes in law. However, Paradigm is not protected from a General Change in Law that results in increased operating costs, and is only partially protected from increased capital costs resulting from a General Change in Law, and any such costs may result in Paradigm defaulting under its financing arrangements, leading to the consequences described in the risk factor "*Risks related to Paradigm — Paradigm default under its financing arrangements*" above. See also "*Summary of Transaction Documents — Project Documents — CISD*".

### **Insolvency Act 2000**

Significant changes to the English insolvency regime have recently been enacted, including the Insolvency Act 2000. The Act allows certain "small" companies to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. A "small" company is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £2.8 million, (ii) its balance sheet total is not more than £1.4 million, and (iii) the number of employees is not more than 50. The position as to whether or not a company is a "small" company may change from period to period and consequently it is impossible to give any assurance that the Issuer will not, at any given time, be a "small" company. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for "small" companies and can make different provisions for different cases. In this respect, H.M. Government's White Paper "Modernising Company Law" issued on 16th July, 2002 included a proposal to increase the limits for the definition of a small company to the EU maximum (£4.8 million turnover, £2.4 million balance sheet total, 50 employees). It is impossible to give any assurance that such modification or other alteration of these provisions will not be detrimental to the interests of Noteholders.

Secondary legislation has now been enacted which excludes certain special purpose companies in relation to capital market transactions from the optional moratorium provisions. Such exclusions include, *inter alia*, (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in the secondary legislation) under which a party has incurred a debt of at least £10 million and which involves the issue of a capital market investment (as defined, but generally a rated, listed or traded Note) and (ii) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer should fall within the exclusions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exclusions. No assurance can be given that any modification of the eligibility requirements for "small" companies and/or the exclusions will not be detrimental to the interests of the Noteholders.

If the Issuer is determined to be a "small" company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the Issuer Security by the Issuer Security Trustee may, for a period, be prohibited by the imposition of a moratorium.

### **Enterprise Act 2002**

On 15th September, 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the **Insolvency Act**). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of charges including a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an

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administrator by appointing an administrative receiver, who would act primarily in the interests of the floating charge holder.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. These are relevant to the Issuer. The relevant exemption provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Issuer Security) which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves indebtedness or expected indebtedness of at least £50,000,000 and the issue of a capital market investment. The term "Capital Market Investment" means, in summary, a rated, listed or traded Note or a Note which is designed to be rated, listed or traded. The Secretary of State may, by secondary legislation, modify the capital market exemption and/or provide that the exemption shall cease to have effect. It is impossible to give any assurances as to the effect on the Noteholders of any alteration to the capital market provisions.

The Insolvency Act also contains an out-of-court route into administration for a qualifying floating charge holder, the directors or the relevant company itself. This procedure applies to the Issuer. The legislation provides for a notice period during which the holder of the qualifying floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge holder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's, appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge taken as part of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The provisions of the Insolvency Act summarised in the preceding paragraph give primary emphasis to the rescue of a company as a going concern and achieving a better result for its creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. It is impossible to give any assurance that the objectives of the revised Insolvency Act will not conflict with the interests of the Noteholders.

In addition, Section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined currently to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, subject to a maximum of £600,000.

This obligation does not apply if the net property is less than a prescribed minimum (currently £10,000) and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits arising from that distribution. Where the company's net property exceeds the prescribed minimum, the relevant officeholder may also apply to court for an order that the provisions of Section 176A should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits arising from it. Floating charge realisations upon the enforcement of the Issuer Security may be reduced by the operation of these "ring fencing" provisions.

#### **Proposed Changes to the Basel Accord**

The Basel Committee on Banking Supervision published the text of the new capital accord on 26 June 2004 under the title *Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework* (the **Framework**). The Framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new Framework. The Committee confirmed that it is currently intended that the various approaches under the Framework will be implemented in stages. Some stages will be implemented and effective from the end of 2006; whilst the most advanced stages will

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be implemented and effective from the end of 2007. If implemented in accordance with its current form, the Framework could affect risk-weighting of the Notes in respect of certain investors if those investors are subject to the new Framework (or any legislative implementation thereof) following its implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the new Framework. No prediction can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

***Risk-Weighted Asset Framework***

Each Noteholder shall be solely responsible for verifying with its central bank or other applicable regulatory authority the risk weighting that would be permitted under the applicable laws, regulations and directions to which that Noteholder is subject and whether the Notes comply with any other regulatory requirement specifically relevant to that Noteholder. None of the Note Trustee, the Issuer Security Trustee, the Underwriters, the Issuer, the MoD or any other person shall be under any liability or requirement to take any action if such risk-weighting is not available at any time.

Noteholders should also note that the status or authorisation of any institution on which the risk-weighting accorded to the Notes depends may be withdrawn and that the policy of the Financial Services Authority (or any other central bank or applicable regulatory authority) may change as regards the risk weighting to be accorded to the Notes particularly in light of the proposals for reform of the risk weighted asset framework. Any such change may affect the risk-weighting of the holdings of the Notes.

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**TRANSACTION SUMMARY**

*This section contains a brief summary of the transactions described elsewhere in this Prospectus. It is not, and does not purport to be, complete and is, therefore, qualified in its entirety by reference to the other information appearing elsewhere in this Prospectus. It should, therefore, be read with caution.*

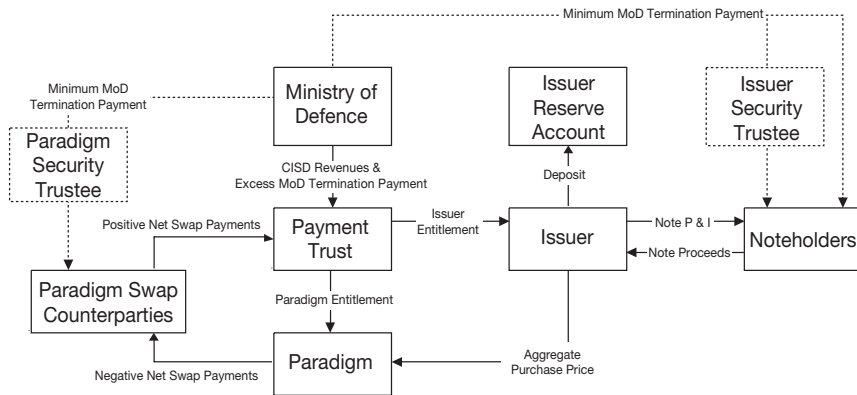
**Summary**

Paradigm Secure Communications Limited (**Paradigm**) is responsible for the provision of the Services to the MoD under the CISD which has a term of approximately 15 years. The Project was procured by the MoD under H.M. Government’s private finance initiative. The CISD came into effect on 24 October 2003.

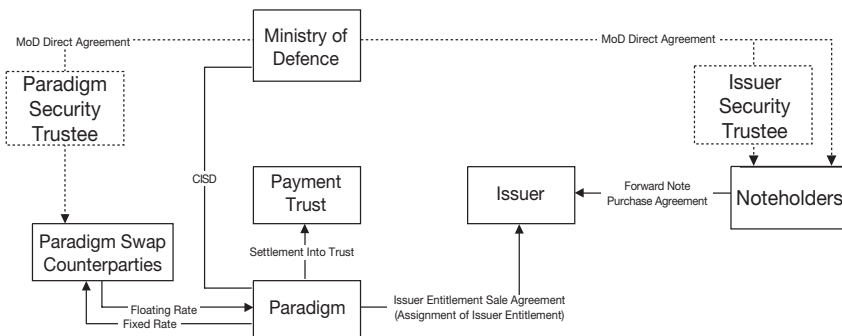
On Initial Financial Close, Paradigm entered into a number of funding agreements with the Existing Financiers. The purpose of the transactions described in this Prospectus is to restructure the Project and the Existing Financing with funding on terms described in this Prospectus and to allow additional communications infrastructure to be provided in order to deliver the required Services to the MoD. That portion of the Existing Financing which is not replaced with the funding contemplated by this Prospectus on the Closing Date will be replaced or refinanced by Paradigm by way of the Construction Tranche. The interest payment obligations of Paradigm under the Construction Tranche will be serviced by Paradigm from the Paradigm Entitlement Amount which it receives from the Payment Trust. The Construction Tranche will be repaid using a portion of the Initial Purchase Price received in respect of the sale of Further Issuer Entitlements in the Payment Trust to the Issuer by Paradigm following Sales of Forward Purchase Issuer Notes. Paradigm’s funding will be restructured so that a significant element of it is dependent on recovery of the payments made (including those made on termination of the CISD) by the MoD to Paradigm under the CISD.

**Structure Diagrams**

**Cashflows**



**Contracts**



**Please note that the above diagrams are designed to represent the main functional and financial relationships in the transaction, and as such, they are not exhaustive.**





## KEY TRANSACTION PARTIES

### **The Issuer**

Satellite Financing PLC is the Issuer. The Issuer is a public company incorporated under the laws of England and Wales with limited liability under registration number 5593543. The Issuer has been established for the limited purposes of the issue of the Notes and the transactions and matters referred to in or contemplated by this Prospectus. The issued share capital of the Issuer consists of 50,000 ordinary shares of £1 each, partly paid up to 25% of their nominal value. Holdings holds all of the issued share capital of the Issuer other than the one ordinary share in the Issuer held by SFM Nominees Limited which is held on trust for Holdings.

### **The Payment Trustee**

Paradigm Trustee Limited (the **Payment Trustee**) is a private limited company incorporated under the laws of England and Wales with limited liability under registration number 5595067. All of the issued share capital of the Payment Trustee is held on trust (for charitable purposes) by the Payment Trustee Share Trustee.

### **Holdings**

Satellite Financing (Holdings) Limited (**Holdings**) is a private limited company incorporated under the laws of England and Wales with registration number 5593544. The entire share capital of Holdings is held on trust (for charitable purposes) by the Share Trustee.

### **Ministry of Defence**

The Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland (the **MoD**) is a cabinet minister of H.M. Government and is charged with making and executing UK defence policy and with producing the means by which such defence policy will be executed.

### **EADS**

European Aeronautic Defence and Space Company EADS N.V. (with its registered office at Le Carré, Beech Avenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands) (**EADS**) is a Dutch company governed by the laws of the Netherlands. The shares of EADS are listed in France, Germany and Spain.

### **Paradigm**

Paradigm Secure Communications Limited (acting through its office at Gunnels Wood Road, Stevenage SG1 2AS) (**Paradigm**) is a private limited company incorporated under the laws of England and Wales with limited liability under registration number 4562657. It is, indirectly, a wholly owned subsidiary of EADS.

### **Astrium**

EADS Astrium Limited (acting through its office at Gunnels Wood Road, Stevenage SG1 2AS) (**Astrium**) is a private limited company incorporated under the laws of England and Wales with limited liability under registration number 2449259. It is an indirect subsidiary of EADS.

### **ServiceCo**

Paradigm Services Limited (acting through its office at Gunnels Wood Road, Stevenage SG1 2AS) (**ServiceCo**) is a private limited company incorporated under the laws of England and Wales with limited liability under registration number 4572481. It is indirectly a wholly owned subsidiary of EADS.

### **The Note Trustee**

Citicorp Trustee Company Limited (whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Note Trustee (the **Note Trustee**, which expression includes its permitted successors and assigns) appointed pursuant to the Note Trust Deed constituting the Notes dated on or prior to the Closing Date and made between it and the Issuer.



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***The Issuer Security Trustee***

Citicorp Trustee Company Limited (whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Issuer Security Trustee (herein the **Issuer Security Trustee**, which expression includes its permitted successors and assigns) appointed pursuant to the Issuer Deed of Charge dated on or prior to the Closing Date. The Issuer Security Trustee will hold the security created under the Issuer Deed of Charge as security trustee for the Issuer Secured Creditors.

***The Payment Trustee Cash Manager***

Paradigm Secure Communications Limited is the Payment Trustee Cash Manager (herein the **Payment Trustee Cash Manager**) appointed pursuant to the Payment Trustee Cash Management Agreement. It will enter into the Payment Trust Cash Management Agreement on the Closing Date with the Payment Trustee, Paradigm, the Issuer and the Issuer Security Trustee and provide cash management services and certain corporate services (other than those provided by the Payment Trustee Corporate Services Provider) to the Payment Trustee.

***The Issuer Cash Manager***

Citibank, N.A., London Branch (acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Issuer Cash Manager (herein the **Issuer Cash Manager**) appointed pursuant to the Issuer Cash Management Agreement. It will enter into the Issuer Cash Management Agreement on the Closing Date with the Issuer and the Issuer Security Trustee and provide cash management services and certain corporate services (other than those provided by the Issuer Corporate Services Provider) to the Issuer.

***The Payment Trustee Account Bank***

HSBC Bank Plc (acting through its office at 8 Canada Square, London E14 5HQ) is the Payment Trustee Account Bank (herein the **Payment Trustee Account Bank**) appointed pursuant to the Payment Trustee Bank Account Agreement made on or prior to the Closing Date between it, the Payment Trustee, the Payment Trustee Cash Manager and the Issuer Security Trustee. It will be required to maintain interest-bearing accounts in the name of the Payment Trustee (the **Payment Trustee Accounts**). The Payment Trustee Account Bank must be an Eligible Bank.

***The Issuer Account Bank***

Citibank, N.A., London Branch (acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Issuer Account Bank (herein the **Issuer Account Bank**) appointed pursuant to the Issuer Bank Account Agreement made on or prior to the Closing Date between it, the Issuer, the Issuer Cash Manager and the Issuer Security Trustee. It will be required to maintain interest-bearing accounts in the name of the Issuer (the **Issuer Accounts**). The Issuer Account Bank must be an Eligible Bank.

***The Principal Paying Agent and the Agent Bank***

Citibank, N.A., London Branch (acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Principal Paying Agent and the Agent Bank appointed pursuant to the Agency Agreement.

***The Note Custodian***

Citibank, N.A., London Branch (acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) is the Note Custodian (herein the **Note Custodian**) appointed pursuant to the Custody Agreement made on or prior to the Closing Date between it and the Issuer under which it will provide custody services in relation to the Forward Purchase Notes.

***The Payment Trustee Corporate Services Provider***

Structured Finance Management Limited (acting through its office at 35 Great St. Helen's, London EC3A 6AP) is the Payment Trustee Corporate Services Provider (herein the **Payment Trustee Corporate Services Provider**). It will enter into the Payment Trustee Corporate Services Agreement

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on the Closing Date under which it will provide two independent directors and other corporate services to the Payment Trustee.

***The Issuer Corporate Services Provider***

Structured Finance Management Limited (acting through its office at 35 Great St. Helen's, London EC3A 6AP) is the Issuer Corporate Services Provider (herein the **Issuer Corporate Services Provider**). It will enter into the Issuer Corporate Services Agreement on the Closing Date under which it will provide two independent directors and other corporate services to the Issuer and Holdings.

***The Paradigm Swap Counterparties***

As at the Closing Date, Citibank, N.A., London Branch and Goldman Sachs Capital Markets, L.P. are the **Paradigm Swap Counterparties**, which term includes such other counterparties to the Hedging Arrangements. Citibank, N.A., London Branch is acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. Goldman Sachs Capital Markets, L.P. is acting through its office at 85 Broad Street, New York, New York 1004.

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**TRANSACTION OVERVIEW**

**Introduction**

On Initial Financial Close, Paradigm and the MoD entered into the CISD, under which Paradigm agreed to provide the Services to the MoD. The Services include the provision of “beyond line of sight” communications. To enable it to provide the Services, Paradigm has engaged Astrium to design, construct, launch, commission, test and deliver two satellites (**Skynet 5A** and **Skynet 5B**) and upgrade the ground support infrastructure of the satellite communications System in respect of Skynet 5 in accordance with certain specifications, and has engaged ServiceCo to operate and maintain those satellites, other satellites under the control of Paradigm and related ground support infrastructure. In order to fund the performance of its obligations in relation to the Project, Paradigm entered into the Existing Financing with the Existing Financiers.

Paradigm has agreed with the MoD to restructure the Project. As part of that restructuring, the CISD will be amended to include the construction, launch, commissioning, testing, delivery, maintenance and operation of a third satellite (**Skynet 5C**) in addition to Skynet 5A and Skynet 5B, and on the occurrence of defined capacity shortfalls from or losses to Skynet 5A, 5B or 5C, or if the MoD otherwise requires, Paradigm will be obliged to complete the construction, launch, commissioning, testing, delivery, operation and maintenance of a fourth satellite (**Skynet 5D**).

As part of such restructuring, Paradigm will enter into the transactions described in this Prospectus. The financing raised pursuant to the transactions contemplated by this Prospectus will enable Paradigm to prepay, in part, the Existing Financing. To the extent not replaced by the funding raised in connection with the transactions contemplated in this Prospectus, the Existing Financing will be refinanced by Paradigm by way of the Construction Tranche as further described in this Prospectus.

As detailed in this Prospectus under the heading “*Overview of the Skynet 5 Project*”, Paradigm is required to achieve certain milestones under the CISD (each a **CISD Milestone**), being:

- (a) Transitional Operational Service (TOS), which corresponds to transfer of title to the Skynet 5 assets to Paradigm, which occurred prior to the Initial Financial Close which had occurred by the time of the Initial Financial Close;
- (b) Initial Operational Service Initial Operating Capability (**IOS IOC**), which took place on 23 February 2005;
- (c) Initial Operational Service (**IOS**), which is scheduled to take place on 31 December 2006;
- (d) Intermediate Operational Service (**INOS**), which is scheduled to take place on 28 February 2007;
- (e) Full Operational Service (**FOS**), which is scheduled to take place on 29 February 2008; and
- (f) Third Satellite Operational Services (**TSOS**) which is scheduled to take place on 30 September 2008.

Should there be a loss of defined capacity on one or more of the first three satellites during the period over which they are launched (normally up to and including 31 December 2008), Paradigm will be obliged to achieve Fourth Satellite Operational Services (**FSOS**).

In addition, there are certain other milestones, all of which are scheduled to take place prior to INOS, which give rise to an increase in the Minimum MoD Termination Payment, as follows:

- (a) the delivery of certain terminals to the MoD (the **Terminals Delivery Date**) scheduled to take place in April 2006;
- (b) Skynet 5C SCOF Completion (**5C SCOF Completion**) scheduled to take place in April 2006;
- (c) Skynet 5C Payload AIT Completion (**5C Payload AIT Completion**) scheduled to take place in October 2006; and
- (d) Skynet 5C Satellite AIT Completion (**5C Satellite AIT Completion**) scheduled to take place in July 2007.

All of the above milestones and the CISD Milestones (except for TOS and FOS) are referred to as **Project Milestones**.

### The Service Contract and System Prime Contract

In order to provide the Services to the MoD and to achieve the CISD Milestones, Paradigm has entered into, amongst other agreements, two sub-contracts (each dated the date of the Initial Financial Close), being:

- (a) the Service Contract with ServiceCo, under which ServiceCo provides services relating to the operation and maintenance of the Ground Segment and Space Segment to Paradigm; and
- (b) the System Prime Contract with Astrium, under which Astrium is required, amongst other things, to design and construct the satellite communications System in respect of Skynet 5 in accordance with certain specifications.

See “*Summary of Transaction Documents — Project Documents*” for a description of these documents.

### The Service Payment and MoD Termination Payment

Under the CISD, Paradigm is entitled to receive from the MoD agreed levels of monthly service payments (the **Service Payment**) for the term of the CISD for providing the Services. Amounts received by way of Service Payment are designed to enable Paradigm to meet the cost (including debt service costs and capital expenditure) of providing the Services.

The Service Payment is made up of various revenue streams which are linked to the availability and performance of the System, the types of service provided and the volume of use.

From INOS, the Take or Pay Tariff applies. This effectively represents a minimum level of Service Payment. The Take or Pay Tariff may only be reduced in certain narrowly defined circumstances (see the section entitled “*Service Payments, Termination of the CISD and the MoD Termination Payment*” for a more detailed description of the Service Payment arrangements). In addition to Service Payments from the MoD, Paradigm may (subject to a MoD approval process) earn revenue by making capacity (on a short- or long-term basis) on the System available to certain third parties (primarily governments or international organisations).

If the CISD is terminated (for whatever reason), the MoD is obliged to pay certain amounts, being the MoD Termination Payment. The amount of the MoD Termination Payment will vary depending upon the reasons for termination of the CISD. The Minimum MoD Termination Payment is payable upon termination of the CISD by reason of “Paradigm Default” under the CISD and will be (as at any date) at least the amount shown in the following table as the sum of the milestone amounts in respect of those Project Milestones which have been achieved as at such date (for more detail, refer to “*Payment of the MoD Termination Payment*” below):

<u>Project Milestone</u>	<u>Milestone Amount</u>	<u>Scheduled Date</u>
<b>Closing Date</b> .....	£ [186,000,000]	<u>Closing Date</u>
<b>Terminals Delivery Date</b> .....	£ [6,900,000]	April 2006
<b>5C SCOF Completion</b> .....	£ [6,000,000]	April 2006
<b>5C Payload AIT Completion</b> .....	£ [61,000,000]	October 2006
<b>IOS</b> .....	£ [39,000,000]	December 2006
<b>5C Satellite AIT Completion (or, if achieved earlier, INOS)</b> ...	£ [66,000,000]	July 2007
<b>INOS</b> .....	£ [653,700,000]	February 2007
<b>On later of (i) INOS and (ii) 1 April 2007</b> .....	£ [59,700,000]	April 2007
<b>On later of (i) INOS and (ii) 1 July 2007</b> .....	£ [26,100,000]	July 2007
<b>On later of (i) INOS and (ii) 1 October 2007</b> .....	£ [13,200,000]	October 2007
<b>TSOS</b> .....	£ [47,000,000]	September 2008

The Note issue has been sized, and the provisions of the Forward Note Purchase Agreement have been structured, to ensure that the Minimum MoD Termination Payment will at all times be sufficient (a) to repay principal, accrued but unpaid interest and, in certain circumstances, prepayment amounts outstanding on the Notes (including any Forward Purchase Issuer Notes and Enhancement Notes which have been Sold to the Forward Note Purchasers since the Closing Date) and (b) to pay the costs associated with the other items detailed in the Payment Trust Priority of Payments and the



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Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Acceleration Priority of Payments, as relevant.

Please refer to the section “*Summary of Transaction Documents — Project Documents — CISD*” and “*Service Payments, Termination of the CISD and MoD Termination Payment — MoD Termination Payment*” for a detailed description of the MoD Termination Payment.

### **Constitution of the Payment Trust**

On or prior to the Closing Date, Paradigm will, under the Payment Trust Deed, assign to the Payment Trustee the Initial Trust Property to be held on trust for the benefit of Paradigm.

The **Initial Trust Property** comprises:

- (a) the right to receive all amounts payable to Paradigm pursuant to and in accordance with the CISD and any Authority Arrangements, including the right to receive any MoD Termination Payment which right will be assigned to the Payment Trustee as at the date of the Payment Trust Deed;
- (b) the right to receive all amounts payable to Paradigm pursuant to and in accordance with the Third Party Contracts;
- (c) the right to receive net amounts payable to Paradigm (excluding, for the avoidance of doubt, amounts payable to Paradigm on termination of the Assigned Hedging Arrangements) under the Assigned Hedging Arrangements;
- (d) the right to receive all amounts payable to Paradigm under the System Prime Contract (other than amounts (not to exceed £30 million) payable in respect of a Funding Call Notice issued pursuant to the Co-operation Agreement);
- (e) the right to receive all amounts payable to Paradigm under the Service Contract (other than amounts (not to exceed £30 million) payable in respect of a Funding Call Notice issued pursuant to the Co-operation Agreement);
- (f) the right to receive all amounts payable to Paradigm under the System Prime Contract Guarantee and the Service Contract Guarantee;
- (g) all receipts in respect of the Initial Trust Property referred to in paragraphs (a) to (f) above arising on or after the date of assignment of the relevant rights; and
- (h) any other property representing the assets in paragraphs (a) to (g) above from time to time.

**Trust Property** means together:

- (a) the Initial Trust Property;
- (b) the right to receive all net amounts payable to Paradigm (excluding amounts payable to Paradigm on termination of such Assigned Hedging Arrangements) under Assigned Hedging Arrangements to the extent that such right is assigned to the Payment Trustee after the date of the Payment Trust Deed;
- (c) any other amounts designated by Paradigm and the Payment Trustee as Trust Property;
- (d) all receipts in respect of the Trust Property in paragraphs (b) and (c) above arising on or after the date of assignment of the relevant rights; and
- (e) any other property representing the assets referred to in paragraphs (b) to (d) above from time to time.

Following settlement of the Payment Trust, any revenues which form part of the Trust Property that are received or deemed to have been received by the Payment Trustee in a Calculation Period constitute **Payment Trust Receipts**.

### **Issue and Sale of the Notes**

On the Closing Date, the Issuer proposes to issue the £186,000,000 Issuer Notes and after paying £● in costs and expenses associated with the issue, will deposit:

- (a) £● of the net proceeds of the Issuer Notes in the Issuer Transaction Account which will then be applied by the Issuer to pay the Initial Issuer Entitlement IPP to Paradigm on the Closing Date as described below; and

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(b) £● (being the balance of the net proceeds of the Issuer Notes) in the Issuer Reserve Account.

On the Closing Date, the Issuer will also issue the £● Forward Purchase Issuer Notes and the £● Enhancement Notes.

The Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes are separate tranches of debt forming a single series of Notes ranking *pari passu* amongst themselves.

Forward Purchase Notes will, on the Closing Date, be issued by the Issuer, purchased by the Forward Note Purchasers at par and then immediately re-purchased (at par) by the Issuer using the proceeds of issue thereof. The Forward Purchase Notes will then be held by the Note Custodian (on behalf of the Issuer) until their Sale to the Forward Note Purchasers or cancellation.

Forward Purchase Issuer Notes may be Sold by the Issuer to the Forward Note Purchasers in accordance with the provisions of the Forward Note Purchase Agreement in order to provide the Issuer with the funds to acquire a Further Issuer Entitlement. Any such Sale is conditional upon an increase in the amount of the Minimum MoD Termination Payment and the satisfaction or waiver of certain other conditions precedent. To the extent that the Forward Purchase Issuer Notes are not Sold to Forward Note Purchasers on or before the relevant Forward Purchase Note Long Stop Date they will be cancelled. There is no guarantee that the conditions precedent will be satisfied or waived or that Forward Purchase Issuer Notes will be Sold to Forward Note Purchasers although the Forward Note Purchasers will be committed to buy them under the terms of the Forward Note Purchase Agreement should the conditions precedent to their sale be satisfied or waived. See “*Summary of Transaction Documents — Finance Documents — Forward Note Purchase Agreement*” and “*Description of the Notes*” for a description of the terms of the Forward Note Purchase Agreement and the Forward Purchase Issuer Notes.

The Enhancement Notes may be Sold by the Issuer to the Forward Note Purchasers in certain limited circumstances, including for the purpose of funding the completion of the construction and launch of Skynet 5D and in certain circumstances, to finance variations to the Project. The Enhancement Notes will only be Sold to Forward Note Purchasers to the extent that the Minimum MoD Termination Payment has increased and upon satisfaction or waiver of certain other conditions precedent. The Issuer will use the proceeds of any such Sale of Enhancement Notes to acquire a Further Issuer Entitlement under the Payment Trust (reflecting the increase in the Minimum MoD Termination Payment). There can be no assurance that the Enhancement Notes will ever be Sold to the Forward Note Purchasers although the Forward Note Purchasers will be committed to buy them under the terms of the Forward Note Purchase Agreement should the conditions precedent to their Sale be satisfied or waived. To the extent that the Enhancement Notes are not Sold to the Forward Note Purchasers prior to the applicable Forward Purchase Note Long Stop Date they will be cancelled. See “*Summary of Transaction Documents — Finance Documents — Forward Note Purchase Agreement*” and “*Description of the Notes*” for a description of the terms of the Forward Note Purchase Agreement and the Enhancement Notes.

### **Sale of Initial Issuer Entitlement**

Pursuant to the Issuer Entitlement Sale Agreement, Paradigm will on the Closing Date sell and assign to the Issuer the Initial Issuer Entitlement.

The **Initial Issuer Entitlement** represents that part of the Trust Property which is sold and assigned by Paradigm to the Issuer on the Closing Date. In consideration for receipt of the Initial Issuer Entitlement, the Issuer will pay to Paradigm the Aggregate Purchase Price in respect of the Initial Issuer Entitlement comprising:

- an upfront payment of the Initial Issuer Entitlement IPP in an amount equal to £● (being part of the gross proceeds of the issue of the Issuer Notes); and
- the Initial Issuer Entitlement DPP which is payable to Paradigm on cancellation or redemption in full of the Notes (to the extent that funds are available for such payment in accordance with the relevant Issuer Priority of Payments).

The Initial Issuer Entitlement will be sized to produce an amount of Trust Property which will allow the Issuer to meet payments of principal and interest on the Notes issued on the Closing Date plus amounts ranking ahead of payments on the Notes.

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Upon the sale and assignment of the Initial Issuer Entitlement, the Payment Trustee will hold the Trust Property as to both capital and income on trust absolutely for each of (i) the Issuer (as to the Initial Issuer Entitlement) and (ii) Paradigm (as to the Initial Paradigm Entitlement).

### **Sale of Further Issuer Entitlement**

The amount of the Minimum MoD Termination Payment will, from time to time, increase as a result of certain Project Milestones being reached. The arrangements by which such increase is determined are detailed in Schedule AC to the CISD and the MoD Direct Agreement, as described under the heading “*Summary of Transaction Documents — Project Documents — CISD*” and the heading “*MoD Direct Agreement*” below. The Project Milestones are detailed in the section entitled “*Overview of the Skynet 5 Project*”. An increase in the Minimum MoD Termination Payment and the precise quantum thereof will be acknowledged to the Issuer, the Note Trustee, the Issuer Security Trustee, the Payment Trustee and Paradigm by the MoD through the issue of a Minimum Issuer Financing Compensation Notice (as described in more detail in “*MoD Direct Agreement*” below).

Following an increase in the Minimum MoD Termination Payment as described above and subject to specific conditions precedent being satisfied or waived (including that Paradigm has given notice of its intention to sell a Further Issuer Entitlement as described below), either:

- (a) an amount of Forward Purchase Issuer Notes; or
- (b) (in the case of certain variations to the Project and the requirement to complete the construction and launch of Skynet 5D) an amount of Enhancement Notes,

in each case in an aggregate Note Value less than or equal to the amount of the increase in the Minimum MoD Termination Payment, will be Sold by the Issuer to the Forward Note Purchasers under the Forward Note Purchase Agreement (each a **Sale** and the term **Sold** shall be similarly interpreted). The purchase price of the Sale of Forward Purchase Notes to the Forward Note Purchasers will be at an amount equal to the Note Value plus, where the Forward Purchase Notes are Sold other than on the first day of an Interest Period, an amount equal to the interest which would have accrued on such Forward Purchase Notes since (and including) the first day of such Interest Period if such Forward Purchase Notes had been Sold on the first day of such Interest Period. Paradigm may, under the terms of the Issuer Entitlement Sale Agreement, sell and assign to the Issuer the additional part of the Trust Property representing the increase resulting from the increase in the Minimum MoD Termination Payment (the **Further Issuer Entitlement**) provided that the conditions to sale have been met. In consideration for the sale of the Further Issuer Entitlement, the Issuer will pay to Paradigm on the relevant Sale Date the Further Issuer Entitlement IPP in respect of such Further Issuer Entitlement and will pay to Paradigm on cancellation or redemption in full of the Notes (to the extent that funds are available for such payment in accordance with the relevant Issuer Priority of Payments) the Further Issuer Entitlement DPP in respect of such Further Issuer Entitlement.

### **Application by Paradigm of Initial Issuer Entitlement IPP and Further Issuer Entitlement IPP**

Paradigm will apply the Initial Issuer Entitlement IPP, *inter alia*, towards repayment of the Existing Financing, together with accrued interest, fees and any other amounts which are due and payable thereunder. To the extent that the Existing Financing is not prepaid in full by Paradigm from the Initial Issuer Entitlement IPP, Paradigm will refinance or repay such facilities using the proceeds of the Construction Tranche.

Paradigm will apply any Further Issuer Entitlement IPP towards repayment of the Construction Tranche together with accrued interest, fees and any other amounts which are due and payable thereunder.

### **Hedging Arrangements**

Paradigm may from time to time maintain one or more interest rate swaps (the **Hedging Arrangements**) in respect of certain interest rate exposures in connection with the Transaction. Paradigm’s right to receive from the Paradigm Swap Counterparties net amounts payable under certain Hedging Arrangements (the **Assigned Hedging Arrangements**) but excluding for the avoidance of doubt amounts payable to Paradigm upon termination of the Assigned Hedging Arrangements will be assigned to the Payment Trustee and such amounts will be payable to the Payment Trustee as Payment Trust Receipts and will constitute part of the Trust Property.

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To the extent that Paradigm is required to make a payment under the Hedging Arrangements, it will be required to fund such payment either from the Paradigm Entitlement Amount or may fund such payment from such other means as Paradigm may have.

#### **Calculation of Issuer Share and Paradigm Share of the Payment Trust**

The Payment Trustee will on each Distribution Date calculate the Issuer Share and the Paradigm Share of the Trust Property as follows:

- (a) Issuer Share = Issuer Entitlement Amount for the corresponding Calculation Period divided by the total Payment Trust Receipts for the corresponding Calculation Period (net of any fees and expenses of the Payment Trustee payable on that Distribution Date) (expressed as a percentage); and
- (b) Paradigm Share = 100 per cent. minus the Issuer Share.

The Issuer Share and the Paradigm Share represent the respective shares of the Issuer and Paradigm in the beneficial interest in the Trust Property.

#### **Calculations and Distributions from the Payment Trust**

At or prior to 11.00 a.m. on each Preliminary Distribution Date, the Payment Trustee shall calculate or shall procure the calculation of:

- the Preliminary Issuer Entitlement Amount; and
- the Preliminary Paradigm Entitlement Amount,

each as at that Preliminary Distribution Date.

At or prior to 1.00 p.m. on each Preliminary Distribution Date, the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) will allocate and distribute the Preliminary Paradigm Entitlement Amount for that Calculation Period to Paradigm by payment to the Paradigm Transaction Account.

At or prior to 1.00 p.m. on each Distribution Date (or in respect of amounts due to third parties, when due), the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) will allocate and distribute all Payment Trust Receipts in accordance with the Payment Trust Priority of Payments, including payment of the Issuer Entitlement Amount and the Net Paradigm Entitlement Amount.

The Issuer Entitlement Amount will (prior to the enforcement of the Issuer Security) be paid by the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) to the Issuer (having deducted any amounts paid directly by the MoD pursuant to the MoD Direct Agreement) on the relevant Distribution Date or, following a termination of the CISD where the MoD has not issued an Instalment Notice, on the Compensation Payment Date, to be available in same day funds and to be applied by the Issuer (or the Issuer Cash Manager on its behalf) in accordance with the relevant Issuer Priority of Payments each as set out and described in this Prospectus under the heading "Summary of Transaction Documents — Finance Documents" and in the Issuer Deed of Charge.

The Net Paradigm Entitlement Amount will (on any Distribution Date) be equal to the total of Payment Trust Receipts for the relevant Calculation Period less the aggregate of the Preliminary Paradigm Entitlement Amount and the Issuer Entitlement Amount for the relevant period (as detailed under "Summary of Transaction Documents — Finance Documents — Payment Trust Deed").

#### **Shortfalls in distributions from the Payment Trust**

##### **Payment Shortfalls**

If:

- (a) on any Distribution Date, the amount of Payment Trust Receipts:
  - (i) received by the Payment Trustee;
  - (ii) available for distribution from the Payment Trust to the Issuer; or
  - (iii) received by the Issuer (or, as the case may be, the Issuer Security Trustee) from the Payment Trust,

is in each case less than the Issuer Entitlement Amount; or

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- (b) without regard to the operation of **Condition's (Deferral of Interest and Principal)** on any Note Payment Date, the amount received by the Noteholders from the Issuer (or, as the case may be, the Issuer Security Trustee) is less than all amounts payable to the Noteholders on such Note Payment Date in accordance with the Conditions (such deficiency in funds being a **Reserve Payment Shortfall**):

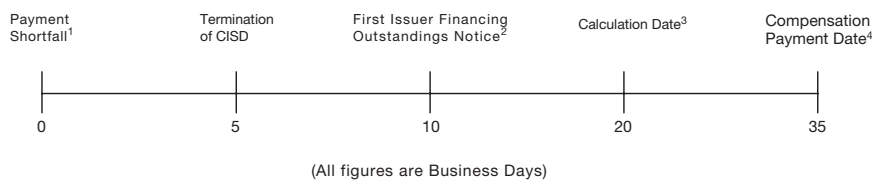
the Issuer Cash Manager on behalf of the Issuer or the Issuer Security Trustee (as appropriate) will be entitled to transfer to the Issuer Transaction Account an amount from the Issuer Reserve Account equal to such Reserve Payment Shortfall in order to make payment of any resultant shortfall in the amounts payable by the Issuer on such Note Payment Date.

If:

- (a) on any Distribution Date the credit balance of the Issuer Reserve Account falls below the Minimum Reserve Balance and the amount of Payment Trust Receipts (A) received by the Payment Trustee; or (B) available for distribution from the Payment Trust to the Issuer; or (C) received by the Issuer (or, as the case may be, the Issuer Security Trustee) from the Payment Trust, is less than the Issuer Entitlement Amount; or
- (b) on any Note Payment Date, the amount received by the Noteholders from the Issuer (or, as the case may be the Issuer Security Trustee) is less than all amounts payable to the Noteholders on such Note Payment Date in accordance with the Conditions (such deficiency in funds being a **Payment Shortfall**),

the Issuer Security Trustee must cause termination of the CISD in accordance with the provisions of the MoD Direct Agreement. This will trigger payment by the MoD of the Minimum MoD Termination Payment. If the Issuer Security Trustee fails, within 1 Business Day, to issue a notice terminating the CISD, any Noteholder may exercise the Issuer Security Trustee's right to issue such a notice and such Noteholder will be liable for such notice.

#### Timing of Payment of Noteholder MoD Termination Payment under the MoD Direct Agreement



- (1) Service of notice by Issuer Security Trustee terminating the CISD. Opportunity for Paradigm or MoD (at their discretion) to remedy Payment Shortfall within 5 Business Days
- (2) First statements of amount due to Noteholders assuming that Notes will be redeemed on Compensation Payment Date.
- (3) Update of First Issuer Financing Outstandings Notice.
- (4) Payment in full of Noteholder MoD Termination Payment (to the extent paid in a lump sum).

A Payment Shortfall will not of itself be an Issuer Event of Default. However, if the Noteholder MoD Termination Payment has not been paid at the expiry of the Deferral Period, there will be an Issuer Event of Default.

The Issuer Security Trustee's right to require termination of the CISD is contained in the MoD Direct Agreement (discussed below) and its obligations to exercise this right in certain circumstances are contained in the Issuer Deed of Charge and the MoD Direct Agreement.

#### Issuer Reserve Account

The Issuer Reserve Account will be funded by:

- (a) a payment occurring on the Closing Date, when the Issuer will retain an amount equal to the Initial Issuer Entitlement DPP and deposit such amount in the Issuer Reserve Account;
- (b) a payment occurring on each Sale Date, when the Issuer will retain an amount equal to the relevant Further Issuer Entitlement DPP and deposit such amount in the Issuer Reserve Account; and

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- (c) a payment on each Note Payment Date (prior to the service of a Note Acceleration Notice or prior to the MoD Termination Payment being paid or becoming payable) under the relevant Issuer Priority of Payments, as required to ensure that the balance of the Issuer Reserve Account is equal to the Issuer Reserve Account Required Balance.

The Issuer Reserve Account will be funded (in accordance with the foregoing arrangements) so that on any date the amount standing to the credit of the Issuer Reserve Account will be an amount equal to the aggregate of (a) at least three months' principal and interest payable on the Notes which have been Sold on or prior to such date and (b) £250,000 (the **Issuer Reserve Account Required Balance**). For the purposes of determining the amount of the Issuer Reserve Account Required Balance on any date, three months' principal and interest will be deemed to be equal to the aggregate of the following:

- (a) an amount of £[●] per Issuer Note or Forward Purchase Issuer Note Sold on or prior to such date (save to the extent fully redeemed), multiplied by the total of:
- (i) the number of Issuer Notes; and
  - (ii) the number of Forward Purchase Issuer Notes Sold on or prior to such date; and
- (b) an amount per Enhancement Note Sold on or prior to such date (save to the extent fully redeemed) multiplied by the number of Enhancement Notes Sold on or prior to such date, such amount to be calculated as the aggregate of the following:
- (i) £20,000; and
  - (ii) an amount equal to three months' interest payable on the Principal Amount Outstanding on the Enhancement Notes, using a rate of interest equal to the aggregate of the fixed interest payable under the Hedging Arrangements entered into in connection with the Sale of the Enhancement Notes plus the Margin.

To the extent that there is a Payment Shortfall and the Issuer is unable on any Note Payment Date to satisfy in full amounts then due and payable on the Notes, payments of principal and interest on the Notes may be deferred for a period of up to six months (the **Deferral Period**) provided that a Deferral Period will not affect the Noteholders' right to terminate the CISD.

### MoD Direct Agreement

Under the MoD Direct Agreement, the MoD will acknowledge, amongst other things:

- (a) the Issuer Security granted by the Issuer to the Issuer Security Trustee over the Issuer Share;
- (b) that the issue of a Minimum Issuer Financing Compensation Notice (described below) is a condition precedent to the Sale of Forward Purchase Notes in a Principal Amount Outstanding up to the increase in the Minimum MoD Termination Payment shown in that Minimum Issuer Financing Compensation Notice;
- (c) that the Service Payment and all other payments under the CISD in respect of the Project (other than certain insurance payments and, in certain circumstances, a proportion of the MoD Termination Payment) are to be made to the Payment Trustee (as trustee for the Beneficiaries under the Payment Trust);
- (d) the right of the Issuer Security Trustee and of the Paradigm Security Trustee, in certain circumstances, to require that the CISD be terminated and the MoD Termination Payment be paid (the MoD may elect that the CISD will not terminate but this will not affect its obligations to pay those portions of the MoD Termination Payment payable to the Noteholders and the Paradigm Security Trustee (on behalf of the Paradigm Swap Counterparties) calculated as if the CISD had so terminated);
- (e) that the relevant portion of the Noteholder MoD Termination Payment is owed directly by the MoD to the Noteholders to the extent of their entitlement under item (c) of the Issuer Post-Acceleration Priority of Payments, and that the MoD's payment obligation in respect of the Noteholder MoD Termination Payment is not discharged unless and until such amount is paid directly to those Noteholders who have elected to be paid directly by the MoD and, in respect of all other Noteholders, until payment is made to the order of the Issuer Security Trustee to be

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held on trust for each such Noteholder until such Noteholder provides details of its Noteholder Nominated Account to the Issuer Security Trustee; and

- (f) the obligations of Paradigm under the Hedging Arrangements and that, in certain circumstances, amounts representing those payable by Paradigm on termination of Compensated Hedging Arrangements will be paid by the MoD to the Paradigm Security Trustee (on behalf of the Paradigm Swap Counterparties).

A change in the entity acting as Issuer Security Trustee or Note Trustee from Citicorp Trustee Company Limited to another entity will not, provided that such change occurs in accordance with the terms of the Transaction Documents, adversely affect the interests of either the Issuer Secured Creditors or the Noteholders respectively.

### **Reliance on minimum recovery proceeds payable by the MoD**

The Transaction has been structured such that the ability of the Issuer to make payments of principal and interest on the Notes is dependent principally on amounts payable by the MoD under the CISD. In addition, the Payment Trust may also receive payments from the Paradigm Swap Counterparties under the Assigned Hedging Arrangements, amounts due from Astrium and ServiceCo and third parties and other amounts in respect of the Project which may be distributed to the Issuer in accordance with the terms of the Payment Trust.

The MoD will, on the achievement of each Project Milestone and where Paradigm is obliged to achieve FSOS (and on agreeing a variation to the Project where there are Enhancement Notes available to fund such variation), provide to the Issuer, the Issuer Security Trustee, Paradigm, the Payment Trustee and the Note Trustee a Minimum Issuer Financing Compensation Notice, setting out, amongst other things, the Minimum MoD Termination Payment. In addition, as a result of the issue of the Minimum Issuer Financing Compensation Notice, the MoD will agree to pay accrued but unpaid interest on Issuer Notes and Forward Purchase Issuer Notes Sold and the Issuer's costs and expenses and breakage costs payable by Paradigm on termination or close-out of Compensated Hedging Arrangements.

On the Closing Date, Issuer Notes will be issued with a Principal Amount Outstanding equal to the Minimum MoD Termination Payment and, following each other Project Milestone, and on each Forward Purchase Sale Date, subject to the satisfaction of certain conditions precedent, Forward Purchase Notes will be Sold with an aggregate Note Value (calculated as if Sold) in an amount less than or equal to the amount (when aggregated with the Note Value of the Issuer Notes and of all Forward Purchase Notes previously Sold) of the then applicable Minimum MoD Termination Payment certified by the MoD in the then latest Minimum Issuer Financing Compensation Notice.

### **Payment of the MoD Termination Payment**

Upon termination (or deemed termination for the purposes of the MoD Direct Agreement) of the CISD, the MoD has the option of paying the Noteholder MoD Termination Payment as a lump sum or in instalments over time provided that such instalments are consistent with the original repayment profile of the Notes. The MoD may elect by an Instalment Notice (within 10 Business Days of the Termination Date) to pay by instalments (failing which election, the Noteholder MoD Termination Payment will be payable in a lump sum). The MoD may subsequently at any time elect by notice to the Issuer Security Trustee to pay all remaining amounts due under the Notes at any time in a single payment. If the MoD fails to make an instalment payment on its due date, all remaining amounts due under the Notes will immediately become payable in a lump sum.

Where the MoD elects or is required to pay the Noteholder MoD Termination Payment as a lump sum, the relevant portion of such payment will be paid directly by the MoD to a Sterling denominated account nominated by such Noteholder (each such account a **Nominated Noteholder Account**) or where no account is advised, to the Issuer Security Trustee, to be held on trust for such Noteholder until such Noteholder provides details of its Nominated Noteholder Account to the Issuer Security Trustee. Payment of the MoD Termination Payment as a lump sum will not be made to a Noteholder's account with the Clearing Systems and the Clearing Systems will not be in any way responsible for making any payment of the Noteholder MoD Termination Payment as a lump sum. In accordance with **Condition 6.3 (Redemption — Mandatory Redemption on receipt of MoD Termination Payment)** the Issuer (or the Issuer Security Trustee on its behalf) must give notice to the Noteholders of the redemption of the Notes in full.

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A Significant Noteholder may, under the terms of the MoD Direct Agreement, notify the MoD at any time of its Nominated Noteholder Account.

In relation to the direct payment to Noteholders of the Noteholder MoD Termination Payment, the following process will be observed:

- (a) the Paying Agent in consultation with the Issuer Cash Manager and the Payment Trustee Cash Manager and in respect of paragraph (ii) below, the Issuer Security Trustee, will determine that proportion of the MoD Termination Payment which will be required to satisfy:
  - (i) the payment of items (a) to (e) (inclusive) of the Payment Trust Priority of Payments, (being the costs and expenses of the Payment Trustee which rank ahead of payments in respect of the Issuer Entitlement Amount and Paradigm Entitlement Amount);
  - (ii) the payment of items (a) to (b) (inclusive) of the Issuer Post-Acceleration Priority of Payments, (being the costs and expenses of the Issuer which rank ahead of payments of principal and interest on the Notes);
  - (iii) the payment of all amounts of principal, accrued but unpaid interest and prepayment amounts, which are due and payable on the Notes;
- (b) the Payment Trustee Cash Manager shall calculate, based on the amounts referred to at paragraphs (a)(ii) and (iii) above, the amount of the Issuer Entitlement Amount;
- (d) the amount determined under paragraph (a)(ii) above will be paid by the MoD to the Issuer Security Trustee for distribution in accordance with the Issuer Post-Acceleration Priority of Payments; and
- (e) the amount determined under paragraph (a)(iii) above will be paid by the MoD, in respect of a relevant Noteholder, to:
  - (i) the relevant Noteholder's Nominated Noteholder Account if the relevant Noteholder has nominated such an account; or
  - (iii) the order of the Issuer Security Trustee where the relevant Noteholder has not nominated a Nominated Noteholder Account to be held on trust for such Noteholder until it makes the relevant nomination, subject to the provisions relating to prescription in **Condition 8 (Prescription)**,

provided that the amounts referred to in paragraphs (d) and (e) above shall be payable only to the extent of the Issuer Entitlement Amount after payment of all prior ranking amounts.

No Noteholder will receive payment directly from the MoD of the amount referred to in paragraph (d) above if such Noteholder fails to provide the details of their Nominated Noteholder Account in accordance with the instructions in the notice sent from the Issuer pursuant to **Condition 6.3 (Redemption — Mandatory Redemption on receipt of MoD Termination Payment)** (and/or previously to the MoD in the case of a Significant Noteholder).

Each Noteholder acquiring Notes must ensure that the details of its Nominated Noteholder Account are provided to the MoD (including by way of notification to the Issuer Security Trustee) to ensure correct and prompt payment of the MoD Termination Payment.

To the extent that the MoD does not make the payments required under the CISD, notwithstanding its contractual obligation to do so, there is no collateral or security which is provided by the MoD securing the MoD's obligation to make such payments.



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## DESCRIPTION OF THE NOTES

*This section contains a very brief overview of the principal characteristics of the Notes. For a more detailed description of the Notes, see "Description of the Notes" and "Terms and Conditions of the Notes"*

<b>Issuer:</b>	Satellite Financing PLC.
<b>Note Trustee:</b>	Citicorp Trustee Company Limited.
<b>Issuer Security Trustee:</b>	Citicorp Trustee Company Limited.
<b>Total amount and title of the Notes being admitted to trading:</b>	<p>£● Issuer Floating Rate Secured Notes due 2020.          £● Forward Purchase Issuer Floating Rate Secured Notes due 2020.          £● Forward Purchase Enhancement Floating Rate Secured Notes due 2021.</p>
<b>Denomination:</b>	The Notes will be issued in denominations of £100,000.
<b>Ratings:</b>	The Notes will not, as at the Closing Date, be rated. However the Issuer will be required, when instructed by the Majority Noteholders, to provide all reasonable assistance to the Noteholders in seeking a rating in respect of the Notes from one or more recognised Rating Agencies. Such assistance does not oblige the Issuer to agree to the amendment of any Transaction Document. Expenses incurred in respect of obtaining such rating are to be borne by the Noteholders.
<b>Listing:</b>	Application has been made to list the Notes on the Irish Stock Exchange.
<b>Estimate of total expenses related to admission to trading:</b>	£●
<b>Yield:</b>	<p>●</p> <p>The yield is calculated at the Closing Date on the basis of the issue price of the Notes. It is not an indication of future yield.</p>
<b>Form of the Notes:</b>	The Issuer Notes will initially be represented by one temporary global note in bearer form, without coupons or talons attached (the <b>Issuer Temporary Global Note</b> ). The Issuer Temporary Global Note will be deposited on or about 15 December, 2005 (the <b>Closing Date</b> ) with a Common Depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ( <b>Euroclear</b> ) and Clearstream Banking, société anonyme ( <b>Clearstream, Luxembourg</b> ). The Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the <b>Issuer Permanent Global Note</b> ) in bearer form, without coupons or talons attached, from and including the date which is 40 days after the Closing Date (the <b>Exchange Date</b> ), upon certification as to non-U.S. beneficial ownership.

The Forward Purchase Issuer Notes will initially be represented by one temporary global note (the **Forward Purchase Issuer Temporary Global Note**) without coupons or talons attached. On or about the Closing Date, the Forward Purchase Issuer Temporary Global Note will be deposited with the Note Custodian and will be exchangeable for interests in a corresponding permanent global note (the **Forward Purchase Issuer Permanent Global Note**) in bearer form without coupons or talons attached, from and including the date which is 40 days after the Closing Date, upon certification as to non-US ownership. Following a Sale of Forward Purchase Issuer Notes the Forward Purchase Issuer Permanent Global Note will be marked down by the principal amount of Forward Purchase Issuer Notes Sold and the Issuer Temporary Global Note or, following the Exchange Date, the Issuer Permanent Global Note will be marked up by a corresponding amount.

The Enhancement Notes will initially be represented by two separate permanent global notes, in bearer form, without coupons or talons attached (each an **Enhancement Global Note**). On or about the Closing Date, one Enhancement Global Note will be deposited with the Common Depository (the **Enhancement Common Depository Global Note**) and the other Enhancement Global Note will be deposited with the Note Custodian (the **Enhancement Custodian Global Note**). The Enhancement Global Notes will not be issued in temporary form.

Save in certain limited circumstances, Notes in definitive form will not be issued (see “*Terms and Conditions of the Notes — Form, Denomination and Title*”).

**Status and ranking of the Notes:**

The Notes will constitute secured, direct and unconditional obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any person other than the Issuer. The Notes will be constituted by a trust deed (the **Note Trust Deed**) to be entered into between the Issuer and the Note Trustee on the Closing Date. The Notes will have the benefit of the Issuer Security as detailed below.

**Security for the Notes:**

The Issuer Notes, the Forward Purchase Issuer Notes (to the extent that they are issued and Sold) and the Enhancement Notes (to the extent that they are issued and Sold) will be separate tranches of debt forming one series of notes and will all rank *pari passu* amongst themselves.

The Issuer’s obligations under the Notes will be secured by the Issuer Security. The ranking, priority and enforcement of security interests will be governed by the Issuer Deed of Charge.

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**Scheduled Payments (Interest and Principal):**

Subject to deferral of the payment of interest and/or principal in accordance with **Condition 15 (Deferral of Interest and Principal)** and the Issuer Deed of Charge, the Issuer shall in respect of each £100,000 original principal amount of Notes (other than the Forward Purchase Notes held by the Custodian), on each Note Payment Date, make the total payment comprising the relevant scheduled interest payment for the Notes and, if applicable, the relevant scheduled principal payment for the Notes.

On each Note Payment Date, each Forward Purchase Note then held by or on behalf of the Issuer shall be deemed to be redeemed in an amount equal to the Deemed Amortisation Amount.

**Optional Cancellation of Forward Purchase Notes:**

The Issuer may (with the prior written consent of Paradigm, and shall, if so directed by Paradigm) on giving not more than 60 nor fewer than 30 days' notice to the Forward Note Purchasers cancel some or all of the Forward Purchase Notes which have not yet been Sold to the Forward Note Purchasers.

**Optional Redemption by the Issuer:**

The Issuer may on giving not more than 20 nor fewer than 10 days' notice to the Noteholders, at its option and in accordance with the Conditions of the Notes, redeem the Notes (*pari passu* and *pro rata*) which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer) on any Note Payment Date in whole or in part (over and above the Amortisation Amounts set out in **Condition 6 (Redemption)**) at their respective Principal Amounts Outstanding together with the relevant Call Premium Amount and accrued (but unpaid) interest to the date of redemption, but in an aggregate principal amount of not less than £1,000,000 (or, if less, the then aggregate Principal Amount Outstanding of the Notes to be redeemed).

Upon redemption in part of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer), each Forward Purchase Note held by the Note Custodian shall be deemed to be redeemed in an amount equal to its Deemed Amortisation Amount.

Upon redemption in full of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer), any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will be cancelled by the Issuer.

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**Mandatory Redemption on receipt of MoD Termination Payment:**

Upon either:

(a) service by the Issuer Security Trustee of an Updated Issuer Financing Outstandings Notice where no Instalment Notice has been issued by the MoD prior to the Calculation Date; or

(b) service or deemed service by the MoD of a Redemption Notice),

the Issuer will be required to give notice to Noteholders of redemption of the Notes in full. Upon receipt of the relevant portion of the Noteholder MoD Termination Payment by the Issuer Security Trustee or payment directly of the relevant part of the Noteholder MoD Termination Payment to the Noteholders, the Issuer will be required to redeem all of the Notes *pari passu* and *pro rata* (according to the respective amounts thereof). Where the MoD Termination Payment has become payable as a result of Authority Default or Voluntary Termination such redemption will require the Issuer to pay a Call Premium Amount as detailed in **Condition 6.4 (Redemption — Optional Redemption)**.

Upon redemption of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer) in full, any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will be cancelled by the Issuer.

**Redemption for Taxation or Other Reasons:**

The Issuer may, at its option, redeem all, but not some only, of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer) at their Principal Amount Outstanding together with accrued interest on any day (subject to, and in accordance with, the provisions of **Condition 6 (Redemption)** if the Issuer satisfies the Note Trustee that by reason of a change in applicable tax law (or the application or official interpretation thereof) it would suffer a material disadvantage.

Upon such redemption of such Notes in full, any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will be cancelled by the Issuer.

See **Condition 6 (Redemption)** for the definition of Principal Amount Outstanding.

**Redemption upon Service of a Note:**

Following service of a Note Acceleration Notice, the Notes will be redeemed in accordance with the Issuer Post-Acceleration Priority of Payments. Any Forward Purchase Notes not yet Sold under the terms of the Forward Note Purchase Agreement will be cancelled upon service of a Note Acceleration Notice.

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**Mandatory Deemed Redemption or  
Cancellation of Forward Purchase Notes:**

On any Note Payment Date, each Forward Purchase Note not yet Sold shall be deemed to be redeemed in an amount equal to its Deemed Amortisation Amount.

Upon redemption in part of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer), each Forward Purchase Note which has not yet been Sold) shall be deemed to be redeemed in an amount equal to its Deemed Amortisation Amount.

Upon redemption in full of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer), any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will be cancelled by the Issuer.

**Withholding Tax:**

All payments of interest, principal and premium (if any) on the Notes will be made without withholding or deduction for any present or future taxes levied by the United Kingdom unless required by law, except to the extent that the Issuer (or the Issuer Security Trustee (or its nominee) or the relevant Noteholder) receives such amounts pursuant to an MoD obligation under the CISD to gross-up certain payments as described in **Condition 7 (Taxation)**. If such taxes are imposed, the Issuer or, as the case may be, any Paying Agent will make the relevant payment on the Notes after such withholding or deduction has been made and the Issuer will account to the relevant authorities for the amount to be withheld or deducted and none of the Issuer, the Paying Agents or any other person is obliged to gross-up or otherwise compensate Noteholders for the lesser amounts that Noteholders will receive as a result of the imposition of such withholding or deduction.

See “*Material United Kingdom Tax Consequences*” below for a description of certain aspects of taxation of the Notes.

**Purchase of Notes:**

None of the Issuer, the Payment Trustee, Holdings, EADS, Paradigm, Astrium or ServiceCo (or their respective Affiliates) may purchase the Notes or have any of the Notes held on their behalf (other than, in the case of the Issuer, the Forward Purchase Issuer Notes and the Enhancement Notes purchased under the Forward Note Purchase Agreement on the Closing Date).

**Interest:**

Interest will be payable on the Notes monthly in arrear on the last Business Day in each calendar month (each, a **Note Payment Date**), with the first Note Payment Date being 31 January, 2006.

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Interest will not be payable on the Forward Purchase Notes whilst they are held by or on behalf of the Issuer prior to their Sale under the terms of the Forward Note Purchase Agreement or whilst they are held by EADS, Paradigm, Astrium or ServiceCo (or their respective Affiliates).

The interest rate per annum applicable to the Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes will be calculated as the Rate of Interest (as determined in accordance with **Condition 4 (Interest)**).

**Further Issues:**

The Issuer will be entitled from time to time on any Note Payment Date, without the consent of the Noteholders, but subject always to the provisions of the Conditions of the Notes and the Note Trust Deed, to raise further funds by the creation and issue of further notes of the same tranche as one of the tranches of the Notes (**Further Notes**) in bearer form, carrying the same terms and conditions in all respects as the Notes (save as to the issue date, the first Note Payment Date, and the amortisation schedule), and so that the same shall be consolidated and form a single series and rank *pari passu* with the Notes. The creation and issue of Further Notes will be subject to satisfaction or waiver of the conditions precedent outlined in **Condition 16.1 (Further Notes, Replacement Notes and New Notes — Further Notes)** including that the Minimum MoD Termination Payment has increased by an amount equal to or greater than the Note Value of the Further Notes to be issued.

**Replacement Notes:**

The Issuer will also be entitled from time to time on any Note Payment Date, without the consent of the Noteholders, but subject always to the provisions of the Conditions of the Notes and the Note Trust Deed, to raise further funds by the creation and issue of one or more series of notes (**Replacement Notes**), the proceeds from the issuance of which will be used to redeem *pari passu* and *pro rata* (according to the respective amounts thereof) all of the Notes then outstanding. Replacement Notes will have the same amortisation schedule, payment priority and security ranking as the Notes being replaced and shall carry the same terms and conditions in all respects (except in relation to the rate of interest applicable to the Replacement Notes (which must be lower than the rate of interest applicable to the tranche of Notes which it replaces)) and will on issue be in a principal amount which in aggregate does not exceed the Principal Amount Outstanding (or in respect of any Forward Purchase Notes, the amount which would be the Principal Amount Outstanding on such Forward Purchase Notes if Sold) of the tranche of Notes which such Replacement Notes replace. The creation and issue of Replacement Notes will be subject to the satisfaction or waiver of the conditions precedent outlined in **Condition 16.2**

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**(Further Notes, Replacement Notes and New Notes — Replacement Notes).**

**New Notes:**

The Issuer will be entitled from time to time on any Note Payment Date, without the consent of the Noteholders, but subject always to the provisions of the Conditions of the Notes and the Note Trust Deed, to raise further funds by the creation and issue of new notes (the **New Notes**) in bearer form which may rank *pari passu* and rateably with the other Notes, and which do not form a single series with the Notes then outstanding. The creation and issue of New Notes will be subject to the satisfaction or waiver of the conditions precedent outlined in **Condition 16.3 (Further Notes, Replacement Notes and New Notes — New Notes)** including that the Minimum MoD Termination Payment has increased by an amount equal to or greater than the principal amount of the New Notes to be issued.

**Transfer Restrictions:**

For a description of certain restrictions on offer, sale and delivery of the Notes and on distribution of offering material in relation to the Notes, see “*Subscription and Sale*”, below.

Whilst a Forward Purchase Note is held by the Custodian, the Forward Note Purchasers may not transfer or assign any of their rights or obligations in respect of the Forward Note Purchase Agreement without the prior written consent of Paradigm (such consent not to be unreasonably withheld).

**Governing Law:**

The Notes will be governed by English law.

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## OVERVIEW OF THE SKYNET 5 PROJECT

*The following is a summary only of the Skynet 5 Project and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents. Some of the Project Documents will not be available for review by Noteholders as they are confidential as a matter of national security.*

On Initial Financial Close, Paradigm entered into:

- the CISD with the MoD and agreed amongst other things to deliver the Services to the MoD;
- the System Prime Contract with Astrium, under which Astrium is required, amongst other things, to design, construct, launch, commission, test and deliver Skynet 5A and Skynet 5B and upgrade the ground support infrastructure of the satellite communications System in respect of Skynet 5 in accordance with certain specifications; and
- the Service Contract with ServiceCo, under which ServiceCo provides, amongst other things, services relating to the operation and maintenance of those satellites, other satellites under the control of Paradigm and of the ground support infrastructure.

Paradigm has also entered into Leases with the MoD (as landlord) in relation to the Ground Segment sites at RAF Oakhanger, Colerne and Corsham.

Under these documents certain CISD Milestones have been achieved, being:

- Transitional Operational Service (**TOS**) — which corresponds to transfer of title to the Skynet 4 assets to Paradigm, which occurred prior to the Initial Financial Close; and
- Initial Operational Service Initial Operating Capability (**IOS IOC**) — which broadly corresponds to the upgrade of the Ground Segment and an enhanced service provision, which took place on 23 February 2005.

As part of the restructuring contemplated by this Prospectus, the CISD, the System Prime Contract and the Service Contract will be amended on or about the Closing Date.

Following such amendment, in order to deliver the Services under the CISD, Paradigm will:

- operate and maintain existing satellites (including Skynet 4 spacecraft) and the related Ground Segment;
- upgrade the Ground Segment at RAF Oakhanger, Colerne and Corsham sites;
- design, construct and deliver ship and land-based terminals;
- design, construct, launch, commission, test and deliver in orbit each of the Skynet 5A, Skynet 5B, Skynet 5C satellites and, in certain circumstances, the Skynet 5D satellite; and
- operate and maintain the Skynet 5 satellites and the related Ground Segment, or procure the same.

The Services which Paradigm provides will include receiving communications signals from either fixed or remote (mobile) terminals, transmitting them via satellite (primarily but also by other means) and delivering them to other fixed or remote terminals. The system delivering the Services divides into the Ground Segment (including communications control systems as well as modems, terminals, encryption and management systems) and the Space Segment. Paradigm may also provide services to third parties, but services provided to the MoD will take priority in certain circumstances.

Unless terminated earlier, the CISD expires on 29 February 2020, and, where the construction of Skynet 5D is required under the terms of the CISD, 31 May 2021 (in each case as may be extended in accordance with the CISD) with construction and delivery in orbit of the Skynet 5A, Skynet 5B and Skynet 5C satellites expected to be completed by 30 September 2008.

The major CISD Milestones and other Project Milestones which Paradigm has not yet achieved as at the date of this Prospectus under the CISD (as amended as part of the restructuring) are:

- the Terminals Delivery Date — the delivery of certain terminals to the MoD scheduled to take place in April 2006;
- 5C SCOF Completion scheduled to take place in April 2006;
- 5C Payload AIT Completion scheduled to take place in October 2006;



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- Initial Operational Service (IOS) — implementation of a survivable communications system scheduled to take place on 31 December 2006;
  - 5C Satellite AIT Completion scheduled to take place in July 2007;
  - Intermediate Operational Service (INOS) — where Paradigm is able to deliver a certain level of communication services to the MoD following the successful delivery of the first Skynet 5 satellite into service, which is scheduled to take place on 28 February 2007;
  - Full Operational Service (FOS) — where Paradigm is able to deliver an increased level of communications services to the MoD following successful delivery of the second Skynet 5 satellite into service, which is scheduled to take place on 29 February 2008;
  - Third Satellite Operational Service (TSOS) — where launch has occurred for three Skynet 5 satellites and the MoD has received the relevant in-orbit test reports for each of those three Skynet 5 satellites, which is scheduled to take place on 30 September 2008; and
  - Fourth Satellite Operational Service (FSOS) — where launch has occurred for four Skynet 5 satellites (including Skynet 5D) and the MoD has received the relevant in-orbit test reports, but FSOS will only be required in the circumstances where there has been a loss of defined capability on one or more of the first three satellites during the launch period for those satellites (nominally up to and including 31 December 2008 or if otherwise requested by the MoD (at its discretion) in accordance with the CISD).

Paradigm is required to construct and launch three satellites (Skynet 5A, Skynet 5B and Skynet 5C). Skynet 5C would serve as a “spare” in the event that either of Skynet 5A or Skynet 5B fails or experiences problems throughout the CISD concession period. Paradigm is also committed to completing the construction and launching of a fourth satellite (Skynet 5D) should there be a loss of a defined capability on one or more of the first three satellites or where required to do so by the MoD during the period over which those three satellites are launched (nominally up to and including 31 December 2008) or if the MoD exercises an option to have Skynet 5D built. Such construction and launch of Skynet 5D would be funded partially by the Sale of Enhancement Notes. Paradigm will construct and store the “payload” (the bespoke communication inner workings) of Skynet 5D. The “platform” (largely the standard spacecraft) would be constructed if the need for Skynet 5D arose.

From TOS, the MoD has made payments to Paradigm based on the level of Services provided. From IOS IOC and again from INOS and FOS, the payments from the MoD increase as a result of Paradigm’s enhanced ability to provide Services. Where Paradigm is obliged to achieve FSOS the payments from the MoD will increase to compensate Paradigm for completing the construction, launching, commissioning and operation of Skynet 5D. From INOS, the MoD will pay at least the Take or Pay Tariff to Paradigm (which varies depending on the level of Take or Pay Deductions which apply). The level of MoD payment post-INOS is dependent on a performance measuring regime which is described in more detail in “*Summary of Transaction Documents — Project Documents*”.

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## SUMMARY OF TRANSACTION DOCUMENTS

*The following is intended only to be a summary of certain provisions of the principal documents and is qualified in its entirety by reference to the detailed provisions of the Transaction documents. Some of the Project Documents will not be available for review by Noteholders as they are confidential as a matter of national security.*

### PROJECT DOCUMENTS

#### CISD

With effect from the Closing Date, the CISD which was entered into by the MoD and Paradigm on the Initial Financial Close will be amended and restated. Set out below is a summary of the key provisions of that amended version of the CISD.

This summary does not deal with:

- (a) payment arrangements;
- (b) termination and compensation arrangements; or
- (c) insurance arrangements.

A description of each of these is contained in the sections entitled “*Service Payments, Termination of the CISD and the MoD Termination Payment*” and “*Insurance Arrangements*” respectively.

#### **Duration**

Unless terminated earlier, the CISD will terminate on the Expiry Date.

#### **Service Delivery**

Paradigm provides the Services set out in the CISD Service Specification. As stated above in the “*Overview of the Skynet 5 Project*” section, to perform the Services, Paradigm will:

- operate and maintain existing satellites (including Skynet 4 spacecraft) and the related Ground Segment;
- upgrade the Ground Segment at RAF Oakhanger, Colerne and Corsham sites;
- design, construct and deliver ship and land-based terminals;
- design, construct, launch, commission, test and deliver in orbit the Skynet 5A, Skynet 5B and Skynet 5C satellites and, in certain circumstances, the Skynet 5D satellite; and
- operate and maintain the Skynet 5 satellites and the related Ground Segment, or procure the same.

The Services which Paradigm provides include receiving communications signals from either fixed or remote (mobile) terminals, transmitting them via satellite (primarily but also by other means) and delivering them to other fixed or remote terminals. The system delivering the service divides into the Ground Segment (including communications control systems as well as modems, terminals, encryption and management systems) and the Space Segment. Paradigm may also provide services to third parties, but services provided to the MoD will take priority in certain circumstances.

#### **Payment**

The MoD will pay for the Services in accordance with the payment mechanism set out in the CISD. Further detail is provided in the “*Service Payments, Termination of the CISD and the MoD Termination Payment — Service Payments*” section below.

#### **Transfer or Novation**

The MoD must obtain the prior consent of Paradigm before assigning or transferring any of its respective rights or novating its rights and obligations under the CISD (other than in the case of assignment or transfer by the MoD to another Minister of the Crown or to a public body which has the capacity, power and authority to perform the obligations of the MOD under the CISD and MoD Direct Agreement and whose obligations are guaranteed by a Minister of the Crown). In the case of a transfer or novation to a person other than a Minister of the Crown, the obligations of the MoD under

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the CISD and the MoD Direct Agreement must be directly guaranteed by a Minister of the Crown in favour of the parties to the MoD Direct Agreement. The consent of Paradigm to such transfer or novation will be subject to an Entrenched Right in favour of the Issuer Security Trustee.

### **Compensation Events**

The following are **Compensation Events**:

- a breach by the MoD of any of its obligations under the CISD or the Leases;
- confiscation by or surrender to the Crown, or any duly authorised party acting on behalf of the Crown, of any Assets with limited exceptions;
- any loss of or damage to any equipment owned by Paradigm or its Sub-Contractors whilst such equipment is in the MoD's custody and control (with limited exceptions); or
- an infringement by the MoD or Paradigm of certain regulations to the extent that such infringement arises out of a direction given by the MoD.

If, as a direct result of a Compensation Event, Paradigm is unable to comply with its obligations under the CISD, incurs losses or project costs or loses project revenue, Paradigm is entitled to relief from those obligations and (where applicable) compensation for any such losses, project costs and lost project revenue (calculated pursuant to identified formulae), as relevant.

### **Relief Events**

The following are **Relief Events**:

- (a) fire, explosion, lightning, storm, tempest, flood, bursting or overflowing of water tanks, apparatus or pipes, ionising radiation (to the extent it does not constitute a Force Majeure Event), earthquakes, riot and civil commotion;
- (b) failure in whole or in part by any statutory undertaking, utility company, local authority or other like body to carry out works or provide services;
- (c) any loss or damage, breakdown or failure of property required for or critical to the implementation of the Project;
- (d) any failure in whole or part or shortage of power, fuel or transport;
- (e) any launch-related delay beyond the control of Paradigm, except where such delay is due to any act or omission of Paradigm or any of its agents, employees or Sub-Contractors (other than the launch services Sub-Contractor for the Skynet 5 satellites and the Sub-Contractors, agents, employees and officers of the launch services Sub-Contractor);
- (f) any blockade or embargo which does not constitute a Force Majeure Event;
- (g) any:
  - (i) official or unofficial strike;
  - (ii) lockout;
  - (iii) go-slow; or
  - (iv) other dispute,
 which affects the defence manufacturing or satellite manufacturing, delivery and operating industry or a significant section of either of them;
- (h) lack of access to sites required to deliver Services to the MoD, when the same is outside the control of either Party or any person for whom either Party is responsible;

unless any of the events listed in paragraphs (a) to (h) inclusive arises (directly or indirectly) as a result of any wilful default or wilful act of Paradigm or any of its Sub-Contractors. Wilful default or wilful acts of the launch services Sub-Contractor identified in paragraph (e) will be ignored provided that Astrium enforces any rights it has against the launch services Sub-Contractor.

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If a Relief Event is the direct cause of a delay by Paradigm in achieving a binding date under the CISD or adversely affects Paradigm's ability to perform any of its obligations under the CISD, Paradigm is entitled to apply for relief from any rights of the MoD to terminate the CISD and to obtain an extension of relevant dates that are binding upon Paradigm.

To the extent that a Relief Event, involving specified launch-related delays, would otherwise result in one or both of INOS or FOS being delayed and/or Paradigm receiving payments from the MoD which are less than the Take or Pay Tariff (to which Paradigm would otherwise have been entitled had those delays not occurred), the MoD shall pay Paradigm at least the Take or Pay Amount calculated as if INOS and/or FOS (as relevant) had occurred during the period of that delay.

#### ***The MoD's Step-In Rights under the CISD***

The MoD has the right to take action in connection with the Services in certain circumstances (including where a serious risk to health, safety or environment exists; during a period of tension, transition to war or hostilities; and to respond to any national or international emergency, disaster or other unforeseen risk) but only where those circumstances arise from a material breach by Paradigm of its obligations under the CISD.

Where the MoD wants the right to take action in relation to the Services and such action is not required as a direct result of a breach by Paradigm of its obligations under the CISD, the MoD is required to act, compensate Paradigm and relieve Paradigm from performing its obligations in accordance with particular provisions that apply in a crisis.

Where the MoD is taking action in the circumstances arising from a material breach by Paradigm of its obligations under the CISD set out above, Paradigm will receive the amount it would otherwise receive if it were performing the Services required although the MoD is entitled to deduct amounts to cover the MoD's reasonable costs in taking the action. MoD is also entitled to continue imposing deductions to the extent that Paradigm does not provide Services which are otherwise not affected by the action taken by the MoD.

If Paradigm is unable to provide any part of the Services while the MoD is taking such action, Paradigm is relieved from providing those Services and is also entitled to relief from the application of any deductions to the extent effected by such action.

#### ***Force Majeure Events***

The following are **Force Majeure Events**:

- (a) a hostile attack, war, civil war, armed conflict or terrorist attack, which in the case of an attack by way of electromagnetic pulse exceeds certain threat parameters;
- (b) pressure waves caused by devices travelling at supersonic speeds affecting any of the Assets;
- (c) certain international know-how and export related agreements not being granted, being revoked, being suspended or not being renewed;
- (d) the use of any anti-satellite device or anti-satellite action, or a device or action employing atomic or nuclear fusion and/or fission or laser or direct energy beams which in each case exceeds certain limited threat parameters;
- (e) electromagnetic or radio frequency interference (other than interference occurring naturally in space) which in each case exceeds certain limited threat parameters;
- (f) any Relief Event (within paragraph (e) of the definition of Relief Event) which occurs on or after the date falling 120 CISD Business Days after such Relief Event first occurred;
- (g) confiscation of any of the Assets (other than equipment, facilities or items furnished by H.M. Government or Collocated Equipment) located outside H.M. Government's territory or jurisdiction by any other government; or
- (h) a Change in Law which substantially frustrates or renders it impossible for Paradigm to perform its obligations under the CISD for a continuous period of 120 CISD Business Days.

If, as a result of a Force Majeure Event, Paradigm is unable to comply with its obligations under the CISD, incurs losses or project costs or loses project revenue, Paradigm is entitled to relief from those

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obligations and (where applicable) compensation for the amount which Paradigm is entitled (without deductions) together with an increase in payments to which it would have been entitled had such Force Majeure Event not occurred.

However, in relation to the Force Majeure Event identified in paragraph (f), Paradigm shall be paid the same amount as for a Relief Event under paragraph (e) of the "Relief Events" description for the relevant period.

For details of the compensation payable by the MoD to Paradigm in relation to termination for a Force Majeure Event, refer to "Service Payments, Termination of the CISD and the MoD Termination Payment — MoD Termination Payment".

### **Indemnity**

Each of the MoD and Paradigm is obliged to grant the other an indemnity in relation to death, personal injury, Environmental Liability, loss of or damage to certain types of property and losses suffered by any person who is not a party to the CISD or which Paradigm or the MoD (as appropriate) suffers as a result of the acts or omissions of the other. The indemnity given by the MoD also covers events such as nuclear, chemical or biological contamination and wars and terrorist attacks but only to the extent that such events are not contemplated by certain limited threat parameters.

### **Change in Law**

Either Party may serve a change in law notice upon the other Party upon the occurrence, or likely occurrence, of a Qualifying Change in Law or a General Change in Law.

A **Qualifying Change in Law** is a change in law:

- (a) which applies only to the Project, contracts and businesses in the nature of the Project, only to Paradigm (or its Principal Sub-Contractors) and/or only to persons contracting with H.M. Government under the Private Finance Initiative (**Discriminatory Change in Law**); and
- (b) referring specifically to the provision of services in the nature of the Services set out in the CISD Service Specification or to shareholding in companies whose main business is providing such services (**Specific Change in Law**),

insofar as any such change was not foreseeable as at the date of the Initial Financial Close.

A **General Change in Law** is a change in law other than a Discriminatory Change in Law or a Specific Change in Law.

In respect of a Qualifying Change in Law, Paradigm is entitled to relief from relevant obligations under the CISD and/or compensation for specified losses and/or costs (including loss of revenue).

The MoD is responsible for capital expenditure required in relation to Qualifying Changes in Law. Capital expenditure in relation to General Changes in Law is shared on a sliding scale, with the MoD bearing aggregate costs above an agreed maximum of £12 million.

### **Measures in a Crisis**

At any time, the MoD may, at its sole discretion, notify Paradigm that crisis conditions exist (being principally issues of emergency or national security as confirmed by a civil servant of a defined seniority), which require Paradigm to provide the services as directed by the MoD including in a manner not contemplated by the CISD.

At any time, and at its sole discretion, the MoD may direct Paradigm to comply with written instructions issued by the MoD requiring Paradigm to undertake actions including: (a) to accelerate, suspend or cease completely any of the Services or services carried out for third parties; (b) to carry out changes to the Project without treating those as Service Variations; and (c) to deploy Paradigm's employees and assets.

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Paradigm is entitled to relief from its obligations under the CISD and/or compensation for losses (including lost project revenue) and/or costs incurred as a result of complying with the MoD's requirements in addition to a reasonable rate of return by way of compensation for the provision of services by it in a crisis. The MoD shall also indemnify Paradigm in this regard in relation to Claims by a third party and losses suffered as a result of the refusal of an insurance underwriter or broker to pay the proceeds of any insurance to which a co-insured would have been entitled but for Paradigm complying with the Crisis Notification or other instructions of the MoD issued under these provisions.

Once the crisis conditions cease, Paradigm shall continue to perform its obligations on the terms existing immediately prior to the notification of the crisis conditions (subject to the compensation and relief to which Paradigm is entitled).

#### **Assurance — Insurance and Physical Assurance**

Paradigm has two separate approaches to manage the risk of losses or damage to the assets (and the resulting loss of revenue) which form or are intended to form part of the System and the approach to be applied depends upon the location of the relevant asset at the time of loss or damage:

- (a) for all assets in the System other than the Skynet 4 satellites and the Skynet 5 satellites after they have been launched, Paradigm's assurance management strategy includes, without limitation, a traditional insurance programme; and
- (b) for any Skynet 5 satellite after it has been launched, Paradigm's assurance management strategy includes, without limitation, a physical assurance launch strategy which is based upon constructing and launching more satellites than are required to provide the Services to the MoD. The aim of the strategy is to include contingent capability in the System to increase the probability that there is sufficient capability in the System to provide the Services to the MoD and services to third parties and to reduce the time taken to replace any lost capability should a Skynet 5 satellite fail.

For a more detailed description generally of the insurances and physical assurance launch strategy, see the section entitled "*Insurance Arrangements*" below.

#### **Milestone Assurance Cases**

The framework under which achievement of IOS, INOS and FOS are assessed is as follows:

- When each Service is ready to be delivered, an assurance review and readiness demonstration will take place, at which an MoD representative will be present, and a Commissioning Review Panel (which is appointed under the CISD and comprises Paradigm and MoD representatives), which will comprise representatives of both parties, will assess whether the Service meets the requirements of the CISD, in accordance with an agreed methodology, which will be set out in a contractually binding document governing technical assurance;
- When the Commissioning Review Panel has approved the commissioning of all Services in respect of the relevant milestone as well as confirmed that other relevant contractual requirements (including the aggregate service commitments set out in the CISD) have been met, a Milestone Assurance Case will be presented to the MoD which will comprise, amongst other things, a demonstration that each Service meets the requirements of the CISD as well as evidence that all relevant deliverable documentation in respect of the relevant milestone has been agreed between the MoD and Paradigm and that those aggregate service commitments have been met in accordance with the agreed methodology. The presentation of commissioning certificates and all relevant evidence from the Commissioning Review Panel of compliance with all other CISD requirements will be sufficient for milestone assurance purposes and, if all requirements are complied with, the relevant milestone will be achieved.

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## **SYSTEM PRIME CONTRACT**

Set out below is a description of the key terms of the System Prime Contract between Paradigm and Astrium.

### ***Scope of Work***

In consideration of payment by Paradigm of the contract price set out in the System Prime Contract, Astrium must design, develop, procure, supply, construct, assemble, install, complete, test and deliver the System in accordance with the specifications in the System Prime Contract.

### ***Commitment to Deliver the System on Time***

Astrium must carry out the System work so as to achieve project milestones on dates set out in the System Prime Contract (**System Prime Milestones**).

### ***Extension of Time***

A delay or impediment to the progress of the System work due to the occurrence of a Compensation Event, Relief Event or Force Majeure Event or such other causes expressly set out in the System Prime Contract is grounds for Astrium to claim an extension of time.

### ***Acceptance of Satellite***

Acceptance of each satellite occurs upon receipt by Paradigm of an in-orbit test report.

### ***Liquidated Damages for Late Delivery***

Liquidated damages are payable by Astrium if it fails to achieve certain System Prime Milestones as a result of matters affecting a satellite before it is launched, subject to the extension of time provisions, insurance recovery and maximum amounts set out in the System Prime Contract.

### ***Compensation Events***

If, as a result of a Compensation Event, Astrium is unable to achieve specified System Prime Milestones and/or Astrium is unable to comply with any of its obligations under the System Prime Contract and/or incurs losses or loses revenue from Paradigm, then Astrium is entitled to apply for an extension to the scheduled dates for System Prime Milestones, relief from its obligations and/or claim losses and/or lost revenue from Paradigm in accordance with a specified procedure.

### ***Relief Events***

The System Prime Contract sets out procedures for Astrium to apply for relief from any rights of Paradigm to terminate the System Prime Contract if and to the extent that a relief event is a direct cause of delay in achieving a System Prime Milestone and/or such relief event adversely affects the ability of Astrium to perform any of Astrium's obligations under the System Prime Contract.

### ***Force Majeure and Other Events***

The System Prime Contract provisions in relation to Force Majeure Events largely mirror those in the CISD.

### ***Termination on System Prime Default***

A **System Prime Default** includes any of the following:

- (a) material breach by Astrium;
- (b) an insolvency event;
- (c) breach by Astrium of provisions relating to changes to Sub-Contractors;
- (d) breach by Astrium of restrictions on assignment;
- (e) abandonment of the System Prime Contract by Astrium;

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- (f) where Paradigm reasonably believes that Astrium will not be able to achieve System Prime INOS and/or System Prime FOS within 24 months of the relevant scheduled date;
- (g) a failure by Astrium to achieve System Prime Milestones within a specified period of the relevant scheduled date; or
- (h) a failure by Astrium to take out or maintain certain insurances.

On a System Prime Default, Paradigm may (subject to a rectification procedure) terminate the System Prime Contract.

### ***Voluntary Termination Rights***

Provided that it follows specified notice procedures, Paradigm may terminate the System Prime Contract at any time on or before its Expiry Date in the event that the CISD has been terminated for any reason other than System Prime Default upon a specified period of notice.

### **SERVICE CONTRACT**

Set out below is a description of the key terms of the Service Contract between Paradigm and ServiceCo.

#### ***Services***

ServiceCo is to provide services under the Service Contract relating to operation and maintenance of the Ground Segment and Space Segment.

#### ***Assets***

Paradigm is to provide to ServiceCo assets provided or transferred by MoD to Paradigm, and assets procured under the System Prime Contract. ServiceCo will also use its own assets in the provision of services under the Service Contract.

#### ***Credits and Deductions***

If Paradigm is liable for a credit or deduction in respect of the Service Payment as determined under the CISD, ServiceCo's liability in respect of that credit or deduction is determined in accordance with the Service Contract.

ServiceCo's aggregate liability for credits or deductions shall not exceed £30,000,000 (the **Service Limit**).

On exhaustion of the Service Limit, Paradigm is entitled to terminate the Service Contract upon a specified period of notice.

#### ***Compensation Events***

If, as a result of a Compensation Event, ServiceCo is unable to achieve specified Project Milestones and FOS (**Service Contract Milestones**) and/or ServiceCo is unable to comply with any of its obligations under the Service Contract and/or incurs losses or loses revenue from Paradigm, then ServiceCo is entitled to apply for an extension to the scheduled dates for Service Contract Milestones, relief from its obligations and/or claim losses and/or lost revenue from Paradigm in accordance with a specified procedure.

#### ***Relief Events***

The Service Contract sets out procedures for ServiceCo to apply for relief from any rights of Paradigm to terminate the Service Contract if and to the extent that a relief event is a direct cause of delay in achieving a Service Contract Milestone and/or such relief event adversely affects the ability of ServiceCo to perform any of ServiceCo's obligations under the Service Contract.

#### ***Force Majeure and Other Events***

The Service Contract provisions in relation to Force Majeure Events largely mirror those in the CISD.

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### **Operation of the Skynet 4 and 5 Space Segments**

From TOS, ServiceCo is to provide services throughout defined coverage regions.

If the provision of services is prejudiced by the capability of the Skynet 4 or 5 Space Segment being below certain requirements from time to time, the parties are required to take certain actions including mitigating the effects and potentially changing the services to be provided by ServiceCo.

If a ServiceCo error causes a loss of Skynet 4 or 5 Space Segment capability, ServiceCo must procure or provide substitute military capacity or substitute commercial capacity as required by Paradigm subject to specified limits on the amount of liability ServiceCo may incur in doing so.

### **Milestones**

In relation to Service Contract Milestones, Paradigm must procure that Astrium delivers, tests and installs the Deliverable Items and launches, inserts in orbit, tests and integrates the satellites and demonstrates system capability by the relevant system delivery date and must notify ServiceCo that the relevant system delivery milestone has occurred. ServiceCo shall thereafter complete its commissioning obligations (though it can commence performance of its commissioning obligations prior to actual achievement of the relevant milestone).

### **Non-Achievement of Milestones**

Subject to certain exceptions, if ServiceCo fails to achieve the IOS, INOS or FOS Service Contract Milestone within the period of time set out in the Service Contract and related documents after being notified by Paradigm that the corresponding System Prime Milestone has been achieved, ServiceCo must pay to Paradigm liquidated damages up to and including the date on which the relevant Service Contract Milestone is achieved.

### **Default and Termination**

Paradigm has certain rights to terminate the Service Contract which vary depending on which particular ServiceCo Default has occurred.

The list of **ServiceCo Defaults** includes:

- (a) material breach by ServiceCo;
- (b) an insolvency event;
- (c) a change of ownership default;
- (d) abandonment of the Service Contract by ServiceCo;
- (e) failure to achieve certain Service Contract Milestones within a specified period after the corresponding date for the System Prime Milestone;
- (f) failure by ServiceCo to take out or maintain certain insurances;
- (g) accumulation of a fixed number of credits or deductions in any 12 month period; and
- (h) failure to provide agreed levels of service availability which arise from a failure to satisfy certain ground segment criteria.

### **MAINTENANCE AND SUPPORT AGREEMENT**

Set out below is a description of the principal terms of the Maintenance and Support Agreement between ServiceCo and Astrium.

#### **Maintenance and Support Services**

ServiceCo engages Astrium to provide maintenance and support services in relation to:

**System Prime Supplied Assets** — these are the assets (excluding the satellites) supplied by Astrium under the System Prime Contract. Astrium is contracted to provide the services after the relevant equipment has passed its acceptance test under the System Prime Contract. Such contract is scheduled to terminate in or around February 2018.

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**Specified Transferred Assets** — being the assets transferred to Paradigm by the MoD under the CISD required for the system but not upgraded by Astrium under the System Prime Contract and those assets which have been replaced or upgraded by Astrium post-*IOS* pursuant to the Maintenance and Support Agreement. Following *IOS* until 28 February 2018, Astrium shall provide the maintenance and support obligations (ServiceCo has the maintenance and support obligations pre-*IOS*).

Astrium must ensure that the assets meet the required performance standards and specifications. Astrium will not acquire any legal or other interest (such as a lien, guarantee or conditional sale) in or over the assets.

Liquidated damages are payable by Astrium if it fails to comply with its obligations under the Maintenance and Support Agreement, subject to extension of time provisions and maximum amounts set out in the Maintenance and Support Agreement.

### **MOD DIRECT AGREEMENT**

The MoD Direct Agreement will be entered into on or before the Closing Date between the MoD, Paradigm, EADS, the Issuer, the Issuer Security Trustee, the Paradigm Security Trustee, the Payment Trustee and the Note Trustee.

### **Acknowledgements by MoD**

Under the MoD Direct Agreement, the MoD will acknowledge, amongst other things, the following:

- (a) the Issuer Security granted by the Issuer to the Issuer Security Trustee over the Issuer Share;
- (b) that the issue of a Minimum Issuer Financing Compensation Notice (described below) is a condition precedent to the Sale of Forward Purchase Notes in a Principal Amount Outstanding not exceeding the increase in the Minimum MoD Termination Payment shown in that Minimum Issuer Financing Compensation Notice;
- (c) that the Service Payment and all other payments under the CISD in respect of the Project (other than certain insurance payments and, in certain circumstances, a proportion of the MoD Termination Payment) are to be made to the Payment Trustee (as trustee for the Beneficiaries under the Payment Trust);
- (d) the right of the Issuer Security Trustee and the Paradigm Security Trustee in certain circumstances, to require that the CISD be terminated and the MoD Termination Payment be paid (the MoD may elect that the CISD will not terminate but this will not affect its obligations to pay those parts of the MoD Termination Payment payable to the Noteholders and the Paradigm Security Trustee on behalf of the Paradigm Swap Counterparties calculated as if the CISD had so terminated);
- (e) that the relevant portion of the Noteholder MoD Termination Payment is owed directly by the MoD to the Noteholders to the extent of their entitlement under item (c) of the Issuer Post-Acceleration Priority of Payments, and that the MoD's payment obligation in respect of the Noteholder MoD Termination Payment is not discharged unless and until such amount is paid directly to those Noteholders who have elected to be paid directly by the MoD and, in respect of all other Noteholders, until payment is made to the order of the Issuer Security Trustee; and
- (f) the obligations of Paradigm to the Paradigm Swap Counterparties under the Hedging Arrangements and that, in certain circumstances, amounts representing those payable by Paradigm on termination of the Compensated Hedging Arrangements will be paid by the MoD directly to the Paradigm Security Trustee (on behalf of the Paradigm Swap Counterparties).

Within 10 Business Days of each Project Milestone which results in an increase in the Minimum MoD Termination Payment and where Paradigm is obliged to achieve FSOS (and on agreeing a variation to the Project where there are Enhancement Notes available to fund such variation), the MoD must issue a Minimum Issuer Financing Compensation Notice to Paradigm, the Issuer, the Issuer Security Trustee, the Note Trustee and the Payment Trustee, detailing the Minimum MoD Termination Payment which either (i) is payable from that date or, (ii) in certain circumstances, will be payable from certain dates in the future.

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The Note Trustee must provide a copy of each Minimum Issuer Financing Compensation Notice to each Noteholder and a Significant Noteholder may at any time provide the MoD with the details of its 11 Noteholder Account.

#### **Ability of Issuer Security Trustee to cause termination of CISD**

Where an Enforcement Event occurs, the Issuer Security Trustee will be required to serve notice terminating the CISD. The MoD may elect that the CISD should not terminate in such circumstances. This will not affect the obligation of the MoD to pay those parts of the MoD Termination Payment payable to the Noteholders and the Paradigm Security Trustee (on behalf of the Paradigm Swap Counterparties) as if the CISD had terminated as the CISD will be deemed to have terminated for the purposes of the MoD Direct Agreement. Where the Issuer Security Trustee fails to issue a termination notice within one Business Day any Noteholder may exercise the Issuer Security Trustee's right to do so.

#### **Right to MoD Termination Payment**

Upon termination (or deemed termination for the purposes of the MoD Direct Agreement) of the CISD, the MoD has the option of paying the Noteholder MoD Termination Payment as a lump sum or in instalments over time provided that such instalments are consistent with the original repayment profile of the Notes. The MoD may elect (by an Instalment Notice within 10 Business Days of the Termination Date) to pay by instalments (failing which election, the Noteholder MoD Termination Payment will be payable in a lump sum). The MoD may subsequently at any time elect by notice to the Issuer Security Trustee to pay all remaining amounts due under the Notes in a lump sum. If the MoD fails, at any time, to make a single instalment payment (in full or in part) on its due date all remaining amounts due under the Notes will immediately become payable in a lump sum.

Where the MoD elects or is required to pay the Noteholder MoD Termination Payment as a lump sum, the relevant portion of such payment will be paid directly by the MoD to a Noteholder's Noteholder Nominated Account or (where no such account is nominated) to the order of the Issuer Security Trustee to be held on trust for such Noteholder until such Noteholder provides details of its Nominated Noteholder Account to the Issuer Security Trustee or notifies the Issuer Security Trustee and the Clearing Systems that it directs such payment to be paid into its account with the Clearing System in accordance with the process set out in detail in "Transaction Overview".

#### **FINANCE DOCUMENTS**

*The following is intended only to be a summary of the principal financial documents and is qualified in its entirety by reference to the detailed provisions of the relevant documents. Capitalised terms used in this summary and not defined elsewhere are defined in the Glossary.*

#### **PAYMENT TRUST DEED**

On the Closing Date, the Issuer, Paradigm, and the Payment Trustee will enter into a payment trust deed (the **Payment Trust Deed**) pursuant to which the Payment Trust will be constituted.

This section describes the material terms of the Payment Trust, including the arrangements by which the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) will determine the Issuer Entitlement Amount and the Paradigm Entitlement Amount and distribute moneys to Paradigm and the Issuer.

#### **The Trust Property**

Paradigm will, on the date of the Payment Trust Deed, assign to the Payment Trustee the Initial Trust Property and will serve notice of such assignment on the MoD, Astrium, ServiceCo, the Paradigm Swap Counterparties and each Third Party Customer which is party to a Third Party Contract as at the date of the Payment Trust Deed.

The Payment Trustee will, with effect from the constitution of the Payment Trust, hold all of the Initial Trust Property on trust absolutely as to both capital and income for Paradigm. Immediately following the sale and assignment by Paradigm to the Issuer of the Initial Issuer Entitlement pursuant to the Issuer Entitlement Sale Agreement, the Payment Trustee will hold the Trust Property as to both capital and income on trust absolutely for the Issuer (as to the Issuer Share) and Paradigm (as to the Paradigm Share) as tenants in common.

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Revenues may be received by the Payment Trust in Sterling or other currencies. The Payment Trustee Cash Manager may on any date convert non-Sterling Payment Trust Receipts into Sterling at the rate of exchange notified by the Agent Bank to the Payment Trustee Cash Manager on the relevant date (the **Spot Rate**).

To the extent that Paradigm receives revenues which are expressed to form part of the Trust Property prior to their distribution to Paradigm under the Payment Trust, it will be required to pay such amounts to the Payment Trustee.

#### **Issuer Share and Issuer Entitlement Amount**

The Issuer Share is the Issuer's beneficial interest in the Trust Property (expressed as a percentage) and is calculated by the Payment Trustee Cash Manager on behalf of the Payment Trustee on each Distribution Date in respect of the then current Calculation Period and is calculated as follows:

$$A/B \times 100$$

Where:

A = the Issuer Entitlement Amount for that Calculation Period; and

B = the total Payment Trust Receipts in that Calculation Period (net of any amounts payable under paragraphs (a) to (e) of the Payment Trust Priority of Payments on the next Distribution Date),

in each case rounded upwards to two decimal places.

The Issuer Entitlement Amount will be calculated in Sterling and to the extent that Payment Trust Receipts are received and held in currencies other than Sterling, such non-Sterling Payment Trust Receipts will, for the purposes of any such calculation, be deemed to have been converted into Sterling at the applicable Spot Rate.

#### **Paradigm Share, Preliminary Paradigm Entitlement Amount and Net Paradigm Entitlement Amount**

On each Preliminary Distribution Date, the Payment Trustee Cash Manager on behalf of the Payment Trustee will calculate and pay to Paradigm the Preliminary Paradigm Entitlement Amount. The Preliminary Paradigm Entitlement Amount will be calculated as at the Preliminary Distribution Date by deducting the Preliminary Issuer Entitlement Amount calculated on the Preliminary Distribution Date from the Payment Trust Receipts received since the last Distribution Date (net of Payment Trustee costs and expenses).

On any Distribution Date, the **Net Paradigm Entitlement Amount** will be the amount of the Paradigm Entitlement Amount calculated on that Distribution Date less the Preliminary Paradigm Entitlement Amount calculated on the immediately preceding Preliminary Distribution Date.

The Issuer Share and the Paradigm Share rank *pari passu* and as such the Issuer Entitlement Amount and the Paradigm Entitlement Amount are paid *pari passu* by the Payment Trustee on each Distribution Date.

Where non-Sterling Payment Trust Receipts are required to enable the Payment Trustee make any distribution of an Issuer Entitlement Amount to the Issuer, the Payment Trustee Cash Manager will be required to convert such receipts to Sterling at the Spot Rate on the Preliminary Distribution Date and/or the Distribution Date (as applicable).

#### **Cash Management of Payment Trust Receipts**

On or prior to 1:00 p.m. on each Preliminary Distribution Date, the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) will give instructions for the payment of the Preliminary Paradigm Entitlement Amount to the Paradigm Transaction Account in the case of Sterling, or in the case of Euro or U.S. Dollar payments, to the relevant Euro or U.S. Dollar denominated account of Paradigm,

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On or prior to 1:00 p.m. on each Distribution Date (or in respect of amounts due to third parties, when due), the Payment Trustee (or the Payment Trustee Cash Manager on its behalf) will allocate and distribute the remaining Payment Trust Receipts in the following order of priority (the **Payment Trust Priority of Payments**):

- (a) all amounts due and payable to the Payment Trustee under the Payment Trust Deed;
- (b) unless otherwise provided for in this priority of payments, all amounts due and payable by the Payment Trustee to third parties where such liability is contemplated by and arises in accordance with the Transaction Documents;
- (c) all amounts due and payable to the Payment Trustee Cash Manager under the Payment Trustee Cash Management Agreement;
- (d) all amounts due and payable to the Payment Trustee Account Bank under the Payment Trustee Bank Account Agreement;
- (e) all amounts due and payable to the Payment Trustee Corporate Services Provider under the Payment Trustee Corporate Services Agreement; and
- (f) *pari passu* and *pro rata* according to the respective amounts thereof to:
  - (i) the Issuer, by payment to the Issuer Transaction Account of the amount of the Issuer Entitlement Amount calculated on that Distribution Date less any amounts deemed distributed to the Issuer on such Distribution Date as referred to below; and
  - (ii) Paradigm, by payment to the Paradigm Transaction Account (or to such other account or accounts as Paradigm may from time to time notify in writing to the Payment Trustee and the Payment Trustee Cash Manager) the amount of the Net Paradigm Entitlement Amount calculated on that Distribution Date.

Where the Payment Trustee has received a copy of a notice from the MoD confirming that a lump sum payment of the Noteholder MoD Termination Payment will be made, the Payment Trustee shall be entitled to assume that all amounts to be paid directly by the MoD to the Issuer Security Trustee and/or the Noteholders (if any) pursuant to the MoD Direct Agreement on the relevant Compensation Payment Date will be so paid on that date.

Such amounts will be deemed to have been received by the Payment Trustee during the Calculation Period ending on (but excluding) on the Distribution Date immediately preceding the Compensation Payment Date for the purposes of determining Trust Receipts and distributed to the Issuer on such Distribution Date by way of the Issuer Entitlement Amount.

#### **Ledgers and Records**

The Payment Trustee will be required to maintain or procure that there are maintained:

- (a) the following ledgers:
  - (i) the "Payment Trust Receipts Ledger", which shall record all Payment Trust Receipts and distributions thereof to the Beneficiaries (and will record, for the avoidance of doubt, payments by the MoD directly to the Noteholders or the Issuer Security Trustee as distributions to the Issuer);
  - (ii) the "Issuer Entitlement Amount Ledger", which shall record (a) the Preliminary Issuer Entitlement Amount as at each Preliminary Distribution Date; and (b) the Issuer Entitlement Amount as at each Distribution Date;
  - (iii) the "Paradigm Entitlement Amount Ledger" which shall record (a) the Preliminary Paradigm Entitlement Amount as at each Preliminary Distribution Date; (b) the Paradigm Entitlement Amount as at each Distribution Date and (c) the Net Paradigm Entitlement Amount as at each Distribution Date; and
  - (iv) the "Sales Ledger" which shall record the Sale of the Initial Issuer Entitlement and each Sale of Further Issuer Entitlement from Paradigm to the Issuer; and
- (b) the following records:
  - (i) the "Issuer Share Record" which shall record the Issuer Share as at the day following each Distribution Date; and

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- (ii) the "Paradigm Share Record" which shall record the Paradigm Share as at the day following each Distribution Date.

### **Restriction on disposal of Trust Property**

Subject as provided in the Payment Trust Deed and the other Transaction Documents, the Payment Trustee is not entitled to dispose of the Trust Property or create any Security Interest over the Trust Property.

### **Termination of the Payment Trust**

The Payment Trust will terminate on the date on which the Notes have been redeemed and/or cancelled in full or on such earlier date as agreed in writing between Paradigm and the Issuer. The Payment Trust may, under the terms of the Payment Trust Deed, be terminated prior to the payment in full of all amounts of principal and interest due to Noteholders. However, each of the Beneficiaries will undertake in the Issuer Deed of Charge not to terminate the Payment Trust without the approval in writing of the Issuer Security Trustee. The Issuer Security Trustee will only be entitled to give such consent to the extent that (i) the Issuer has certified to the Issuer Security Trustee and the Note Trustee that it will have the necessary funds to redeem the Notes in full on the immediately following Note Payment Date; or (ii) as otherwise directed by the Note Trustee (acting on the instructions of the Noteholders).

### **Governing Law**

The Payment Trust Deed will be governed by English law.

### **ISSUER ENTITLEMENT SALE AGREEMENT**

On or before the Closing Date each of Paradigm, EADS, the Issuer, the Payment Trustee and the Issuer Security Trustee will enter into the issuer entitlement sale agreement (the **Issuer Entitlement Sale Agreement**).

The Issuer Entitlement Sale Agreement sets out and provides for, amongst other things:

- the sale and assignment of the Initial Issuer Entitlement by Paradigm to the Issuer on the Closing Date;
- the sale and assignment of Further Issuer Entitlements by Paradigm to the Issuer after the Closing Date; and
- the representations and warranties to be given by EADS and Paradigm to the Issuer, the Payment Trustee and the Issuer Security Trustee in relation to such sales and assignments.

### **Sale of the Initial Issuer Entitlement and Further Issuer Entitlement**

Subject to the satisfaction or waiver of certain conditions precedent, Paradigm will, on the Closing Date, sell and assign to the Issuer the Initial Issuer Entitlement (being part of Paradigm's beneficial interest in the Payment Trust). Upon the sale of the Initial Issuer Entitlement, the Issuer will become a beneficiary under the Payment Trust. Following an increase in the Minimum MoD Termination Payment and the satisfaction or waiver of certain other conditions precedent, Paradigm may from time to time sell and assign to the Issuer Further Issuer Entitlement. The purchase of each Further Issuer Entitlement will be funded by the Issuer by the sale of Forward Purchase Issuer Notes and/or Enhancement Notes, as relevant (see the section entitled "*Forward Note Purchase Agreement*" below).

At any time, the Issuer Share representing the Issuer's share of the beneficial interest in the Trust Property, is capable of being calculated by the Payment Trustee Cash Manager (on behalf of the Payment Trustee).

### **Payment of the Initial Purchase Prices and Deferred Purchase Prices**

The consideration for the sale of the Initial Issuer Entitlement will consist of the Initial Issuer Entitlement IPP which will be paid by way of cash payment on the Closing Date and second, the Initial Issuer Entitlement DPP which will be payable to Paradigm (to the extent that funds are available for such payment in accordance with the relevant Issuer Priority of Payments) from amounts standing to the credit of the Issuer Reserve Account upon cancellation or redemption of the Notes in full.

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The Aggregate Purchase Price for the sale of each Further Issuer Entitlement will consist of the Further Issuer Entitlement IPP and the Further Issuer Entitlement DPP.

Each Further Issuer Entitlement IPP shall be payable as a cash payment payable on the date of the sale of the relevant Further Issuer Entitlement from Paradigm to the Issuer.

Each Further Issuer Entitlement DPP will be payable to Paradigm (to the extent that funds are available for payment in accordance with the relevant Issuer Priority of Payments) from the balance of the Issuer Reserve Account upon cancellation or redemption of the Notes in full.

**Conditions for Sale of Initial Issuer Entitlement and Further Issuer Entitlement**

The sale of the Initial Issuer Entitlement and Further Issuer Entitlements will be subject to the satisfaction or waiver of certain conditions including the following:

- (a) the then applicable Minimum MoD Termination Payment described in a Minimum Issuer Financing Compensation Notice delivered by the MoD at any time prior to the relevant Sale Date being not less than the aggregate Principal Amount Outstanding of the Notes immediately following such sale (taking into account the Principal Amount Outstanding of the Notes to be issued or Sold to fund the purchase of the relevant Initial Issuer Entitlement or relevant Further Issuer Entitlement (as applicable));
- (b) delivery to the MoD and the Payment Trustee by Paradigm of a Notice of Sale;
- (c) there being no subsisting event of default under the Issuer Transaction Documents and no default is subsisting under the CISD which would give the MoD or Paradigm the right to terminate the CISD;
- (d) no Termination Notice having been issued under the CISD;
- (e) no Enforcement Event having occurred;
- (f) evidence, in a form acceptable to the Issuer and the Issuer Security Trustee, acting reasonably and in good faith, that all necessary documentation has been executed in order for Paradigm to assign to the Payment Trustee its rights to receive amounts under interest rate swap hedging arrangements in a notional profile equivalent to the amortisation profile of the Forward Purchase Notes being Sold on such Sale Date;
- (g) Paradigm (on the Closing Date and each Sale Date) and EADS (on the Closing Date only) making the Representations and Warranties in favour of the Issuer, the Payment Trustee and the Issuer Security Trustee as at the Closing Date or the relevant Sale Date (as appropriate) and the Representations and Warranties are true and correct in all material respects;
- (h) delivery of a solvency certificate by Paradigm and (in the case of the sale of the Initial Issuer Entitlement only) EADS;
- (i) in the case of a sale and assignment of a Further Issuer Entitlement only:
  - (i) the FPIN Sale Amount being, when aggregated with an amount equal to the relevant Note Value multiplied by the number of Issuer Notes issued on the Closing Date and the number of Forward Purchase Issuer Notes Sold since the Closing Date, less than or equal to the Aggregate Relevant Principal Amount shown in the most recent Minimum Issuer Financings Compensation Notice issued by the MoD;
  - (ii) the amount of Enhancement Notes proposed to be Sold on the Sale Date, being when aggregated with an amount equal to the relevant Note Value multiplied by the number of Enhancement Notes Sold since the Closing Date, less than or equal to the Relevant Enhancement Notes Principal Amount shown in the most recent Minimum Issuer Financings Outstandings Notice issued by the MoD;
  - (iii) neither:
    - (A) (where INOS ISD has been achieved) the FPIN Sale Amount; nor
    - (B) the amount of Enhancement Notes proposed to be sold on the Sale Date, being less than £10,000,000;
  - (iv) each of:
    - (A) the FPIN Sale Amount; and
    - (B) the Enhancement Notes Sale Amount, being an integral multiple of the relevant Note Value;

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- (v) delivery of a certificate in an agreed form confirming, among other matters, Paradigm corporate authorisation for the sale of the Further Issuer Entitlement;
  - (vi) (where a Further Issuer Entitlement is sold in connection with the sale of the Enhancement Notes) confirmation in the relevant Minimum Issuer Financing Compensation Notice that the Expiry Date of the CISD is no earlier than 31 May 2021; and
  - (vii) Sale of Forward Purchase Issuer Notes in an aggregate Note Value equal to the FPIN Sale Amount and Enhancement Notes in an aggregate Note Value equal to the Enhancement Notes Sale Amount.

***Representations and Warranties relating to the sale and assignment of the Initial Issuer Entitlement and each Further Issuer Entitlement***

The Issuer Entitlement Sale Agreement will contain representations and warranties to be given by EADS and Paradigm to the Issuer, the Payment Trustee and the Issuer Security Trustee in relation to the sale and assignment of the Initial Issuer Entitlement and each Further Issuer Entitlement. None of the Issuer, the Payment Trustee or the Issuer Security Trustee will make, or will cause to be made on its behalf, any enquiries, searches or investigations in respect of the Issuer Share. Instead, each is relying entirely on the representations and warranties by Paradigm and (on the Closing Date only), EADS, contained in the Issuer Entitlement Sale Agreement. The representations and warranties in relation to the Initial Issuer Entitlement will be made by Paradigm and EADS on the Closing Date and in relation to each Further Issuer Entitlement by Paradigm only on the Sale Date.

The material representations and warranties (to be given by each of Paradigm and, on the Closing Date, EADS) include:

- solvency of EADS (on the Closing Date) and Paradigm (on the Closing Date and each Sale Date);
- each Transaction Document to which it is party has been duly authorised, executed and delivered by it and constitutes (when duly authorised by the other parties thereto) the valid, legally binding and enforceable obligations of it;
- Paradigm is legally entitled to sell to the Issuer the Initial Issuer Entitlement or Further Issuer Entitlement as relevant; and
- the CISD has not been (and continues not to be) suspended or terminated.

***Covenants by Paradigm***

Pursuant to the Issuer Entitlement Sale Agreement, Paradigm will make the following covenants, amongst others, in favour of the Issuer, Issuer Security Trustee and Payment Trustee:

- not to do or omit to do, any act or thing which might, in the reasonable opinion of the Payment Trustee (as directed by the Issuer) and/or the Issuer Security Trustee, prejudice the interests of the Payment Trustee, the Issuer and/or the Issuer Security Trustee in the Trust Property;
- to comply in all material respects with the terms of the Transaction Documents to which they are party;
- not to dispose of any Trust Property, other than as permitted under the Transaction Documents;
- promptly to notify the Payment Trustee, the Issuer Security Trustee and the Issuer in writing if it receives written notice of any litigation or claim calling into question in any material way Paradigm's or the Issuer's title to any Trust Property or if it becomes aware of any material breach of any of the representations and warranties or other obligations under the Issuer Entitlement Sale Agreement or any other Transaction Document; and
- if reasonably required to do so by the Payment Trustee (as directed by the Issuer) and/or the Issuer Security Trustee, participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce Paradigm's or the Payment Trustee's title to or interest in the Trust Property.

***Governing Law***

The Issuer Entitlement Sale Agreement will be governed by English law.



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## ISSUER DEED OF CHARGE

On or before the Closing Date the Issuer will enter into a deed of charge with, amongst others, the Issuer Security Trustee (the **Issuer Deed of Charge**).

The security granted by the Issuer pursuant to the Issuer Deed of Charge (the **Issuer Security**) will comprise:

- (a) an assignment expressed to be by way of first fixed security of the Issuer's rights under the Payment Trust including its right to receive payment of any amounts which may become payable to the Issuer thereunder;
- (b) an assignment expressed to be by way of first fixed security of the Issuer's rights under the Payment Trust Deed, the Issuer Entitlement Sale Agreement, the Note Trust Deed, the Forward Note Purchase Agreement, the Issuer Cash Management Agreement, the Issuer Bank Account Agreement, the Agency Agreement, the Issuer Corporate Services Agreement and all other agreements to which the Issuer is a party from time to time;
- (c) an assignment expressed to be by way of first fixed security over, *inter alia*, all moneys standing to the credit of the Issuer Accounts (which security interest may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);
- (d) an assignment expressed to be by way of first fixed security over all Permitted Investments made from moneys standing to the credit of the Issuer Accounts and all moneys, income and proceeds in respect of such Permitted Investments (which security interest may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (e) a first floating charge over all of the Issuer's property, undertaking and assets not subject to the fixed security described above.

The Issuer Security will be enforceable following the occurrence of certain events (as described in more detail in **Condition 9 (Issuer Events of Default)**, each, an **Issuer Event of Default**) which will include non-payment of principal, premium or interest due in respect of the Notes, breach of the Issuer's covenants set out in the Issuer Deed of Charge and certain events related to the solvency of the Issuer. Upon the occurrence of an Issuer Event of Default, the Note Trustee may choose to accelerate payments of interest and principal in respect of the Notes but shall not be bound to do so unless directed to do so in accordance with **Condition 9 (Issuer Events of Default)** and the Note Trustee is indemnified or secured to its satisfaction.

In addition to its obligations under the Notes, certain other obligations of the Issuer, including the amounts owing to:

- (i) the Note Trustee under the Note Trust Deed;
- (ii) the Issuer Security Trustee and any Receiver appointed by it under the Issuer Deed of Charge;
- (iii) the Issuer Cash Manager under the Issuer Cash Management Agreement;
- (iv) the Note Custodian under the Custody Agreement;
- (v) the Issuer Account Bank under the Issuer Bank Account Agreement; and
- (vi) the Paying Agents,

will also be secured by the Issuer Security.

### **Enforcement**

The Issuer Security will become enforceable immediately following the occurrence of an Issuer Event of Default (which will not, until expiry of the Deferral Period, include the existence of a Payment Shortfall) but only in accordance with the provisions of the Issuer Deed of Charge. At that time the Issuer Security Trustee shall be entitled to appoint a Receiver in respect of the Issuer or otherwise take such enforcement action as is available to it by law or under the Issuer Deed of Charge.

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### **Issuer Pre-Enforcement Priority of Payments**

Prior to Enforcement and issue of a Note Acceleration Notice, the Issuer (or the Issuer Cash Manager on its behalf) will, on each Note Payment Date, apply amounts standing to the credit of the Issuer Transaction Account and, to the extent that funds are not sufficient to pay items (a) to (d) below, to the credit of the Issuer Reserve Account and in respect of a payment under paragraph (i) the Issuer Insurance No. 1 Account, in the following order of priority (the **Issuer Pre-Enforcement Priority of Payments**):

- (a) *pari passu* and *pro rata* according to the respective amounts thereof, to pay all amounts due and payable under the relevant Transaction Documents to:
  - (i) the Issuer Security Trustee and any appointee under the Issuer Deed of Charge;
  - (ii) the Note Trustee and any appointee under the Note Trust Deed; and
  - (iii) the Agent Bank and the Paying Agents under the Agency Agreement;
- (b) to pay all amounts due and payable to any third party creditors of the Issuer (other than those referred to later in this order of priority of payments), which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents and for which payment has not been provided for elsewhere and to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gains of the Issuer, provided that following the enforcement of the Issuer Security but prior to the service of a Note Acceleration Notice, amounts due under this paragraph (b) will not be paid;
- (c) *pari passu* and *pro rata* according to the respective amounts thereof, to pay all amounts due and payable under the relevant Transaction Documents to:
  - (i) the Issuer Cash Manager under the Issuer Cash Management Agreement;
  - (ii) the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement;
  - (iii) the Note Custodian under the Custody Agreement; and
  - (iv) the Issuer Account Bank under the Issuer Bank Account Agreement;
- (d) *pari passu* and *pro rata* according to the respective amounts thereof to pay amounts of principal and interest due and payable on:
  - (i) the Issuer Notes;
  - (ii) the Forward Purchase Issuer Notes; and
  - (iii) the Enhancement Notes,

provided that to the extent that the Issuer Security Trustee has been notified that the relevant portion of the Noteholder MoD Termination Payment will be made and of direct payment to be made by the MoD to a Nominated Noteholder Account (or the Issuer Security Trustee), that Noteholder's *pari passu* entitlement shall be deemed to be satisfied to the extent so notified and, if not so notified, will be paid to the order of the Issuer Security Trustee to be held on trust for such Noteholders;

- (e) to transfer to the Issuer Reserve Account an amount equal to the Issuer Reserve Account Required Top-up Amount;
- (f) to retain in the Issuer Transaction Account an amount equal to the Multiple Invoice Amount (if any);
- (g) to pay fees due and payable by the Issuer to the Forward Note Purchasers under the terms of the Forward Note Purchase Agreement;
- (h) to pay to the Issuer as profit, an amount equal to 0.01% of the aggregate of:
  - (i) an amount equal to the interest on the Notes payable on the Note Payment Date; and
  - (ii) an amount equal to the costs and expenses of the Issuer in the period since the last Note Payment Date;
- (i) where the Notes have been cancelled or redeemed in full, to pay to the MoD an amount equal to the amount standing to the credit of the Issuer Insurance No. 1 Account; and

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- (j) where the Notes have been cancelled or redeemed in full, the remainder will be paid to Paradigm in full satisfaction of amounts payable in respect of the Deferred Purchase Price in respect of the Initial Issuer Entitlement and all Further Issuer Entitlements sold, and, otherwise, the remainder will be retained in the Issuer Transaction Account.

#### **Issuer Post-Enforcement ~~Pre~~-Acceleration Priority of Payments**

All moneys received or recovered by the Issuer Security Trustee or any Receiver for the benefit of the Issuer Secured Creditors in respect of the Issuer Secured Obligations upon and after enforcement of the Issuer Security will be held by it on trust to be applied in the same order of priority as the Issuer Pre-Enforcement Priority of Payments, but as if:

- (a) each of the references in the Issuer Pre-Enforcement Priority of Payments to the Security Trustee included a reference to any Receiver appointed by the Security Trustee;
- (b) each of the references in the Issuer Pre-Enforcement Priority of Payments to an amount payable by the Issuer which does not form part of the Issuer Secured Obligations were deleted; and
- (c) paragraphs (h) and (j) of the Issuer Pre-Enforcement Priority of Payments were amended so that the amounts referred to in those paragraph are retained by the Issuer Security Trustee or any Receiver (as relevant) rather than paid to the Issuer or any other person entitled to it

(such priority of payments being the **Issuer Post-Enforcement Pre-Acceleration Priority of Payments**).

#### **Issuer Post-Acceleration Priority of Payments**

All moneys received or recovered by the Issuer Security Trustee or any Receiver following the service of a Note Acceleration Notice (including any amount standing to the credit of the Issuer Accounts) shall be held by it in the Issuer Accounts on trust to be applied (save to the extent required otherwise by law), on each Note Payment Date, in the following order of priority (**Issuer Post-Acceleration Priority of Payments**):

- (a) *pari passu* and *pro rata* according to the respective amounts thereof, to pay all amounts due and payable under the relevant Transaction Documents to:
- (i) the Issuer Security Trustee and any Receiver or appointee appointed by the Issuer Security Trustee each under the Issuer Deed of Charge;
- (ii) the Note Trustee or any appointee under the Note Trust Deed; and
- (iii) the Agent Bank and the Paying Agents under the Agency Agreement;
- (b) *pari passu* and *pro rata* according to the respective amounts thereof, to pay all amounts due and payable under the relevant Transaction Documents to:
- (i) the Issuer Cash Manager under the Issuer Cash Management Agreement;
- (ii) the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement;
- (iii) the Note Custodian under the Custody Agreement; and
- (iv) the Issuer Account Bank under the Issuer Bank Account Agreement;
- (c) *pari passu* and *pro rata* according to the respective amounts thereof to pay amounts of accrued and unpaid principal and interest due and payable on:
- (i) the Issuer Notes;
- (ii) the Forward Purchase Issuer Notes; and
- (iii) the Enhancement Notes;

provided that to the extent that the Issuer Security Trustee has been notified that the relevant portion of the Noteholder MoD Termination Payment will be made and of direct payment to be made by the MoD to a Nominated Noteholder Account, (or the Issuer Security Trustee) that Noteholder's *pari passu* entitlement shall be deemed to be satisfied to the extent so notified and, if not so notified, will be paid to the order of the Issuer Security Trustee to be held on trust for such Noteholder;

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- (d) in the event of termination of the CISD and receipt of the MoD Termination Payment which is due and payable in accordance with the MoD Direct Agreement, to the MoD an amount equal to the aggregate of:
- (i) the amount then standing to the credit of the Issuer Transaction Account;
  - (ii) the amount then standing to the credit of the Issuer Reserve Account; and
  - (iii) the amount then standing to the credit of the Issuer Insurance No. 1 Account; and
- (e) the remainder to Paradigm in full satisfaction of the amounts payable in respect of the Deferred Purchase Price in respect of the Initial Issuer Entitlement and all Further Issuer Entitlements sold.

As detailed in the payment procedure set out in “*Transaction Overview — Payment of the MoD Termination Payment*”, the Issuer Post-Acceleration Priority of Payments will also be applied in respect of payments of the Noteholder MoD Termination Payment, even where no Note Acceleration Notice has been issued at the time of payment of the Noteholder MoD Termination Payment.

Any Noteholder that does not make an election or direction for payment to be made directly to a Nominated Noteholder Account will receive payment by the Issuer Security Trustee when such Noteholder notifies the Issuer Security Trustee of its Nominated Noteholder Account. Pending such notification or direction, the relevant payment will be held on trust for such Noteholder subject to **Condition 8 (Prescription)**.

### **Governing Law**

The Issuer Deed of Charge will be governed by English law.

### **NOTE TRUST DEED**

The Notes will be constituted by a trust deed (the **Note Trust Deed**) to be entered into between the Issuer and the Note Trustee on the Closing Date. The Notes will constitute secured, direct and unconditional obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any person other than the Issuer. The Notes (other than the Forward Purchase Issuer Notes and the Enhancement Notes prior to their sale) will all have the benefit of the same security and will rank *pari passu* without preference or priority among themselves as to payment of both principal and interest. The Note Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the **Issuer Noteholders**, the **Forward Purchase Issuer Noteholders** and the **Enhancement Noteholders** equally, and where there is, in the Note Trustee’s opinion, a conflict between any such interests, the Note Trust Deed will require the Note Trustee to act only as directed by an Extraordinary Resolution (as defined in the Note Trust Deed) of the Noteholders of each tranche. The Note Trustee shall not, and shall not be bound to take proceedings against the Issuer or any other person to enforce the Transaction Documents or any other action thereunder unless it shall have been indemnified or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable.

The Note Trust Deed will be governed by English law.

### **FORWARD NOTE PURCHASE AGREEMENT**

Prior to the Closing Date, the Issuer will enter into the Forward Note Purchase Agreement with the Forward Note Purchasers, Paradigm, EADS and the Issuer Security Trustee.

On the Closing Date, all of the Forward Purchase Issuer Notes and the Enhancement Notes will be repurchased (but not cancelled) by the Issuer (the Forward Purchase Issuer Notes and Enhancement Notes so repurchased and therefore subject to the Forward Note Purchase Agreement being referred to as the **Forward Purchase Notes**).

Subject to satisfaction or waiver of certain conditions precedent (described below) the Forward Note Purchasers will agree to acquire, and the Issuer will agree to sell, the Forward Purchase Issuer Notes on each Sale Date at the relevant Note Value plus, where the Forward Purchase Notes are Sold other than on the first day of an Interest Period, an amount equal to the interest which would have accrued on such Forward Purchase Notes from (and including) the first day of such Interest Period to (but excluding) the Sale Date.

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The commitment of each of the Forward Note Purchasers will be as set out in the Forward Note Purchase Agreement and such commitment is transferable in accordance with the Forward Note Purchase Agreement.

Following an increase in the Minimum MoD Termination Payment, a Further Issuer Entitlement Sale Notice will be issued by Paradigm. Such notice will nominate a proposed Sale Date for the sale of a Further Issuer Entitlement. The Sale Date will be not more than 30 days after the date of such notice.

In conjunction with the Sale by Paradigm to the Issuer of a Further Issuer Entitlement, the Issuer will sell Forward Purchase Notes in order to fund its purchase of that Further Issuer Entitlement.

The Note Value of Forward Purchase Notes Sold at any time will be no less than the increases in the amount of the Minimum MoD Termination Payment (subject to applicable reductions for costs and expenses) upon the occurrence of such milestones provided that Forward Purchase Notes in respect of such increases may be issued in more than one tranche.

Where the increase in the Minimum MoD Termination Payment and the purchase by the Issuer of the Further Issuer Entitlement is as a result of:

- (a) the achievement of a Project Milestone, the Forward Purchase Notes to be delivered to the Forward Note Purchasers will be the relevant amount of Forward Purchase Issuer Notes; or
- (b) Paradigm being obliged to achieve FSOS or a variation to the Project, the Forward Purchase Notes to be delivered to the Forward Note Purchasers will be the relevant amount of Enhancement Notes.

The Forward Purchase Notes will be transferred to the Forward Note Purchasers upon completion of the following:

- (a) payment by the Forward Note Purchasers to the Issuer of the Forward Purchase Price;
- (b) the marking down by the Note Custodian (pursuant to the Custody Agreement) of the relevant Forward Purchase Custodian Global Note by an amount equal to the amount of Forward Purchase Notes Sold, being the Sale Amount; and
- (c) the marking up by the Principal Paying Agents, in accordance with the Agency Agreement, of the Issuer Permanent Global Note (in the case of a Sale of Forward Purchase Issuer Notes) or the Enhancement Common Depository Global Note (in the case of a Sale of Enhancement Notes) by an amount equal to the amount of Forward Purchase Notes Sold, being the Sale Amount.

The Forward Purchase Notes so transferred shall cease to be subject to the terms of the Forward Note Purchase Agreement, and will on and from their delivery date become fungible with the relevant tranche of Notes to which they belong.

### **Conditions Precedent**

Purchase of the Forward Purchase Notes will be subject to the satisfaction or waiver of the following conditions precedent:

- (a) the accuracy of the representations and warranties given by the Issuer, EADS and Paradigm under the Forward Note Purchase Agreement;
- (b) receipt by the Issuer Security Trustee, Payment Trustee and each Forward Note Purchaser of a Minimum Issuer Financing Compensation Notice delivered by the MoD at any time prior to the relevant Sale Date which sets out a Minimum MoD Termination Payment in an amount not less than the aggregate Principal Amount Outstanding on the Notes (taking into account the Principal Amount Outstanding of the Notes to be issued or Sold to fund the purchase of the Initial Issuer Entitlement or the relevant Further Issuer Entitlement (as applicable));
- (c) receipt by the Issuer, the Issuer Security Trustee and Note Trustee of a duly completed Further Issuer Entitlement Sale Notice;
- (e) the Forward Purchase Note Long Stop Date for the relevant Forward Purchase Notes having not occurred;

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- (f) the CISD not having been (and continuing not to be) suspended or terminated in any way affecting any compensation or termination provision thereof and remaining the legal, valid, binding and enforceable obligation of the parties thereto; and
- (g) satisfaction or waiver of all conditions precedent under the Issuer Entitlement Sale Agreement to the sale of the relevant Further Issuer Entitlement (except for those relating to the Sale of the relevant Forward Purchase Notes).

### **Representations and Warranties**

Each of the Issuer (on each of the Closing Date and each Sale Date), EADS (on the Closing Date, in respect of itself and Paradigm) and Paradigm (on each of the Closing Date and each Sale Date, in respect of itself) will make the following representations and warranties in favour of the Forward Note Purchasers:

- (a) due incorporation, corporate capacity and solvency;
- (b) each Transaction Document to which it is party has been duly authorised, executed and delivered by it and constitutes (when duly authorised by the other parties thereto) the valid, legally binding and enforceable obligations of it in accordance with its terms and subject to the laws of insolvency and other laws affecting the rights of creditors generally;
- (c) no Issuer Event of Default has occurred under the Notes;
- (d) in the case of Paradigm and the Issuer only, to the best of their respective knowledge and belief, the Payment Trust remains validly constituted; and
- (e) in the case of the Issuer only, following their Sale, the relevant Forward Purchase Notes will constitute direct, unconditional, secured and unsubordinated obligations of the Issuer.

### **Late Delivery**

Where an amount of Forward Purchase Notes is not purchased on the Sale Date proposed in a Further Issuer Entitlement Sale Notice by reason of the conditions precedent to Sale not being satisfied or waived on or before the proposed Sale Date and the conditions precedent to Sale are within five Business Days of the proposed Sale Date satisfied or waived, the parties will be required to comply with their obligations of sale and purchase, except that the reference to the proposed Sale Date will be deemed to be a reference to the date that is five Business Days following the date on which the conditions precedent to Sale are subsequently satisfied.

If, where the conditions precedent to Sale are satisfied or waived and an amount of the relevant Forward Purchase Notes to be Sold is not purchased by the Forward Note Purchasers on the proposed Sale Date but is purchased by the Forward Note Purchasers within five Business Days of the proposed Sale Date, the Forward Note Purchasers shall pay to the Issuer the Late Delivery Fee.

### **Remarketing**

Where the conditions precedent to Sale are satisfied or waived and an amount of Forward Purchase Notes to be Sold is not purchased by any Forward Note Purchaser within five Business Days of the proposed Sale Date or a Forward Note Purchaser Event occurs at any time in respect of a Forward Note Purchaser, the Issuer will (acting on the advice of or through such advisers as it sees fit to appoint) re-market the relevant Forward Purchase Notes (**Unfunded Notes**) for a period to expire on the earlier of the Sale of all Unfunded Notes or the expiry of six months and will use reasonable endeavours promptly to commence such remarketing on the expiry of a period of five Business Days following such proposed Sale Date and thereafter will use reasonable endeavours successfully to conclude such remarketing and sell the relevant Unfunded Notes as soon as possible.

Any Forward Note Purchaser who has failed to comply with its obligation to purchase the Forward Purchase Notes and/or in respect of which a Forward Note Purchaser Event has occurred is a **Defaulting Purchaser**. The Issuer shall (where indemnified to its satisfaction) enforce the obligation of any such Defaulting Purchaser under the Forward Note Purchase Agreement.

Each Forward Note Purchaser will acknowledge that if it becomes a Defaulting Purchaser:

- (a) the Remarketing Period does not remove or derogate from its obligation to acquire the Unfunded Notes;

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- (b) it shall be liable for any and all costs reasonably incurred by the Issuer or its advisers in respect of the remarketing of the relevant Unfunded Notes which it was committed to purchase;
- (c) where the Unfunded Notes which it was committed to purchase are Sold by the Issuer at a price which is lower than the price which would have been payable by the Defaulting Purchaser, the Defaulting Purchaser shall be liable to account for such loss to the Issuer; and
- (d) it shall pay to the Issuer the relevant Late Delivery Fee.

#### **Termination of Forward Note Purchase Agreement and Cancellation of Forward Purchase Notes**

The Forward Note Purchase Agreement will automatically terminate upon (a) termination of the CISD, (b) it becoming illegal for the Issuer to perform its obligations under the Forward Note Purchase Agreement, or (c) the Forward Purchase Notes being redeemed by the Issuer for taxation or other reasons (in accordance with the Conditions applicable to the Forward Purchase Notes).

The Forward Note Purchasers will have the right to terminate the Forward Note Purchase Agreement upon the Issuer failing to comply with its obligations under the Forward Note Purchase Agreement. Upon the termination of the Forward Note Purchase Agreement all outstanding Forward Purchase Notes then held by the Note Custodian will be cancelled by the Issuer. In addition, if not Sold prior to the relevant Forward Purchase Note Long Stop Date, the relevant Forward Purchase Notes will be cancelled.

#### **No Rights attach to Forward Purchase Notes whilst held by the Note Custodian for the Issuer**

For so long as any Forward Purchase Note is held by the Note Custodian for the Issuer, the Issuer (as beneficial owner of the relevant Notes) will not have the benefit of the Entrenched Rights, voting rights, or rights to payments of principal or interest in respect of the Notes. Once the Forward Purchase Notes are Sold, the relevant Noteholders will have the benefit of all such rights.

#### **Issuer Default/Early Redemption**

If an Issuer Event of Default occurs the parties' obligations under the Forward Note Purchase Agreement will be terminated.

#### **Restrictions on Transfer**

The Forward Note Purchasers may novate their rights and obligations under the Forward Note Purchase Agreement only with the prior written consent of the Issuer and Paradigm (such consent not to be unreasonably withheld).

#### **Commitment Fees**

Pursuant to the Forward Note Purchase Agreement, the Issuer will pay the Forward Note Purchasers an amount monthly in arrear on each Note Payment Date equal to:

- (a) [●] per cent. per annum in respect of the principal amount of the Forward Purchase Issuer Notes not Sold to the Forward Note Purchasers on or before that Note Payment Date; and
- (b) [●] per cent. per annum in respect of the principal amount of the Enhancement Notes not Sold to the Forward Note Purchasers on or before that Note Payment Date,

in each case *pro rata* (in terms of days) for such month in respect of the Forward Purchase Notes Sold to the Forward Note Purchasers since the previous Note Payment Date

(referred to as the **Commitment Fees**).

#### **Governing Law**

The Forward Note Purchase Agreement will be governed by English law.

#### **PAYMENT TRUSTEE BANK ACCOUNT AGREEMENT**

Pursuant to an agreement (the **Payment Trustee Bank Account Agreement**) to be entered into on the Closing Date between Paradigm, the Issuer, the Payment Trustee Account Bank, the Payment Trustee, the Payment Trustee Cash Manager and the Issuer Security Trustee, the Payment Trustee

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Account Bank will, *inter alia*, agree to open and maintain the Payment Trustee Transaction Account Sterling, the Payment Trustee Transaction Account Euro and the Payment Trustee Transaction Account Dollar.

The Payment Trustee Account Bank will agree to waive all rights of set-off, consolidation and combination of accounts in respect of the Payment Trustee Transaction Account and any replacement for such account or other bank account of the Payment Trustee from time to time (together the **Payment Trustee Accounts**) other than the right to deduct certain fees payable to the Payment Trustee Account Bank under the Payment Trustee Bank Account Agreement.

The Payment Trustee will agree to procure that no change is made to the mandates governing the Payment Trustee Accounts (other than in the normal course of business in respect of revised authorised signatories) without the prior written consent of the Beneficiaries.

If the Payment Trustee Account Bank ceases to be an Eligible Bank then the Payment Trustee will be required to arrange for the transfer of such accounts to an Eligible Bank on terms acceptable to the Beneficiaries.

The Payment Trustee Bank Account Agreement will be governed by English law.

#### **ISSUER BANK ACCOUNT AGREEMENT**

Pursuant to an agreement (the **Issuer Bank Account Agreement**) to be entered into on the Closing Date between the Issuer, the Issuer Security Trustee, the Issuer Account Bank and the Issuer Cash Manager, the Issuer Account Bank will, *inter alia*, agree to open and maintain the following accounts (together the **Issuer Accounts**):

- (a) the Issuer Transaction Account;
- (b) the Issuer Reserve Account;
- (c) the Issuer Insurance No 1 Account;
- (d) the Issuer Insurance No 2 Account; and
- (e) the Issuer Share Capital Account.

The Issuer Account Bank will agree to waive all rights of set-off, consolidation and combination of accounts in respect of the Issuer Accounts and any replacement for such account or other bank account of the Issuer from time to time. Interest earned on the Issuer Transaction Account (if any) will be credited thereto. Interest earned on the balance standing to the credit of the Issuer Reserve Account or in respect of Permitted Investments will, on or prior to each Distribution Date, be transferred to the Issuer Transaction Account for distribution in accordance with the relevant Issuer Priority of Payments.

The Issuer will agree to procure that no change is made to the mandates governing the Issuer Accounts (other than in the normal course of business in respect of revised authorised signatories) without the prior written consent of the Issuer Security Trustee.

If the Issuer Account Bank ceases to be an Eligible Bank then the Issuer will be required to arrange for the transfer of such accounts to an Eligible Bank on terms acceptable to the Issuer Security Trustee.

The Issuer Bank Account Agreement will be governed by English law.

#### **AGENCY AGREEMENT**

Pursuant to an agency agreement to be entered into on or prior to the Closing Date (the **Agency Agreement**, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer, the Note Trustee, the Issuer Security Trustee, the Irish Paying Agent, the Principal Paying Agent and the Agent Bank, provision is made for, *inter alia*, the payment of principal, premium (if any) and interest in respect of the Notes.

The Agency Agreement will be governed by English law.

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### CUSTODY AGREEMENT

The Note Custodian will enter into a custody agreement on the Closing Date with the Issuer (the **Custody Agreement**) in respect of the provision of custody services in relation to the Forward Purchase Notes.

The Custody Agreement will be governed by English law.

### PAYMENT TRUSTEE CORPORATE SERVICES AGREEMENT

The Payment Trustee Corporate Services Provider will enter into a corporate services agreement on the Closing Date with, *inter alios*, the Payment Trustee, the Issuer, Paradigm and the Issuer Security Trustee in respect of the provision of independent directors to the board of directors of the Payment Trustee and various other corporate services.

The Payment Trustee Corporate Services Agreement will be governed by English law.

### ISSUER CORPORATE SERVICES AGREEMENT

The Issuer Corporate Services Provider will enter into a corporate services agreement on the Closing Date with, *inter alios*, the Issuer, Holdings, and the Issuer Security Trustee in respect of the provision of independent directors to the board of directors of the Issuer and Holdings and various other corporate services.

The Issuer Corporate Services Agreement will be governed by English law.

### PAYMENT TRUSTEE CASH MANAGEMENT AGREEMENT

On the Closing Date, Paradigm (as Payment Trustee Cash Manager), the Payment Trustee, the Issuer, Paradigm and the Issuer Security Trustee will enter into the Payment Trustee Cash Management Agreement pursuant to which the Payment Trustee Cash Manager will agree to manage the Payment Trustee Accounts, make certain calculations regarding the Issuer Entitlement Amount and the Paradigm Entitlement Amount and arrange for certain payments to be made from the Payment Trust from time to time. If any of the following events shall occur:

- (a) default is made by the Payment Trustee Cash Manager in the payment on the due date of any payment due and payable by it under the Payment Trustee Cash Management Agreement or the Payment Trust Deed and such default continues unremedied for a period of three Business Days after the earlier of the Payment Trustee Cash Manager becoming aware of such default and receipt by the Payment Trustee Cash Manager of written notice from the Payment Trustee requiring the same to be remedied; or
- (b) default is made by the Payment Trustee Cash Manager in the performance or observance of any of its other covenants and obligations under the Payment Trustee Cash Management Agreement, which in the reasonable opinion of the Beneficiaries is materially prejudicial to their respective interests in the Payment Trust and such default continues unremedied for a period of 20 Business Days after the earlier of the Payment Trustee Cash Manager becoming aware of such default and receipt by the Payment Trustee Cash Manager of written notice from the Beneficiaries requiring the same to be remedied; or
- (c) the Payment Trustee Cash Manager suffers an Insolvency Event; or
- (d) for so long as Paradigm is the Payment Trustee Cash Manager, default is made in any material respect by Paradigm in the performance or observance of any of its covenants and obligations under any of the Transaction Documents,

then the Payment Trustee or the Beneficiaries may (or in the case of (d), shall) terminate Paradigm's appointment as Payment Trustee Cash Manager under the Payment Trustee Cash Management Agreement with effect from a date (not earlier than the date of the notice) on which a substitute Payment Trustee Cash Manager is appointed.

A substitute payment trustee cash manager shall be a financial institution which is acceptable to the MoD and the Beneficiaries and which is an authorised person under FSMA. Following resignation of the Payment Trustee Cash Manager (upon three months' written notice), a substitute payment trustee cash manager must be appointed which, *inter alia*, shall be either a financial institution or an Affiliate of EADS or Paradigm and which is acceptable to the Payment Trustee, the MoD and the Beneficiaries.

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The Payment Trustee Cash Management Agreement will be governed by English law.

### ISSUER CASH MANAGEMENT AGREEMENT

On the Closing Date, the Issuer, the Issuer Security Trustee and the Issuer Cash Manager will enter into the Issuer Cash Management Agreement pursuant to which the Issuer Cash Manager will agree to manage the Issuer Accounts, make certain calculations relating to payments and reports, arrange for payments to be made on behalf of the Issuer and keep certain records on behalf of the Issuer.

Amounts standing to the credit of the Issuer Transaction Account will, from time to time, comprise some or all of:

- (a) all amounts paid to and received by the Issuer pursuant to the terms of the Payment Trust Deed on each Distribution Date;
- (b) interest received on amounts standing to the credit of the Issuer Transaction Account;
- (c) any Issuer Reserve Account Excess Amount which has been transferred to the Issuer Transaction Account in accordance with the Issuer Bank Account Agreement; and
- (d) any Loss of Revenue Insurance Monthly Amount which has been transferred to the Issuer Transaction Account in accordance with the Issuer Cash Management Agreement and the Issuer Bank Account Agreement.

Amounts standing to the credit of the Issuer Reserve Account will, from time to time, comprise (i) the amount of £● in respect of Initial Issuer Entitlement DPP deposited by the Issuer on the Closing Date (ii) amounts deposited, from time to time, in respect of Further Issuer Entitlement DPP and (iii) payments of any Issuer Reserve Account Required Top-Up Amount made to the Issuer Reserve Account in accordance with the relevant Issuer Priority of Payments.

The Issuer Cash Manager will on or prior to 11.00 a.m. on the Business Day preceeding each Preliminary Distribution Date and the Business Day preceeding each Distribution Date calculate, and notify the Payment Trustee Cash Manager of such calculation, of:

- (i) the funds available to the Issuer in the Issuer Accounts;
- (ii) the amounts payable on the next following Note Payment Date in accordance with the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Acceleration Priority of Payments (as the case may be);
- (iii) where the Issuer Cash Manager has received a Multiple Invoice Amount, the amounts payable on the Note Payment Date occurring immediately following the end of the following Calculation Period, calculated in accordance with the principles set out in paragraph (a)(ii) of the definition of Issuer Entitlement Amount;
- (iv) the amounts (if any) standing to the credit of the Issuer Transaction Account and the Issuer Reserve Account;
- (v) without counting any item more than once, any Loss of Revenue Insurance Monthly Amount;
- (vi) the amount of any Permitted Investments; and
- (vii) after termination of the CISD only, the amount (in aggregate) which is to be paid on the next Compensation Payment Date, directly to a Nominated Noteholder Account by the MoD.

#### *Issuer Accounts*

Prior to service of a Note Acceleration Notice, amounts may not be withdrawn from any Issuer Account other than in accordance with the Issuer Cash Management Agreement, the Issuer Bank Account Agreement and the Issuer Deed of Charge.

Following service of a Note Acceleration Notice, the Issuer may not withdraw any funds from any Issuer Account and any amounts standing to the credit of the Issuer Accounts shall be applied by the Issuer Security Trustee or any Receiver in respect of the Issuer Security in accordance with the Issuer Post-Acceleration Priority of Payments.

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### **Issuer Transaction Account**

#### (a) Note Payment Dates

Prior to the service of a Note Acceleration Notice, the Issuer (or the Issuer Cash Manager where permitted on its behalf) will be required to make payments from funds available to the Issuer and standing to the credit of the Issuer Transaction Account on each Note Payment Date, in the order of priority set out in and in accordance with the Issuer Pre-Enforcement Priority of Payments, or the Issuer Post-Enforcement Pre-Acceleration Priority of Payments as relevant.

#### (b) Enforcement of Issuer Deed of Charge

If and for so long as the Issuer Security has become enforceable and the Issuer Security Trustee has taken steps to enforce such security, but a Note Acceleration Notice has not been served, no such withdrawal in relation to a payment may be made from the Issuer Transaction Account without the prior written consent of, or as directed by, the Issuer Security Trustee.

### **Permitted Investments**

Notwithstanding the Security Interests created under the Issuer Deed of Charge, Permitted Investments acquired in accordance with the Issuer Cash Management Agreement may, on any Business Day, be sold or redeemed or disposed of or realised or otherwise deposited by the Issuer, subject always to the other provisions of the Finance Documents. The investment criteria in respect of Permitted Investments are detailed in the definition of "Permitted Investments".

### **Management and application of funds**

The Issuer shall take or cause to be taken by the Issuer Cash Manager such action as may from time to time be necessary on its part to ensure that the Issuer Transaction Account shall from time to time be credited with all amounts received by the Issuer and falling within any of the following categories:

- amounts received by the Issuer from or on behalf of the Payment Trustee pursuant to the Payment Trust Deed;
- interest received on any Issuer Account other than the Issuer Transaction Account;
- income received by the Issuer in respect of the proceeds of any Permitted Investments;
- any amount by which the balance standing to the credit of the Issuer Reserve Account exceeds the Issuer Reserve Account Required Amount;
- any Loss of Revenue Insurance Monthly Amount; and
- such other payments received by the Issuer as are, or ought in accordance with the Issuer Deed of Charge to be, comprised in the Issuer Charged Property.

### **Issuer Insurance No 1 Account**

#### (a) Note Payment Dates

Prior to the service of a Note Acceleration Notice, the Issuer (or the Issuer Cash Manager where permitted on its behalf) will be required to transfer any applicable Loss of Revenue Insurance Monthly Amount standing to the credit of the Issuer Insurance No 1 Account to the Issuer Transaction Account.

#### (b) Intra-period

No payments will be made.

#### (c) Enforcement of Issuer Deed of Charge

If and for so long as the Issuer Security has become enforceable and the Issuer Security Trustee has taken steps to enforce the Issuer Security, but a Note Acceleration Notice has not been served, no withdrawal may be made from the Issuer Insurance No 1 Account without the prior written consent of or as directed by the Issuer Security Trustee.

### **Issuer Insurance No 2 Account**

#### (a) Note Payment Dates

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Prior to the service of a Note Acceleration Notice, the Issuer (or the Issuer Cash Manager where permitted on its behalf) will be required to transfer any applicable Loss of Revenue Insurance Monthly Amount standing to the credit of the Issuer Insurance No 2 Account to the Issuer Transaction Account.

(b) Intra-period

No payments will be made.

(c) Enforcement of Issuer Deed of Charge

If and for so long as the Issuer Security has become enforceable and the Issuer Security Trustee has taken steps to enforce the Issuer Security, but a Note Acceleration Notice has not been served, no withdrawal may be made from the Issuer Insurance No 2 Account without the prior written consent of or as directed by the Issuer Security Trustee.

**Issuer Reserve Account**

(a) Note Payment Dates

Prior to the service of a Note Acceleration Notice and if the MoD Termination Payment has not become payable or has been paid, the Issuer Cash Manager on behalf of the Issuer will if a Reserve Payment Shortfall has occurred be required to withdraw funds from the Issuer Reserve Account in an account equal to such Reserve Payment Shortfall in order to apply such funds in the order of priority set out in and in accordance with the Issuer Pre-Enforcement Priority of Payments.

(b) Enforcement of Issuer Deed of Charge

If and for so long as the Issuer Security has become enforceable and the Issuer Security Trustee has taken steps to enforce the Issuer Security, but a Note Acceleration Notice has not been served, no such withdrawal in relation to a payment may be made from the Issuer Reserve Account without the prior written consent of or as directed by the Issuer Security Trustee.

**Governing Law**

The Issuer Cash Management Agreement will be governed by English law.

**HEDGING ARRANGEMENTS**

Paradigm will, on or around the Closing Date, enter into the Hedging Arrangements with the Paradigm Swap Counterparties to hedge certain interest rate exposure in connection with the Transaction.

On the sale of the Initial Issuer Entitlement and each Further Issuer Entitlement, Paradigm will assign to the Payment Trustee its right to receive net payments from the Paradigm Swap Counterparties (excluding payments made on termination or close-out) under the Hedging Arrangements with a notional profile corresponding to the profile of the Issuer Notes (on sale of the Initial Issuer Entitlement) and the relevant Forward Purchase Notes (on sale of each Further Issuer Entitlement). Hedging Arrangements in relation to the Sale of Enhancement Notes will be entered into at or prior to the time of such Sale and will be assigned to the Payment Trustee immediately prior to such Sale of Enhancement Notes.

On termination of the CISD, an element of the MoD Termination Payment will be applied to make payment of amounts payable by Paradigm on termination or close out of the Assigned Hedging Arrangements (in all circumstances) and in relation to Hedging Arrangements (in all termination circumstances except for termination of the CISD for Paradigm Default prior to INOS) the Hedging Arrangements that are covered by such amounts are referred to as (the **Compensated Hedging Arrangements**). Amounts payable by Paradigm under Hedging Arrangements which are not Compensated Hedging Arrangements will be guaranteed by EADS.

Under the MoD Direct Agreement, each Paradigm Swap Counterparty will have the right, following a Swap Enforcement Event, to serve a notice under which (unless such non-payment is remedied) the CISD will terminate five Business Days later.

Amounts payable to each Paradigm Swap Counterparty under Compensated Hedging Arrangements will be paid to the Paradigm Security Trustee (on behalf of the Paradigm Swap Counterparty) on the Compensation Payment Date.

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## **SERVICE PAYMENTS, TERMINATION OF THE CISD AND THE MOD TERMINATION PAYMENT**

### **SERVICE PAYMENTS**

#### **General Description**

Payment by the MoD for delivery of Services under the CISD (the **Service Payment**) is made up of a series of different revenue streams linked to the types of services provided and the intrinsic capability of the System. The payment can be varied according to the quantity and quality of the services ordered by the MoD as well as the performance of the services delivered.

Payment is received one month in arrears; deductions are applied two months in arrears, allowing for agreement with the MoD on the cause and effect of the deductions in advance of any application.

#### **Revenue streams**

The tariff can be considered separately for the pre-INOS and post-INOS phases. The different revenue streams and the time from which they are applicable are shown below.

- 1 Pre-INOS — various tariffs payable.
- 2 Post-INOS — various tariffs payable but subject to an effective floor in the form of the Take or Pay Payment.

Each tariff is fixed for the first five years of the CISD, after which time tariffs are particularly linked to inflation.

#### **Take or Pay Tariff**

The **Take or Pay Tariff** will be applicable from the date that INOS is achieved and will be applied as a monthly top-up payment if the calculated revenues are below the level of the Take or Pay Tariff. The amount payable by the MoD as a result of the application of the Take or Pay Tariff is referred to as the **Take or Pay Amount**.

The Take or Pay Tariff, and hence the minimum value of the monthly MoD payment, cannot be reduced by Central Availability Deductions or Service Credits. In the event that these Deductions would have reduced revenue below the level of the Take or Pay Tariff, the MoD is still obliged to make the full top-up payment, but the Central Availability Deductions or Service Credits which have not been applied because their application would have reduced the MoD Payment below the Take or Pay Tariff are retained in a service credit account. Such portions of this account can then be applied by the MoD in a future accounting period to the extent that revenue is above the Take or Pay Tariff.

The minimum revenue level set by the Take or Pay Tariff is only reduced under limited circumstances, **Take or Pay Deductions**. These are linked to the most essential elements of the Skynet 5 system capability.

#### **Service Deductions and Credits**

The CISD defines two specific financial mechanisms: Service Credits and Central Availability Deductions, which act to reduce the revenue received by Paradigm in the event that performance of the Services or certain key elements of system capability fall short of criteria specified within the CISD.

Central Availability Deductions are applied to availability payments in the event that certain assured capabilities are not met by the System. Service Credits are applied to usage based services. In the event that an ordered Service cannot be provided or is provided below certain specified parameters then a Service Credit up to a maximum of the tariff for that individual Service which is not being delivered in accordance with the CISD will apply.

The level of redundancy built into the System in order to meet the service standards required by the MoD makes it unlikely that significant outages will be in evidence during the Skynet 5 contract. Major, multiple failures would have to be experienced for a significant period of time before revenues are materially reduced. Short-term shortfalls in immediate performance are subject only to much smaller usage deductions.

Paradigm has subcontracted all deductions that are linked to processes or usage-based revenue to ServiceCo, subject to a cap, to ensure that ServiceCo is incentivised to deliver the required quality of

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service in accordance with the performance standards set out in the CISD at all times. The more significant capability-based deductions are less likely to occur.

### **Third Party Revenue**

A portion of the contracted capacity of the Skynet 5 satellites is not assured to the MoD and, therefore, is available for alternative use by Paradigm to sell services to third parties. Paradigm is also able to exploit spare capacity on the Skynet 4 satellites where this is not being used by the MoD.

The ability to sell services and capacity to Third Party Customers is encouraged and supported by the MoD. To date Paradigm has signed five service contracts with third parties. Four of the counterparties are NATO member states, the other is with the MoD in order to provide communications capability to NATO itself. The MoD has accepted certain obligations in the form of a Memorandum of Understanding with NATO and has discharged these obligations by entering into a contract with Paradigm. The value of this contract over its term of 15 years is approximately £100m.

### **TERMINATION OF THE CISD**

The CISD may be terminated in any of the following circumstances:

- (a) Paradigm Default;
- (b) MoD Default;
- (c) Prolonged Force Majeure;
- (d) Corrupt Gifts and Fraud;
- (e) Voluntary Termination by MoD,

or as a result of the exercise by either (i) the Issuer Security Trustee or the Paradigm Security Trustee (acting on behalf of the Paradigm Swap Counterparties) of their respective rights of termination under the MoD Direct Agreement or (ii) the Paradigm Security Trustee (acting on behalf of the Construction Tranche Lender) of its rights of termination under the Construction Tranche Direct Agreement (each of which will be deemed to be termination as a result of a Paradigm Default).

There are no other circumstances in which the CISD can be terminated in accordance with its terms.

Details of the termination compensation payable are set out in the “*MoD Termination Payment*” section below. There follows an explanation of the circumstances in which the CISD may be terminated.

#### ***Exercise by Issuer Security Trustee of its rights under the MoD Direct Agreement***

On the occurrence of an Enforcement Event, the Issuer Security Trustee must issue a notice (an **Issuer Security Trustee Termination Notice**) to the MoD, Paradigm, the Issuer, the Payment Trustee and the Paradigm Security Trustee. The CISD will terminate on the date falling five Business Days after the date of the Issuer Security Trustee Termination Notice, unless (where the Enforcement Event is a Payment Shortfall) the Payment Shortfall is remedied within that five Business Day period. The MoD may elect that the CISD shall not terminate. This will not affect its obligation to pay those parts of the MoD Termination Payment payable to the Noteholders and the Paradigm Security Trustee on behalf of the Paradigm Swap Counterparties as if the CISD had so terminated as the CISD will be deemed to have terminated. As detailed above, where the Issuer Security Trustee does not issue an Issuer Security Trustee Termination Notice within one Business Day of being required to do so any Noteholder may exercise the Issuer Security Trustee’s right to issue such a notice.

#### ***Exercise by Paradigm Security Trustee of its rights under the MoD Direct Agreement***

On the occurrence of a Swap Enforcement Event, the Paradigm Security Trustee must issue a notice (a **Swap Termination Notice**) to the MoD, Paradigm, the Issuer, the Payment Trustee and the Issuer Security Trustee. The CISD will terminate on the date falling five Business Days after the date of a Swap Termination Notice, unless (where the Swap Enforcement Event is a Failure to Pay) the Failure to Pay is remedied within that five Business Day Period by Paradigm or the MoD. The MoD may elect that the CISD shall not terminate. This will not affect its obligation to pay those parts of the MoD Termination Payment payable to the Noteholders and the Paradigm Security Trustee on behalf of the Paradigm Swap Counterparties as if the CISD had so terminated as the CISD will be deemed to have terminated.

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***Exercise by Paradigm Security Trustee of its rights under the Construction Tranche Direct Agreement***

On the occurrence of an event of default under the Construction Tranche Loan Agreement, the Paradigm Security Trustee (acting on the instructions of the Construction Tranche Lender) may serve notice on the Authority requiring the CISD to terminate. The CISD will terminate on the date falling 20 CISD Business Days after the date of such notice.

***Termination on MoD Default***

Paradigm (including at the direction of the Issuer Security Trustee) has the right to terminate the CISD in the event of an MoD Default. However, if the MoD satisfactorily rectifies the default (to the extent that it is capable of rectification) or agrees a plan for rectification with Paradigm within a specified period (normally 40 CISD Business Days) and complies with that plan, the CISD shall continue in full force and effect. For the avoidance of doubt, the MoD Default indicated in (b), (c) and (e) below is not capable of rectification and gives rise to an immediate right for Paradigm to terminate the CISD.

A **MoD Default** means any of the following:

- (a) the MoD, H.M. Government, any lawful authority or any agent of any of those entities expropriates, sequesters or requisitions a material part of the assets and/or shares of Paradigm and/or the Principal Sub-Contractors;
- (b) other than amounts set out in a Take or Pay Invoice, an identified amount being:
  - £12,000,000 in the period from IOS IOC up to (but not including) INOS; and
  - £20,000,000 in the period from INOS until termination upon completion of the CISD,
 is due and payable by the MoD to Paradigm in accordance with the terms of the CISD and has been outstanding for 20 CISD Business Days and the MoD then fails to pay that money to Paradigm within 20 CISD Business Days from the date on which the MoD receives a notice to that effect from Paradigm;
- (c) any amount set out in a Take-or-Pay Invoice is due and payable by the MoD to Paradigm in accordance with the terms of the CISD and has been outstanding for 15 CISD Business Days from the date on which the MoD receives a notice to that effect from Paradigm;
- (d) the MoD breaches its obligations under the CISD or any Lease, such that Paradigm is unable to perform its obligations under the CISD for a continuous period of 40 CISD Business Days; and
- (e) the MoD breaches the assignment provisions of the CISD.

***Termination on Paradigm Default***

A **Paradigm Default** means any of the following events:

- (a) a material breach by Paradigm of any of its obligations under the CISD which materially and adversely affects the performance of the Services but which does not directly relate to any of the events set out in (b) to (n) inclusive of this definition;
- (b) an Insolvency Event in respect of Paradigm or any Principal Sub-Contractor;
- (c) the inability of either Paradigm or its Principal Sub-Contractors to (in certain circumstances) rectify a material adverse change to their relevant quality assurance certification;
- (d) a breach by Paradigm of the provisions in the CISD regarding the appointment of and changes to certain Sub-Contractors;
- (e) a breach by Paradigm of the assignment provisions of the CISD;
- (f) wilful default with respect to the provisions of the CISD relating to refinancing;
- (g) a breach of the provisions of the CISD relating to Paradigm's obligation to procure that certain parties to the Transaction Documents do not assign or otherwise transfer any or all of its or their rights and obligations under the Transaction Documents to which they are a party without obtaining the prior consent of the MoD;
- (h) breach of the provisions of the CISD prohibiting a change in EADS ownership of Paradigm, ServiceCo or Paradigm Secure Communications (Holdings) Limited without obtaining the prior consent of the MoD;

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- (i) an abandonment of the CISD by Paradigm;
- (j) a failure to achieve a major CISD Milestone within a specified period after the scheduled dates for achievement of that milestone;
- (k) a breach by Paradigm of its obligations under the CISD to obtain and maintain insurance except where otherwise expressly excused;
- (l) the accumulation of service charge deductions of £6.5 million or more in any consecutive 12 (twelve) month period;
- (m) the accumulation of either £6.6 million of central availability deductions in a 12 (twelve) month period with respect to Ground Segment criteria or £45 million of central availability deductions in a 12 (twelve) month period with respect to Space Segment criteria; and
- (n) exercise by the MoD of its veto following a determination during the design review process that certain aspects of the design of the Skynet 5 satellites are reasonably likely not to meet the threat parameters set out in the CISD Service Specification.

On the occurrence of a Paradigm Default, the MoD may terminate the CISD by notice to Paradigm. However, if Paradigm satisfactorily rectifies the default (to the extent that it is capable of rectification) or agrees a plan for rectification with the MoD within a specified period (normally 40 CISD Business Days) and complies with that plan, the CISD shall continue in full force and effect.

For the avoidance of doubt, a Paradigm Default indicated in (h) and (n) above is not capable of rectification and gives rise to an immediate right for the MoD to terminate the CISD.

#### ***Prolonged Force Majeure***

If the Force Majeure Event continues and its consequences have a material effect on Paradigm's or any Sub-Contractor's ability to perform its obligations in relation to the Project for 120 CISD Business Days and the MoD and Paradigm are unable to agree mitigation terms or the continued performance of the CISD, MoD must either:

- (a) terminate the CISD and make a payment as outlined in the "Force Majeure" section of "MoD Termination Payment" below; or
- (b) require Paradigm to continue to perform its obligations under the CISD to the extent it is able given the Force Majeure Event (i.e. enter into a **Continuation Period**). During the Continuation Period MoD undertakes to underpin Paradigm revenues such that it is able to meet its debt service obligations in a timely manner and also can meet operating expenses.

#### ***Corrupt Gifts and Fraud***

The MoD has the right to terminate the CISD where Paradigm or any Sub-Contractor commits a Prohibited Act involving inducement or fraud (the definition of which is customary for PFI projects in the UK) in relation to the CISD or another contract with H.M. Government or commits an offence relating to corruption or fraud.

In some situations, such as where the person committing the Prohibited Act is acting independently of Paradigm, the CISD will continue if Paradigm terminates, or procures the termination, of the relevant company or person's employment and replaces that person (if the replacement is necessary).

The MoD also has the right to terminate the CISD in certain cases where there has been a breach of secrecy or security, although it may be required to pay compensation to Paradigm where the MoD fails to comply with the termination procedures set out in these provisions.

#### ***Voluntary Termination***

The MoD may terminate the CISD voluntarily at any time on or before its expiry on 20 CISD Business Days' notice to Paradigm and the Issuer Security Trustee.

#### **MOD TERMINATION PAYMENT**

The following sets out how the MoD Termination Payment is calculated in various circumstances.

As a general point, it should be noted that, whilst the CISD (as a contract between the MoD and Paradigm) obliges the MoD to make payments to Paradigm, the MoD Direct Agreement (which

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supersedes the provisions of the CISD) contains acknowledgements by the MoD amongst other things:

- (a) of the Issuer Security granted by the Issuer in favour of the Issuer Security Trustee over the Issuer Share; and
- (b) that the relevant portion of the Noteholder MoD Termination Payment is owed directly by the MoD to the Noteholders to the extent of their entitlement under item (c) of the Issuer Post-Acceleration Priority of Payments, and that the MoD's payment obligation in respect of such amount is not discharged unless and until such amount is paid directly to those Noteholders who have elected to be paid directly by the MoD and, in respect of all other Noteholders, until payment is made to the order of the Issuer Security Trustee to be held on trust for each such Noteholder until such Noteholder provides details to the Issuer Security Trustee of its Nominated Noteholder Account.

In addition, as an alternative to paying termination costs in relation to the Compensated Hedging Arrangements (as described below), the MoD may elect to have Paradigm's rights and obligations under the Hedging Arrangements to be transferred to it and continue to make payments under such Hedging Arrangements.

Under the MoD Direct Agreement, the Noteholder MoD Termination Payment (and other amounts payable by the MoD under the MoD Direct Agreement) must be made without set-off, withholding, deduction or counterclaim.

#### **Minimum MoD Termination Payment**

The lowest MoD Termination Payment level is payable on Paradigm Default. The amount of the Minimum MoD Termination Payment is detailed in the sections headed "*Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise of Paradigm Security Trustee rights under the Construction Tranche Direct Agreement from and including IOS IOC until the day before INOS*" and "*Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise of Paradigm Security Trustee rights under the Construction Tranche Direct Agreement on or after INOS*" below.

The Transaction has been structured so that the Noteholder MoD Termination Payment will, in all termination circumstances, be sufficient to repay principal, accrued and unpaid interest and prepayment amounts on the Notes (other than the Forward Purchase Notes which are held by the Issuer prior to their cancellation or Sale under the Forward Note Purchase Agreement).

In particular, the amount of the Noteholder MoD Termination Payment cannot be reduced as a result of any failure, default or negligence, either of Paradigm under the CISD or of EADS, Astrium or ServiceCo.

#### ***Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise of Paradigm Security Trustee rights under the Construction Tranche Direct Agreement from and including IOS IOC until the day before INOS.***

If the MoD terminates the CISD following a Paradigm Default in the period from IOS IOC until the day before INOS, or the CISD is terminated as a result of the exercise of the Issuer Security Trustee's or the Paradigm Security Trustee's rights under the MoD Direct Agreement, or the Paradigm Security Trustee's rights under the Construction Tranche Direct Agreement the MoD is obliged to make the following payments to Paradigm (in each case including the costs associated with repaying the Notes e.g. amounts payable to the Issuer Security Trustee):

The aggregate of:

1. £[186,000,000], plus:
  - (a) £[39,000,000], payable if IOS is achieved prior to the Termination Date;
  - (b) £[6,000,000], payable if 5C SCOF Completion is achieved prior to the Termination Date; plus

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- (c) £[61,000,000], payable if 5C Payload AIT Completion is achieved prior to the Termination Date; plus
  - (d) £[66,000,000], payable if 5C Satellite AIT Completion is achieved prior to the Termination Date; plus
  - (e) £[6,900,000], payable if the Terminals Delivery Date applies prior to the Termination Date;
- plus (to the extent not met from the aggregate sum described above):
- (i) all accrued interest and interest which has fallen due for payment under the Issuer Notes, but in each case is unpaid, as at the date of payment by the MoD;
  - (ii) all costs and expenses payable by the Issuer in accordance with the Transaction Documents.
2. All amounts outstanding under any Enhancement Notes sold prior to the Termination Date, including:
- (a) principal outstanding as at the date of payment by MoD;
  - (b) all accrued interest and interest which has fallen due for payment under the Enhancement Notes, but in each case is unpaid, as at the date of payment by the MoD;
  - (c) all costs and expenses payable by the Issuer in accordance with the Transaction Documents in relation to the Enhancement Notes.
3. All amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Compensated Hedging Arrangements.
4. The amount by which the amount payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Compensated Hedging Arrangements which hedge liabilities under the Issuer Notes is less than 80% of a specified threshold, which will increase from £50 million to £87 million on the achievement of certain milestones.

To this amount is added an independent valuation of Assets available for use by the MoD, less costs to provide the functionality required at IOS, but this addition cannot reduce the amount payable below the figure calculated in accordance with 1, or increase the aggregate amount payable (excluding amounts set out in 3 and 4 above) to an amount greater than the aggregate amount outstanding under the Notes (including Issuer costs and expenses) plus all amounts outstanding under the Construction Tranche at the time.

**Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise of Paradigm Security Trustee rights under the Construction Tranche Direct Agreement on or after INOS**

The aggregate of:

- (a) the Secure Amount;
- (b) all amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Compensated Hedging Arrangements.

**Following Termination for Prolonged Force Majeure**

The MoD must pay an amount equal to the aggregate of:

- (a) the Issuer AC Financing Amount; plus
- (b) to the extent greater than zero, the result of the following calculation:
  - (i) Construction Tranche outstandings, subject to agreed limits; plus
  - (ii) certain equity amounts; plus
  - (iii) sub-contract breakage costs (not including any loss of profit); plus
  - (iv) certain System Prime foreign exchange hedging costs; plus

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- (v) all amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements; less
- (vi) all amounts payable to Paradigm by Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements; less
- (vii) cash balances on certain Paradigm accounts.

**Following MoD Default or Voluntary Termination**

The MoD must pay an amount equal to the aggregate of (without double counting):

- (a) the Issuer AC Financing Amount; plus
- (b) to the extent greater than zero, the result of the following calculation:
  - (i) Construction Tranche outstandings, subject to agreed limits; plus
  - (ii) equity amounts (including a projected return amount); plus
  - (iii) amounts payable by Paradigm to third party customers arising as a direct result of the termination of the CISD; plus
  - (iv) any reasonable professional fees incurred by Paradigm as a result of the termination of the CISD; plus
  - (v) any sub-contract breakage costs; plus
  - (vi) certain System Prime foreign exchange hedging costs; plus
  - (vii) certain foreign exchange hedging costs incurred by Paradigm; plus
  - (viii) certain amounts to compensate the System Prime Contractor for loss of profit; plus
  - (ix) all amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements; less
  - (x) all amounts payable to Paradigm by Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements; less
  - (xi) cash balances in certain Paradigm accounts.

**Following Termination for Corrupt Gifts and Fraud**

The MoD must pay an amount equal to the aggregate of:

- (a) the Issuer AC Financing Amount; plus
- (b) to the extent greater than zero, the result of the following calculation:
  - (i) Construction Tranche outstandings, subject to agreed limits; plus
  - (ii) all amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements; less
  - (iii) all amounts payable to Paradigm by Paradigm Swap Counterparties on termination or close of the Hedging Arrangements; less
  - (iv) cash balances in certain Paradigm accounts.

Following payment by the MoD as a result of any of the above defaults, the MoD is entitled to require Paradigm to:

- (a) transfer to the MoD, at no additional cost, Paradigm's right, title and interest in and to certain Assets which have been accepted; and
- (b) pay to the MoD either:
  - (i) where one of the sections above headed "*Following Termination for Prolonged Force Majeure*", "*Following MoD Default or Voluntary Termination*" or "*Following Termination for Corrupt Gifts and Fraud*" applies, the result of the calculation in paragraph (b) of the relevant section to the extent it is less than zero; or
  - (ii) otherwise, the aggregate of (A) any net gain made by Paradigm as a result of receipt of amounts payable to Paradigm by Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements and (B) cash balances in certain Paradigm accounts.

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### **Set-off on Termination**

The MoD may set off against any termination compensation, any amount determined under the dispute resolution procedure or certified as due by the Issuer Security Trustee under the MoD Direct Agreement as owing by Paradigm to the MoD, provided that the MoD Termination Payment, following such set off, shall be an amount greater than or equal to:

- (a) if the termination occurs from and including IOS IOC to INOS for Paradigm Default — the amount calculated as described in “*Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise of Paradigm Security Trustee rights under the Construction Tranche Direct Agreement from and including IOS IOC until the day before INOS*”;
- (b) if the termination occurs from and including INOS for Paradigm Default — at least the amount calculated as described in “*Following Paradigm Default or exercise of Issuer Security Trustee or Paradigm Security Trustee rights under the MoD Direct Agreement or exercise or Paradigm Security Trustee rights under the Construction Tranche Direct Agreement on or after INOS*”; and
- (c) otherwise, the aggregate of:
  - (i) the Issuer AC Financing Amount;
  - (ii) any amounts payable by Paradigm to Paradigm Swap Counterparties on termination or close out of Compensated Hedging Arrangements; plus
  - (iii) the Construction Tranche outstandings which are payable less the aggregate of (A) any net gain made by Paradigm as a result of receipt of amounts payable to Paradigm by Paradigm Swap Counterparties on termination or close out of the Hedging Arrangements and (B) cash balances in certain Paradigm accounts, provided that the result of this sub-paragraph (iii) may not be less than zero for the purposes of this paragraph (c).

### **Payment**

Upon termination of the CISD, the MoD has the option of paying the Noteholder MoD Termination Payment as a lump sum or in instalments over time provided that such instalments are consistent with the original repayment profile of the Notes. The MoD may elect (within 10 Business Days of the Termination Date) to pay by instalments. The MoD may subsequently at any time elect to pay all remaining amounts due under the Notes at any time in a lump sum. If the MoD fails to make an instalment payment on its due date, all remaining amounts due under the Notes will immediately become payable in a lump sum.

The Noteholder MoD Termination Payment will not be the subject of dispute, save in the case of manifest error or fraud.

The payment mechanics in respect of the payment of the MoD Termination Payment are as detailed under “*Transaction Overview*” and “*Summary of Transaction Documents — Finance Documents*”.

In the case of the Noteholder MoD Termination Payment or that proportion of the MoD Termination Payment which represents termination sums due under the Compensated Hedging Arrangements, lump sum payments are payable no later than 35 Business Days following notice by the Issuer Security Trustee of an Enforcement Event under the MoD Direct Agreement or exercise by the Paradigm Security Trustee (acting on behalf of the Paradigm Swap Counterparties) of its right to terminate the CISD.

In respect of all other elements of the MoD Termination Payment, lump sum payments are payable within 20 CISD Business Days of the amount due being agreed or determined.

Under the terms of the MoD Direct Agreement, the MoD will be required to pay the relevant portion of the Noteholder MoD Termination Payment *pari passu* and *pro rata* to each Noteholder in accordance with such Noteholder’s entitlement under item (c) in the Issuer Post-Acceleration Priority of Payments, directly to such Noteholder’s Nominated Noteholder Account, or if no such account is notified to the order of the Issuer Security Trustee to be held on trust for the Noteholder until they make the relevant notifications referred to in **Condition 6.3 (Redemption — Mandatory Redemption on receipt of MoD Termination Payment)**.

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**INSURANCE ARRANGEMENTS**

Paradigm has two separate approaches to manage the risk of losses or damage to the assets (and the resulting loss of revenue) which form or are intended to form part of the System and the approach to be applied depends upon the location of the relevant asset at the time of loss or damage:

- (a) for the majority of the assets in the System (excluding the Skynet 4 satellites and the Skynet 5 satellites after they have been launched, and the other satellites), Paradigm's assurance management strategy includes, without limitation, a traditional insurance programme; and
- (b) for any Skynet 5 satellite after it has been launched, Paradigm's assurance management strategy includes, without limitation, a physical assurance launch strategy which is based upon constructing and launching more satellites than are required to provide the Services to the MoD. The aim of the strategy is to include contingent capability in the System to increase the probability that there is sufficient capability in the System to provide the Services to the MoD and services to third parties and to reduce the time taken to replace any lost capability should a Skynet 5 satellite fail.

Further details of the insurance programme and the physical assurance launch strategy, are set out below.

**Assets other than Skynet 5 satellites After Launch**

*Insurances*

Paradigm is required under the CISD to obtain and maintain the following insurances in relation to the Project. Those insurances have been (or will be) put in place by or on behalf of Paradigm for the duration of the relevant period identified below. It should be noted that each of the insurance policies referred to below is subject to its own terms, conditions, exclusions and deductibles.

- (a) Ground All Risks Insurance — At Initial Financial Close, Paradigm and Astrium jointly put into place an "all risks" property and anticipated loss of revenue insurance programme to cover the full reinstatement or replacement value of the majority of the assets used by Paradigm or its Sub-Contractors in relation to the Project including coverage for transits up to a level of £15,000,000 per occurrence. This policy is required to be put in place from the Initial Financial Close to the earlier of the Expiry Date and the date the CISD is terminated. To comply with this obligation, Paradigm will renew this insurance annually on 1 January until the Expiry Date.
- (b) Satellite Transit and Pre-launch Insurance — This insurance has been arranged in respect of a range of individual satellite transits which exceed £15,000,000 per occurrence and require insurance prior to the final transit and pre-launch risk which is scheduled to commence in July 2006. The insurance covers "all risks" of physical loss or damage which are normally insurable under satellite transit and pre-launch insurance and not excluded and is to be put in place for the period of the relevant transit.
- (c) Third Party and Product Liability Insurance — This has been arranged to cover legal liability to pay compensation for death or personal injury to persons and/or loss or damage to third party property in connection with liability arising from activities associated with ground activities associated with Skynet 4 system, ground activities associated with design, procurement, manufacture and in-orbit management/control of Skynet 5 system; and launch and in-orbit liability arising from Skynet 4 satellites and Skynet 5 satellites.

Under the Outer Space Act, Paradigm is required to indemnify the Government of the United Kingdom from claims brought against the Government in respect of damage or loss arising out of the launch and operation of the satellites included in the System. Paradigm has insurance for such claims up to £100,000,000 and has obtained a letter from the MoD which provides that the Government waives and agrees not to enforce that indemnity for amounts in excess of £100,000,000.

- (d) Compulsory Insurances

These insurances have been arranged to comply with statutory requirements including in respect of employers liability and motor third party liability. For Paradigm, Astrium and

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ServiceCo, these insurances have been placed by way of standard annual insurances arranged by Astrium.

(e) Loss of Anticipated Revenue

This insurance has been arranged to cover certain losses of revenue suffered by Paradigm as a result of physical loss or damage to any Skynet 5 satellite prior to its launch which is insured under the Ground All Risks Insurance and Satellite Transit and Pre-Launch Insurance and includes an amount for additional costs of working.

*Insurance Accounts*

Paradigm will be the loss payee for the purpose of the insurances identified in paragraphs (a) to (c) above and amounts paid under those insurances will be held by Paradigm in separate insurance accounts. The Issuer will be the loss payee for the insurance identified in paragraph (e) above and such amounts will be paid to the Issuer. Where Paradigm elects to take out other insurances or higher levels of cover than those required by the MoD under the CISD, Paradigm will be the loss payee for those insurances which cover property damage and casualty insurance whereas the Issuer will be the loss payee for any further loss of anticipated revenue insurances.

To implement the above arrangements, there are five relevant insurance accounts:

- (a) the **Insurance Proceeds Account**, into which the majority of the proceeds from the third party and product liability insurances, including, motor and employers' liability insurance, will be paid. This is an account in the name of Paradigm and maintained with the Paradigm Account Bank or an Eligible Bank which replaces the Paradigm Account Bank;
- (b) the **Company Insurance Proceeds Account No 1**, into which the majority of the proceeds of physical damage insurances will be paid. This is an account in the name of Paradigm, maintained with the Paradigm Account Bank or an Eligible Bank which replaces the Paradigm Account Bank. Withdrawals from the Company Insurance Proceeds Account No 1 are controlled by the provisions of the CISD;
- (c) the **Company Insurance Proceeds Account No 2**, into which proceeds of all other insurance policies (other than liability claims settled directly by insurers and under loss of anticipated revenue insurances) which Paradigm is required to obtain under the CISD are paid. This is an account in the name of Paradigm, maintained with the Paradigm Account Bank or an Eligible Bank which replaces the Paradigm Account Bank;
- (d) the **Issuer Insurance No 1 Account** into which proceeds of the insurance identified in paragraph (e) above will be paid. The Issuer Insurance No 1 Account is an account in the name of the Issuer, maintained with the Issuer Account Bank or Eligible Bank which replaces the Issuer Account Bank, who will be the loss payee for such insurance. On or prior to each Note Payment Date, Loss of Revenue Insurance Monthly Amounts standing to the credit of the Issuer Insurance No 1 Account will be transferred to the Issuer Transaction Account; and
- (e) the **Issuer Insurance No 2 Account** into which proceeds of loss of anticipated revenue insurance effected by Paradigm in addition to that required by the MoD under the CISD will be paid. The Issuer Insurance No 2 Account is an account in the name of the Issuer, maintained with the Issuer Account Bank or Eligible Bank which replaces the Issuer Account Bank, who will be the loss payee for such insurance. On or prior to each Note Payment Date, Loss of Revenue Insurance Monthly Amounts standing to the credit of the Issuer Insurance No 2 Account will be transferred to the Issuer Transaction Account.

**Skynet 5 satellites After Launch**

*Physical Assurance Launch Strategy*

The CISD at Initial Financial Close contracted for Services that required a minimum of two Skynet 5 satellites to be available throughout the CISD Period. The technical parameters related to the availability payments and Take or Pay level require, in summary, more capability than can be provided from one satellite but less than is nominally available from two Skynet 5 satellites (leaving the remaining capacity available for sales to approved third parties). The intention was to pass (to the extent practicable) the risks of physical loss or damage to the Skynet 5 satellites and associated loss of revenue to the insurance market.

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The revised assurance strategy replaces the satellite post launch physical loss and damage insurances (and their associated loss of revenue coverage) with an additional satellite (Skynet 5C) which is intended to be an “in-orbit spare” through out the CISD Period. To increase the probability of three operational satellites throughout the CISD Period, a further (fourth) satellite (Skynet 5D) will be partially constructed and stored on the ground and will be completed and launched in the event of the occurrence of certain launch or major early operational failures.

The additional satellites (Skynet 5C, and Skynet 5D if required) allow for a more robust assurance strategy with the additional satellites, there is less likelihood of a shortfall in capacity, and therefore revenue, due to a major failure because of the increased redundancy in the System. There is also a higher probability of meeting the MoD Service assurance requirements at the end of the extended concession with three, or if triggered, four, Skynet 5 satellites than there was in the previous concession duration with two Skynet 5 satellites.

However, in the event of certain losses or damages to the satellites, it may not be possible for Paradigm to be able to meet its Service obligations to the MoD under the CISD. In this case, after discussing the options available to Paradigm and the MoD, failing agreement the MoD may terminate the CISD or instruct Paradigm to continue with the Project. Where the MoD exercises a right to terminate the CISD, the consequences discussed in the risk factor “*Performance under the CISD*” above will apply. Where the MoD exercises the right to continue with the Project, Paradigm’s exposure to Deductions from the Service Payments will be capped. Paradigm may insure these amounts but it has no obligation to do so and it will not be protected by MoD in the case that such insurances are not available. If Paradigm is not able to meet the Deductions arising from a failure to provide the Services, this may lead to default by Paradigm and termination of the CISD, with the consequences discussed in the risk factor “*Paradigm Default under its financing arrangements*” above.

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### USE OF PROCEEDS

On the Closing Date, the gross proceeds from the issue of the Issuer Notes will be approximately £●. On the Closing Date the Issuer will deposit £● of the gross proceeds of the issue of the Issuer Notes to the Issuer Transaction Account. Upon satisfaction or waiver of the conditions precedent to Paradigm's sale of the Initial Issuer Entitlement, the Issuer will transfer £● to Paradigm as payment of the Initial Issuer Entitlement IPP. The Issuer will transfer the balance of the gross proceeds less the commissions and other expenses payable on the Closing Date (being £● and representing the Initial Issuer Entitlement DPP) to the Issuer Reserve Account.

The Issuer will pay or procure the payment of the fees and expenses incurred in connection with the issue and listing of the Notes. To the extent that the fees and expenses are paid directly by the Issuer, they will be financed by Paradigm by way of deduction from the Initial Purchase Price.

Paradigm will use the proceeds of the payment of the Initial Issuer Entitlement IPP to repay part of the Existing Financing.

Upon the Sale of the Forward Purchase Notes to the Forward Note Purchasers the gross proceeds of the issue will increase. On each Sale Date following the Closing Date, the Issuer will receive proceeds from the Forward Note Purchasers. The Issuer will use these proceeds to purchase from Paradigm a Further Issuer Entitlement and to fund the Issuer Reserve Account. Paradigm, in turn, will use these funds, in the case of the Sale of Forward Purchase Issuer Notes, to repay the Construction Tranche, to continue to fund the Project and to meet project costs and, in the case of the Sale of Enhancement Notes, to fund the construction of Skynet 5D and variations to the Project (as relevant).

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**THE ISSUER**

### Introduction

Satellite Financing PLC (the **Issuer**) is a special purpose vehicle and was incorporated in England and Wales as a public limited company under the Companies Act 1985 on 14 October 2005 with company number 5593543. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP, Tel. +44 20 7398 6300. The authorised share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each partly paid up to 25 per cent. of their nominal value. All of the issued share capital of the Issuer is held by Holdings, except for one share which is held by SFM Nominees Limited on trust for Holdings.

### Business

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and are, *inter alia*, to purchase, take transfer of, invest in and acquire by any means whatsoever the Initial Issuer Entitlement and each Further Issuer Entitlement, to carry on the business of an investment holding company, to enter into financial transactions and derivative contracts, to raise or borrow money on such terms and in such manner as it thinks fit and to grant security over its assets for such purposes on a secured or unsecured basis.

The Issuer's activities will principally comprise the issue of the Notes, the entering into of all documents relating to such issue and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The Issuer has not commenced operations since incorporation nor has it engaged since its incorporation in any activities other than those which were incidental to its incorporation, the authorisation, execution and issue of the Notes, and the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing. No financial statements have been made up as at the date of the registration document.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in **Condition 3 (Covenants)** of the Notes and will be limited to the issue of the Notes and the activities described in this Prospectus.

As at the date of this Prospectus, the Issuer is directly owned and controlled by Holdings. The issued share capital of Holdings is beneficially held by the Share Trustee on a discretionary trust for charitable purposes. The Transaction Documents are structured in such a way so as to ensure that such control is properly exercised.

### Directors and Secretary

The directors of the Issuer and their other respective principal activities and business addresses are:

<u>Name</u>	<u>Business Address</u>	<u>Other Principal Activities</u>
SFM Directors Limited . . . . .	35 Great St. Helen's, London EC3A 6AP	Company Director
SFM Directors (No.2) Limited . .	35 Great St. Helen's, London EC3A 6AP	Company Director

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited are Jonathan Keighley, James Macdonald and Robert Berry. Their principal activities include the provision of directors and corporate management service to structured finance management transactions as directors on the boards of SFM Directors Limited and SFM Directors (No. 2) Limited. The business address of the directors of SFM Directors Limited and SFM Directors (No. 2) Limited is 35 Great St. Helen's, London EC3A 6AP.

The secretary of the Issuer is SFM Corporate Services Limited of 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of the Issuer in each year is 30 November.

The Issuer has no employees.

In accordance with the Issuer Corporate Services Agreement, the Issuer Corporate Services Provider will provide (or procure the provision of) two independent directors to the board of directors of the Issuer (being, on the Closing Date, SFM Directors Limited and SFM Directors (No. 2) Limited), in

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consideration for the payment of an annual fee to the Issuer Corporate Services Provider which will be paid by the Issuer.

In the 12 months prior to the date of this Prospectus, there have not been any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Issuer's or its group's financial position or profitability. In addition, the Issuer is not aware of any such governmental, legal or arbitration proceedings that are pending or threatened.

### Financial Statements

The capitalisation of the Issuer as at ● 2005, adjusted for the issue of Notes on the Closing Date, is as follows:

<b>Share Capital</b>	<b>£</b>
<i>Authorised Share Capital</i>	
50,000 ordinary shares of £1 each.....	50,000
<i>Issued Share Capital</i>	
50,000 issued ordinary shares of £1 each (partly paid up to 25 per cent. of their nominal value) .....	12,500
<b>Loan Capital</b>	
£● Issuer Floating Rate Secured Notes due 2020 .....	●
£● Forward Purchase Issuer Floating Rate Secured Notes due 2020 .....	●
£● Forward Purchase Enhancement Floating Rate Secured Notes due 2021 .....	●
<b>Assets</b>	
Forward Purchase Notes held by Issuer .....	(●)
Total Capitalisation and Indebtedness .....	(●)

Save as disclosed herein, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

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## THE PAYMENT TRUSTEE

Paradigm Trustee Limited is a special purpose vehicle and was incorporated in England and Wales on 17 October 2005 (registered number 5595067) as a private limited company. The authorised share capital of the Payment Trustee comprises one hundred ordinary shares of £1 each. The issued share capital of the Payment Trustee comprises one ordinary share of £1 each, all of which is held by SFM Corporate Services Limited (the **Payment Trustee Share Trustee**) on trust under a charitable trust governed by English law.

The Payment Trustee has no subsidiaries. The Issuer does not own directly or indirectly any of the share capital of the Payment Trustee.

The Payment Trustee was established to hold the Trust Property on trust absolutely for Paradigm and, following sale of the Initial Issuer Entitlement, the Issuer pursuant to the terms of the Payment Trust Deed. The activities of the Payment Trustee are restricted by the Transaction Documents and are limited to the activities described in the Issuer Entitlement Sale Agreement and the Payment Trust Deed.

The Payment Trustee has not commenced operations since incorporation nor has it engaged since its incorporation in any material activities other than those incidental to the settlement of the Trust Property on the Payment Trust and activities relating to the entry into of certain transaction documents, activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

The Payment Trustee receives a fee payable annually and to be agreed with Paradigm and the Issuer for the work it undertakes as trustee of the Payment Trust. This amount, together with any profits received by the Payment Trustee after payment of the costs and expenses of the Payment Trustee, will be paid for the benefit of charities and charitable purposes. The Payment Trustee's appointment as trustee of the Payment Trust will automatically terminate upon the termination of the Payment Trust.

The directors of the Payment Trustee and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited . . . . .	35 Great St. Helen's, London EC3A 6AP	Company Director
SFM Directors (No.2) Limited . . . . .	35 Great St. Helen's, London EC3A 6AP	Company Director

The company secretary of the Payment Trustee is SFM Corporate Services of 35 Great St. Helen's, London EC3A 6AP.

The registered office of the Payment Trustee is 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of the Payment Trustee in each year is 30 November.

The Payment Trustee has no employees.

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**HOLDINGS**

Satellite Financing (Holdings) Limited is a special purpose vehicle and was incorporated in England and Wales on 14 October 2005 (registered number 5593544) as a private limited company under the Companies Act 1985 (as amended). The authorised share capital of Holdings comprises one ordinary shares of £1. The issued share capital of Holdings comprises one ordinary share of £1 fully paid. SFM Corporate Services (the **Share Trustee**) holds the entire beneficial interest in the issued shares on a discretionary trust for charitable purposes.

The principal objects of Holdings are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company, to act as a holding company, to acquire any estate or interest in any real or personal property and rights of any kind, to invest money of the company in any investments and to hold investments or other financial assets.

Holdings has not commenced operations since incorporation nor has it engaged since its incorporation in any material activities, other than activities relating to the entry into of certain transaction documents, activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

The directors of Holdings and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited . . . . .	35 Great St. Helen's, London EC3A 6AP	Company Director
SFM Directors (No. 2) Limited . .	35 Great St. Helen's, London EC3A 6AP	Company Director

The company secretary of Holdings is SFM Corporate Services Limited of 35 Great St. Helen's, London EC3A 6AP.

The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of Holdings in each year is 30 November.

Holdings has no employees.

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THE MINISTRY OF DEFENCE

**The Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland**

The Secretary of State for Defence of The United Kingdom of Great Britain and Northern Ireland (the **Secretary of State**) is a Cabinet Minister of H.M. Government and is charged with making and executing UK defence policy and with providing the means by which it is executed. The term **Crown** refers to the executive powers of the British monarch which are carried out by ministers appointed on behalf of the Crown. The term **H.M. Government** embraces the whole of the UK central government and is generally synonymous with the expression the **Crown**.

Under the Crown Proceedings Act 1947, action can be taken against the Crown in the English courts by a party to a commercial contract with the Crown in the same way as that party would take action against a party which was not the Crown.

The term **Cabinet**, as used in this section, is a collective description for those people who are appointed from time to time by the British Prime Minister as Ministers of the Crown (as defined in the Ministers of the Crown Act 1975) during the term of such Prime Minister's government.

In 1964 (under the Defence (Transfer Functions) Act 1964) a unified UK Ministry of Defence was formed to replace the then UK Admiralty, the UK War Office, the UK Air Ministry and the former UK Ministry of Defence. The defence functions of the Ministry of Aviation Supply were absorbed in 1971. Arrangements were made under royal prerogative for a Principal Secretary of State to be charged with general responsibility for UK defence; for the establishment of a Defence Council having powers of command and administration over Her Majesty's forces, and for an Admiralty Board, an Army Board and an Air Force Board to be charged under the Defence Council with the administration of matters relating to the naval, military and air forces, respectively.

The Secretary of State is the head of the MoD.

The Secretary of State is currently supported by three Defence Ministers: one Minister of State for the Armed Forces; one Under Secretary of State for Defence and Minister for Defence Procurement; and one Under Secretary of State and Minister for Veterans. The Minister of State for Defence Procurement is responsible for procurement for defence equipment. The Secretary of State has two principal advisers, the Chief of the Defence Staff (**CDS**) and the Permanent Under Secretary (**PUS**).

CDS is the professional head of the Armed Forces in the United Kingdom and the principal military adviser to the Secretary of State and H.M. Government. The chain of command for the planning and conduct of military operations flows from the Cabinet and the Secretary of State to CDS and from him to operational commanders at all levels.

PUS is H.M. Government's principal civilian adviser on UK Defence and has the primary responsibility for policy, finance and administration in the MoD. PUS is the MoD's Principal Accounting Officer reflecting his responsibility to the Secretary of State for the overall organisation, management and staffing of the MoD and for the MoD-wide procedures in financial and other matters. PUS is also accountable to Parliament for the expenditure of all public money provided for defence purposes.

The purpose of the MoD, together with the UK Armed Forces, as set out in the "Defence Mission", is to provide the defence capabilities needed to:

- ensure the security and defence of the United Kingdom and the overseas territories, including against terrorism; and
- support H.M. Government's foreign policy objectives, particularly in promoting international peace and security.

The requirement to provide upgraded military satellite communications capability was set out in Her Majesty's Government's Strategic Defence Review published in 1998. H.M. Government's decision to meet this requirement under a service contract was announced in the House of Commons on 26 February 2002.

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#### ISSUER CASH MANAGER

Citibank, N.A. (**Citibank**) was originally organised on 16 June 1812, and Citibank now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc. (**Citigroup**), a diversified global financial services holding company incorporated in Delaware. As of 30 June 2005, the total assets of Citibank and its consolidated subsidiaries represented approximately 46 per cent. of the total assets of Citigroup and its consolidated subsidiaries.

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank, N.A., London Branch was registered in the United Kingdom as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The London Branch is primarily regulated by The Financial Services Authority and operated in the United Kingdom as a fully authorised commercial banking institution offering a wide range of corporate banking products.

Although Citicorp was merged into Citigroup Inc. on 1 August 2005, Citicorp's historical financials are still available on the website of the U.S. Securities and Exchange Commission (**SEC**) at <http://www.sec.gov>. Citibank was a wholly-owned subsidiary of Citicorp prior to such merger. The Consolidated Balance Sheets of Citibank as of 31 December 2004 and as of 31 December 2003 are set forth on page 52 of the Annual Report on Form 10-K of Citicorp and its subsidiaries for the year ended 31 December 2004 and as of 30 June 2005 and 31 December 2004 are set forth on page 68 of the Quarterly Report on Form 10-Q for Citicorp and its subsidiaries for the quarter ended 30 June 2005 (the **June 2005 10-Q**). Consolidated Balance Sheets of Citibank subsequent to 30 June 2005 will be included in the Form 10-Q's (quarterly) and Form 10-K's (annually) filed by Citigroup with the SEC, which will be filed not later than 40 days after the end of the calendar quarter or 60 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding Citibank, reference should be made to the June 2005 10-Q and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citigroup with the SEC. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such reports are available at the SEC website (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the U.S. Office of the Comptroller of the Currency (the **Comptroller**) certain reports called "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices" (**Call Reports**). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the website of the U.S. Federal Deposit Insurance Corporation of the United States (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with the regulatory instructions issued by the U.S. Federal Financial Institutions Examination Council in the United States. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about Citibank, the reports nevertheless provide important information concerning the financial condition and results of operations of Citibank.

The obligations of Citibank, N.A., London Branch under the Issuer Cash Management Agreement will not be guaranteed by Citigroup or by any other affiliate.

The information in the preceding six paragraphs has been provided by Citibank for use in this Prospectus. Except for the foregoing six paragraphs on this page and the information relating to it contained in the section headed "*Paradigm Swap Counterparties*", Citibank, Citigroup and their affiliates do not accept responsibility for this Prospectus as a whole.

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## PARADIGM SWAP COUNTERPARTIES

*The information contained in this section with respect to each Paradigm Swap Counterparty has been provided by each such Paradigm Swap Counterparty for use in this document.*

### **CITIBANK, N.A., LONDON BRANCH**

Citibank, N.A. was originally organised on 16 June 1812, and Citibank now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank is an indirect wholly-owned subsidiary of Citigroup, a diversified global financial services holding company incorporated in Delaware. As of 30 June 2005, the total assets of Citibank and its consolidated subsidiaries represented approximately 46 per cent. of the total assets of Citigroup and its consolidated subsidiaries.

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank, N.A., London Branch was registered in the United Kingdom as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The London Branch is primarily regulated by The Financial Services Authority and operated in the United Kingdom as a fully authorised commercial banking institution offering a wide range of corporate banking products.

Although Citicorp was merged into Citigroup Inc. on 1 August 2005, Citicorp's historical financials are still available on the web-site of the SEC at <http://www.sec.gov>. Citibank was a wholly-owned subsidiary of Citicorp prior to such merger. The Consolidated Balance Sheets of Citibank as of 31 December 2004 and as of 31 December 2003 are set forth on page 52 of the Annual Report on Form 10-K of Citicorp and its subsidiaries for the year ended 31 December 2004 and as of 30 June 2005 and 31 December 2004 are set forth on page 68 of the June 2005 10-Q. Consolidated Balance Sheets of Citibank subsequent to 30 June 2005 will be included in the Form 10-Q's (quarterly) and Form 10-K's (annually) filed by Citigroup with the SEC, which will be filed not later than 40 days after the end of the calendar quarter or 60 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding Citibank, reference should be made to the June 2005 10-Q and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citigroup with the SEC. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such reports are available at the SEC website (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the Comptroller Call Reports. The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the website of the U.S. Federal Deposit Insurance Corporation of the United States (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with the regulatory instructions issued by the U.S. Federal Financial Institutions Examination Council in the United States. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about Citibank, the reports nevertheless provide important information concerning the financial condition and results of operations of Citibank.

The obligations of Citibank, N.A., London Branch under the Hedging Arrangements will not be guaranteed by Citigroup or by any other affiliate.

The information in the preceding six paragraphs has been provided by Citibank for use in this Prospectus. Except for the foregoing six paragraphs on this page and the information relating to it contained in the section headed "*Issuer Cash Manager*", Citibank, Citigroup and their affiliates do not accept responsibility for this Prospectus as a whole.

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**GOLDMAN SACHS CAPITAL MARKETS, L.P.**

Goldman Sachs Capital Markets, L.P. (**GSCM**), was formed as a Delaware limited partnership to act as principal in a broad range of over-the-counter interest rate and currency derivative products. Its principal place of business is 85 Broad Street, New York, New York 10004. The obligations of GSCM will be guaranteed by The Goldman Sachs Group, Inc. (the **GS Group**)

The GS Group, together with its subsidiaries, is a leading global investment banking, securities and investment management firm that provides a wide range of financial services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

The GS Group is required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Any documents filed with the SEC by the GS Group may be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549, USA. The GS Group's filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> (which site does not form part of this Prospectus) and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, USA, on which the GS Group's common stock is listed.

For the avoidance of doubt, the Notes will not represent an obligation of, nor will they be insured or guaranteed by, the GS Group or any of its subsidiaries, and Noteholders will have no rights or recourse against the GS Group or any of its subsidiaries in respect thereof.

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## PARADIGM, SERVICECO, ASTRIUM AND EADS

### Paradigm

#### Introduction

Paradigm is a special purpose vehicle and was incorporated in England and Wales as a private limited company under the Companies Act 1985 on 15 October 2002 with company number 4562657. The registered office of Paradigm is at 21 Holborn Viaduct, London EC1A 2FG. The authorised share capital of Paradigm is £1,000 divided into 1,000 ordinary shares of £1 each, of which 1 ordinary share has been issued and is fully paid up. Paradigm is wholly-owned by Paradigm Secure Communications (Holdings) Limited, which in turn is indirectly wholly-owned by EADS. Paradigm does not have any subsidiaries.

#### Business

Paradigm has been established for the purpose of delivering secure military satellite communication services to the MoD pursuant to the CISD and to other MoD-approved nation states or supranational organisations.

#### Directors and Secretary

The directors of Paradigm and their other respective principal activities are:

<u>Name</u>	<u>Position</u>	<u>Other Principal Activities</u>
Malcolm Peto . . . . .	Managing Director	Director — Paradigm Services Limited
Vincent Jacob . . . . .	Director	Chief Financial Officer — EADS Space Services
James Beazley . . . . .	Finance Director	Finance Director — Paradigm Services Limited
Eric Béranger . . . . .	Director	Chief Executive Officer — EADS Space Services

The business address of the directors is Gunnels Wood Road, Stevenage, Hertfordshire SG1 2AS.

The company secretary of Paradigm is Sisec Ltd. The accounting reference date of Paradigm is 31 December.

As at 8 December 2005 Paradigm had 33 employees.

### ServiceCo

#### Introduction

ServiceCo was incorporated in England and Wales as a private limited company under the Companies Act 1985 on 24 October 2002 with company number 4572481. The registered office of ServiceCo is at 21 Holborn Viaduct, London EC1A 2FG. The authorised share capital of ServiceCo is £1,000 divided into 1,000 ordinary shares of £1 each, of which 100 ordinary shares have been issued and are fully paid up. ServiceCo is indirectly wholly owned by EADS.

#### Business

ServiceCo has been established for the purpose of providing communication services in relation to the Skynet 4 and Skynet 5 networks. The Skynet 5 service business of Astrium was transferred to ServiceCo pursuant to an Asset Transfer Agreement on 12 May 2003 with effect from the close of business on 30 April 2003 and ServiceCo commenced trading with effect from 1 May 2003. As part of the service business transfer, 93 employees of Astrium engaged on the development of Skynet 5 service delivery plans and on existing communication service contracts were transferred to ServiceCo.

#### Directors and Secretary

The directors of ServiceCo and their other respective principal activities:

<u>Name</u>	<u>Position</u>	<u>Other Principal Activities</u>
Peter Bruton . . . . .	Managing Director	None
James Beazley . . . . .	Finance Director	Finance Director — Paradigm Secure Communications Limited
Malcolm Peto . . . . .	Director	Managing Director — Paradigm Secure Communications Limited

The business address of the directors is Gunnels Wood Road, Stevenage, Hertfordshire SG1 2AS.





The company secretary of ServiceCo is Sisec Ltd. The accounting reference date of ServiceCo in each year is 31 December.

As at 8 December 2005 ServiceCo had 177 employees.

**Astrium**

**Introduction**

Astrium was incorporated in England and Wales as a private limited company under the Companies Act 1985 on 5 December 1989 with company number 2449259. The registered office of Astrium is at Gunnels Wood Road, Stevenage, Hertfordshire SG1 2AS. The authorised share capital of EADS Astrium is £129,282,000 divided into 127,115,000 ordinary shares of £1 each and 2,167,000 income shares of £1 each, of which 27,115,326 ordinary shares and 2,167,000 income shares have been issued and are fully paid up.

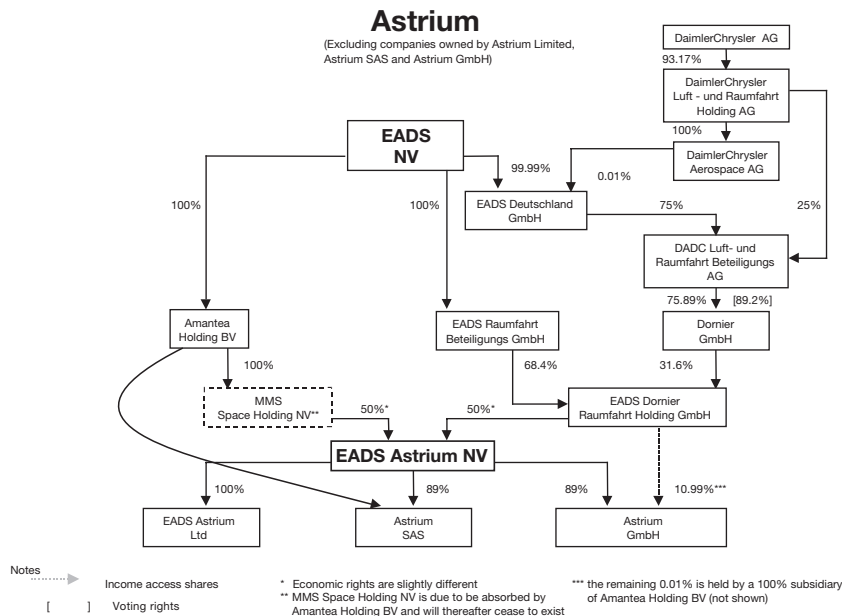
**Business**

Astrium is the contractor under the System Prime Contract.

**EADS Astrium N.V.**

Astrium is a subsidiary of EADS Astrium N.V., part of EADS' Space Division. EADS Astrium N.V. was formed in 2000 through the merger of Matra Marconi Space with the space divisions of DaimlerChrysler Aerospace. On 7 May 2003, EADS completed the acquisition of the 25% stake (27.5% economic value) in EADS Astrium N.V. formerly held by BAE Systems. The transaction received formal approval from the European Commission on 26 May 2003. The current ownership and legal structure of EADS Astrium N.V. is shown in the diagram below.

*EADS Astrium N.V. ownership and legal structure*



Source: Astrium.

EADS Astrium N.V.'s activities include the design, construction and operation of satellite infrastructure including orbital infrastructure and launcher components. In 2004, EADS Astrium N.V. had revenues of €1,693 million and employed 7,700 staff at its sites in France, Germany, the UK and Spain. As at 31 December 2004 EADS Astrium N.V.'s order book stood at €3,262 million (including Skynet 5).



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Key consolidated financial details for EADS Astrium N.V. are summarised in the following table.

*Key consolidated financial details*

<u>EADS Astrium N.V. Year Ending 31 December</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		€ Million	
Sales .....	1,670.6	1,617.7	1,693.5
Gross Profit/Loss .....	-0.5	-93.4	164.1
Profit/(Loss) Before Income Tax and Minority Interests .....	-366.8	-309.2	-7.2
Net Income .....	-328.8	-261.8	-7.1
Total Assets .....	2,151.0	1348.8	1199.5
Net Assets .....	-80.6	-231.7	-257.1
Shareholders' Funds .....	-85.3	-243.2	-268.6

Key financial details for Astrium are summarised in the following table.

*Key financial details*

<u>Astrium Year Ending 31 December</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		£ Million	
Sales .....	274.0	427.3	435.2
Gross Profit / (Loss) .....	-51.1	-18.4	17.7
Net Income .....	-113.4	-131.1	-31.5
Total Assets .....	276.3	228.1	185.6
Shareholders' Funds .....	-119.3	-60.4	-88.2

Astrium was recapitalised by EADS Astrium N.V. on 27 June 2005 by €160,000,000 (£107,000,000)

**Business Overview**

**Telecommunications satellites**

EADS Astrium N.V. designs and manufactures direct-to-home broadcast satellites and provides communications payload for mobile systems and for other dedicated applications. EADS Astrium N.V.'s Eurostar series of spacecraft can accommodate the most powerful mission payloads. EADS Astrium N.V. has provided broadcast satellites to leading satellite telecommunications operators all over the world (both fixed and mobile telecommunication services) including Inmarsat, Eutelsat, Intelsat and SES Astra. Recent contract awards include an ANIK satellite for Telesat and Astra IM. The first Inmarsat satellite was launched successfully in March 2005 providing Broadland Global Area Network, F2 will follow early November 2005. Since the beginning of 2004, 5 satellites of the new E3000 product family were successfully placed in orbit.

**Military communications systems**

Astrium is a supplier of military satellite communication equipment and services to many of the world's armed forces.

**Earth observation, navigation and science**

EADS Astrium N.V. is a prime contractor for a number of key programmes that serve more than 50 national and collective European programmes.

**Equipment and subsystems**

The principal role of the Equipment and Subsystems Division is to provide EADS Astrium N.V.'s other divisions with avionics, space equipment, subsystems and services.

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### **Telecommunication Satellite Construction**

EADS Astrium N.V. possesses amongst the largest and most modern facilities in Europe for the development, integration and testing of telecommunications satellites. A key facility is Astrium S.A.S.'s new final assembly hall in Toulouse, which is directly linked to the spacecraft test facilities in the adjacent Intespace. Astrium S.A.S. is the majority shareholder of Intespace and fully controls its operations. The facility can handle five spacecraft in parallel.

Astrium's current overall production capacity exceeds six spacecraft per year of the E3000 class. One spacecraft can be tested and delivered every six weeks.

### **Eurostar satellites**

The Skynet 5 satellites will be variants of EADS Astrium N.V.'s Eurostar family of spacecraft. Five Eurostar 3000 spacecraft have been already been put into orbit.

The Eurostar series is EADS Astrium N.V.'s second generation of telecommunications satellites, and follows on from the highly successful ECS series and its derivatives, of which 20 were built from 1981. Although one of the ECS satellites suffered a launch failure the others comfortably exceeded their seven-year design lifetime, with most achieving 12 – 15 years of operational service.

The first Eurostar spacecraft, an E1000 series for INMARSAT, was launched in 1990. Since then the design has evolved through the E2000, E2000+ and E3000 versions to include advanced features and greater capacity and power. The E3000 version, on which the Skynet 5 satellites will be based, provides the highest power available on the market today. E3000 has been ordered by INTELSAT (Intelsat X), INMARSAT (INMARSAT 4), EUTELSAT (W3A) and HISPASAT (Amazonas), ASTRA (Asta SES). The first E3000 spacecraft were launched in 2003.

### **Military Satellite Communications Systems**

Astrium is a supplier to the British, French and Spanish armed forces, NATO and other space-based secure systems. In the past 10 years Astrium has supplied military satellite communications systems and equipment to the following governments and organisations: Australia; Brazil; Canada; France; Germany; Italy; NATO; Netherlands; Portugal; Spain; Turkey; the UK; and the US.

### **Satellites**

Astrium has delivered a total of six Skynet 4 military satellites to the MoD in two stages. The first three satellites (Skynet 4A, 4B and 4C) were put into orbit between 1988 and 1990. Their replacements (Skynet 4D, 4E and 4F) entered service between 1998 and 2001. Of the Stage 1 satellites, all exceeded their design life in orbit by at least five years. Two of the Stage 1 satellites remain in operational use, as do all three of their Stage 2 successors.

EADS Astrium N.V. (through Astrium and Astrium S.A.S) is the world leader in the supply of hybrid commercial/military communications satellites, having supplied nine such satellites, comprising the first two generations of the French national satellite system, Telecom 1 and Telecom 2, and two satellites for the Spanish national system operator, HISPASAT.

### **Ground systems**

Astrium is a major supplier of SATCOM ground systems to military forces all over the world, offering products that include fixed and transportable stations, as well as modems, network management solutions and specialised terminals for airborne, shipborne and land tactical use.

### **Through life support programmes**

Astrium currently provides a number of support services under contract to the MoD in respect of supplied equipment, including:

- post development service contracts for naval, mobile and fixed stations that form part of the UK military satellite communications systems under which Astrium provides engineering services to maintain and improve existing systems;
- support for fixed and transportable ground terminals in the UK and overseas; and



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- field support, including a team permanently on call in HM Dockyard, Portsmouth and help desk facilities

### **Directors and Secretary**

The Directors of Astrium and their other respective principal activities are:

<u>Name</u>	<u>Position</u>	<u>Other Principal Activities</u>
Antoine Bouvier . . . . .	Chief Executive Officer	<u>EADS Astrium N.V. — Director</u> <u>EADS Astrium SAS — President</u> <u>EADS Astrium CRISA — President</u>
Colin Paynten . . . . .	<u>Managing Director</u>	<u>MMS Space UK Limited —</u> <u>Managing Director</u> <u>EADS Astrium SAS —</u> <u>Administrator</u> <u>EADS Defence and Security</u> <u>Systems (Holdings) Limited —</u> <u>Director</u> <u>Aerospace Limited — Director</u> <u>EADS Defence and Security</u> <u>Systems Limited — Director</u> <u>EADS Astrium SAS —</u> <u>Administrator</u>
Nigel Ede . . . . .	<u>Finance Director</u>	<u>EADS Astrium Pension Scheme</u> <u>Trustees Limited — Director</u>

The business address of the directors is Gunnels Wood Road, Stevenage, Hertfordshire SG1 2AS.

The company secretary of Astrium is Alan Shaw.

The accounting reference date of Astrium in each year is 31 December.

### **EADS**

#### **Introduction**

EADS was created in July 2000, when it combined the activities of Aerospatiale Matra, DaimlerChrysler Aerospace AG (**Dasa**) and Construcciones Aeronauticas SA. EADS was incorporated in The Netherlands on 29 December 1998 and registered in the Trade Register of the Chamber of Commerce in Amsterdam under registered number 24288945. The registered office of EADS is at Le Carré, Beech Avenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands. The authorised share capital of EADS as at the date of this Prospectus is €3,000,000,000 divided into 3,000,000,000 shares of €1 each of which 813,369,854 shares have been issued and are fully paid up.

#### **Shareholders of EADS**

As at the date of this Prospectus, the shareholding of EADS is as follows:

<u>Shareholders</u>	<u>Number of shares*</u>	<u>Percentage of share capital*</u>	<u>Percentage of voting rights*</u>
SOGEADE . . . . .	244,447,704	30.05	30.36
Dasa . . . . .	244,447,704	30.05	30.36
SEPI . . . . .	44,690,871	5.50	5.55
<i>Sub-total Contractual Partnership</i> . . . . .	<i>533,586,279</i>	<i>65.60</i>	<i>66.27</i>
French State . . . . .	502,746	0.06	0.06
Public . . . . .	271,164,201	33.34	33.67
Own share buy-back . . . . .	8,116,628	1.00	—
Total . . . . .	813,369,854	100.00	100.00

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\* Subject to minor adjustments as a result of the exercise of stock options for the acquisition of shares in EADS by employees.

### Shareholding Structure

As at the date of this Prospectus, 30.05% of the EADS shares are held by Dasa, which is a wholly owned subsidiary of DaimlerChrysler Luft- und Raumfahrt Holding AG, a 93.85% subsidiary of DaimlerChrysler AG. SOGEADE (Société de Gestion de l'Aéronautique, de la Défense et de l'Espace), a French partnership limited by shares (*société en commandite par actions*) whose share capital is held 50% by SOGEPA (Société de Gestion de Participations Aéronautiques), a French state holding company, and 50% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère SCA) owns 30.05% of the EADS shares. Therefore, 60.10% of the share capital of EADS is held in equal proportions by DaimlerChrysler AG and SOGEADE who jointly control EADS through a Dutch law contractual partnership (the **Contractual Partnership**). SEPI (a Spanish state holding company), being a party to the Contractual Partnership, holds 5.50% of the share capital of EADS. The public (including EADS employees) and EADS hold, respectively, 33.34% and 1.00% of the share capital of EADS. The République Française (the **French State**) holds directly 0.06% of such share capital, such shareholding being subject to certain specific provisions.

### Directors and Secretary

The directors of EADS and their other respective principal activities are:

<u>Name</u>	<u>Position</u>	<u>Other Principal Activities</u>
Manfred Bischoff . . . . .	Chairman of EADS Board of Directors	DaimlerChrysler AG Delegate for Aerospace
Arnaud Lagardère . . . . .	Chairman of EADS Board of Directors	General Partner and Chief Executive Officer of Lagardère SCA
Thomas Enders . . . . .	Chief Executive Officer of EADS	President of the German Association of Aerospace Industries, BDLI
Noël Forgeard . . . . .	Chief Executive Officer of EADS	Member of the Board of Directors of Arcelor
Jean-Paul Gut . . . . .	Chief Operating Officer for Marketing, International and Strategy	Member of the Board of Directors of Arjil Commanditée Arco
Hans Peter Ring . . . . .	Chief Operating Officer for Finance	Member of the Supervisory Board (Aufsichstrat) of M+W Zander DIB Facility Management GmbH
Juan Manuel Eguiagaray Ucelay . . . . .	Member of the Board of Directors of EADS	Associate Professor at Carlos III University in Madrid
Louis Gallois . . . . .	Member of the Board of Directors of EADS	President of SNCF
Rüdiger Grube . . . . .	Member of the Board of Directors of EADS	Member of the Management Board of DaimlerChrysler AG
François David . . . . .	Member of the Board of Directors of EADS	Chairman and Chief Executive Officer of Coface
Michael Rogowski . . . . .	Member of the Board of Directors of EADS	Chairman of the Supervisory Board of J.M. Voith AG

The Board of Directors appoints two Chief Executive Officers to be responsible for the day-to-day management of the Company, one to be chosen from the DaimlerChrysler-nominated Directors and one to be chosen from the SOGEADE-nominated Directors. The Board of Directors appointed Tom Enders and Noël Forgeard in 2005 as Chief Executive Officers of EADS with immediate effect for a five-year term. The Board of Directors also appointed Jean-Paul Gut as Chief Operating Officer for Marketing, International and Strategy and Hans Peter Ring as Chief Operating Officer for Finance.

The business address of the directors is Le Carré, Beech Avenue 130-132, 1119 PR Schiphol-Rijk, The Netherlands.

The accounting reference date of EADS in each year is 31 December.

### **Business**

EADS is Europe's leading aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is one of the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics.

In the year ended 31 December 2004, EADS's revenues amounted to €31.761 billion. As at 31 December 2004, EADS had a workforce of over 110,000, with its main operations in France, Germany, Spain and the UK.

The table below summarises EADS' operating performance over the last three years.

EADS' operating performance

<u>Year ending 31 December</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		€ billions	
Revenues .....	29.9	30.133	31.761
EBIT .....	1.4	1.543	2.444
Order Intake .....	30.9	61.150	44.117
Order Book .....	168.3	179.280	184.288
Number of Employees (as at the year end) .....	103,967	109,135	110.662

Source: EADS

### **Business overview**

The following section gives a brief overview of the five business divisions that make up EADS (Airbus, Military Transport Aircraft, Eurocopter, Defence and Security Systems and Space).

#### **Space Division**

EADS is the third largest space systems manufacturing company in the world, after Boeing and Lockheed Martin, and the leading European supplier of satellites, orbital infrastructures, launchers and associated services.

The Space Division is composed of three main companies: Astrium, EADS Space Transportation and EADS Space Services.

The Space Division also provides launch services, through its shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurockot (Rockot launcher), as well as services related to telecommunications and earth observation satellites, through dedicated companies such as Paradigm, Infoterra and Spot Image.

In 2004, the Space Division of EADS earned revenues of €2.6 billion, representing 8.2% of EADS' total revenues.

#### **Airbus**

Airbus is the world's leading supplier of commercial aircraft of more than 100 seats. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 53% in 2004. As at 31 December 2004, its backlog of orders (1,500 aircraft) represented 74% of total worldwide backlog.

Airbus has delivered 337 units and received orders for 687 units as of 30 November 2005.

Under the A380 programme, nine aircraft have been produced and two of them have already successfully flown. The first one took off on 27 April 2005 and has positively performed various flight tests. The second one took off on 18 October 2005. To date, Airbus has received 159 firm A380 orders and commitments from 16 customers.

The EADS board approved the industrial launch of the A350 programme on 11 October 2005. To date, 11 customers have committed to 155 units. Entry into service is scheduled in 2010.

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In 2004, the Airbus Division earned revenues of €20.2 billion, representing 64% of EADS total revenues.

The Airbus group is jointly owned by EADS (80%) and BAE Systems (20%).

#### **Military transport aircraft (MTA)**

The MTA Division manufactures and sells light and medium military transport aircraft and mission aircraft, which are derived from existing platforms and dedicated to specialised military tasks such as maritime surveillance, antisubmarine warfare and in-flight refuelling capabilities. The MTA Division also designs and manufactures aerostructure elements.

The MTA Division earned revenues of €1.3 billion, accounting for 4% of EADS' total consolidated revenues for 2004.

#### **Eurocopter**

The Eurocopter division was established in June 2005 (following the dissolution of EADS' Aeronautics Division). Eurocopter is the world's largest manufacturer of helicopters. In 2004, Eurocopter captured 52% of the worldwide market for civil helicopters and 18% of the export market for military helicopters.

#### **Defence & Security Systems (DSS)**

DSS was created in 2003 to serve as the main focus of EADS' defence and security activities. By combining Missile Systems, DSS, Defence Electronics, Military Aircraft (including EADS' shares in the Eurofighter programme) and services activities within one division, EADS has equipped its defence business better to meet the needs of customers requiring integrated defence and security solutions.

In its first full year of operation, DSS significantly expanded its order book with an all-time high of €17.3 billion, growing by 21%. DSS intends to continue the process of strengthening its Large Systems Integration role in EADS' Systems and Solutions provider concept by increasing its focus on core business and fostering further efficiencies and adaptations.

On 1 June 2005, MEADS International announced it had entered into a contract to design and develop the tri-national Medium Extended Air Defense System.

In 2004, DSS earned revenues of €5.4 billion, representing 17% of EADS' total revenues.

#### **Recent events**

In June 2005, the Spanish government gave its approval for procurement of the Taurus KEPD 350 standoff guided missile system. The Spanish Air Force will procure 43 operational Taurus KEPD 350 systems, including mission planning, logistic equipment and integration on the EF-18 aircraft.

In 2005, EADS and the Vietnamese government signed a contract for the supply of a satellite-based environmental and natural resources monitoring system.

In April 2005, the New Zealand Ministry of Defence announced the selection of the NH90 helicopter as a replacement for the Royal New Zealand Air Force existing fleet transport helicopters.

In May 2005, EADS Astrium won the order for South Korea's first geo-stationary multifunctional satellite.



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## FORM OF THE NOTES

### Global Notes

The Issuer Notes will initially be represented by one temporary global note in bearer form, without coupons or talons attached (the **Issuer Temporary Global Note**). The Issuer Temporary Global Note will be deposited on or about ●, 2005 (the **Closing Date**) with a Common Depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the **Issuer Permanent Global Note**) in bearer form, without coupons or talons attached, from and including the date which is 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership. On the exchange of the Issuer Temporary Global Note for the corresponding Issuer Permanent Global Note, such Issuer Permanent Global Note will remain deposited with the Common Depositary.

The Forward Purchase Issuer Notes will initially be represented by one temporary global notes in bearer form, without talons or coupons attached (the **Forward Purchase Issuer Temporary Global Note**). On or about the Closing Date, the Forward Purchase Issuer Temporary Global Note will be deposited with the Note Custodian. The Forward Purchase Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the **Forward Purchase Issuer Permanent Global Note**) in bearer form without coupons or talons attached, from and including the date which is 40 days after the Closing Date upon certification of non-US beneficial ownership.

The Enhancement Notes will initially be represented by two permanent global notes in bearer form, without talons or coupons attached (each an **Enhancement Global Note**). On or about the Closing Date, one Enhancement Global Note will be deposited with the Common Depositary (the **Enhancement Common Depositary Global Note**) and the other Enhancement Global Note will be deposited with the Note Custodian (the **Enhancement Custodian Global Note**). The Enhancement Notes will not be issued in temporary form.

The Enhancement Common Depositary Global Note and the Issuer Global Notes are together the **Common Depositary Global Notes**. The Forward Purchase Issuer Temporary Global Note, and the Enhancement Custodian Global Note are together the **Custodian Global Notes**.

Upon deposit of the Issuer Temporary Global Note and the Enhancement Common Depositary Global Note (together with the Issuer Permanent Global Note, the Forward Purchase Issuer Temporary Global Note, and the Enhancement Custodian Global Note, the **Global Notes**), Euroclear or Clearstream, Luxembourg will credit, by means of book entries, each subscriber of the Forward Purchase Issuer Notes represented by the Issuer Temporary Global Note with the principal amount of £● in respect of the Issuer Notes and each subscriber of the Enhancement Notes represented by the Enhancement Common Depositary Global Note with the principal amount of nil

Upon deposit of the Forward Purchase Issuer Temporary Global Note and the Enhancement Custodian Global Note with the Custodian on the Closing Date, the Forward Purchase Issuer Temporary Global Note will have a Principal Amount Outstanding of nil and the Enhancement Custodian Note will have a Principal Amount Outstanding of nil.

To the extent of any inconsistency in the endorsements or notations of a Common Depositary Global Note and a Custodian Global Note, the endorsements and notations on the Common Depositary Global Note shall (in the absence of manifest error) prevail.

Save in the limited circumstances detailed in the Conditions, Notes in definitive form will not be issued.

Whilst any Global Note is outstanding, payments on the Notes represented by such Global Note will be made to, or to the order of, the Common Depositary as the holder thereof or, in the case of payment of the relevant portion of the Noteholder MoD Termination Payment, directly to a Noteholder. No interest will accrue and principal will not be repayable in respect of the Forward Purchase Issuer Notes or Enhancement Notes represented by a Custodian Global Note prior to their Sale under the Forward Note Purchase Agreement.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note (each, an **Accountholder**) will be

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entitled to receive any payment made in respect of that Note, provided, however, that if any payment of principal and/or interest in respect of any Issuer Notes falls due whilst such Issuer Notes are represented by the Issuer Temporary Global Note or in respect of any Forward Purchase Issuer Notes whilst such Forward Purchase Issuer Notes are represented by a Forward Purchase Issuer Temporary Global Note, payment of principal and/or interest in respect of such Notes will be made only to the extent that certification of non-U.S. beneficial ownership has been received by Euroclear or Clearstream, Luxembourg.

Subject to the right to require payment of the relevant portion of the Noteholder MoD Termination Payment directly from the MoD under the terms of the Transaction Documents, each Accountholder must, for as long as the Notes remain represented by a Global Note, look solely to Euroclear or, as the case may be, Clearstream, Luxembourg for its share of each payment made by the Issuer to the bearer of such Global Note, subject to and in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

Whilst the Notes are represented by a Global Note, the relevant Accountholders shall have no claim directly against the Issuer in respect of payments due on the relevant Notes (other than in respect of the relevant portion of the Noteholder MoD Termination Payment) and the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

To the extent permitted by applicable law, the Issuer, the Issuer Security Trustee, the Note Trustee, the Principal Paying Agent and any other Paying Agents may treat the holder of a Global Note as the absolute owner thereof (notwithstanding any notice of ownership or writing thereon or of trust or other interest therein, including that of the Noteholders) for the purpose of making payments on the Notes represented thereby, and the expression **Noteholder** shall be construed accordingly.

For so long as the Notes are represented by Global Notes and held by the Common Depositary, the Notes (other than those represented by the Custodian Global Notes) will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. The Forward Purchase Issuer Notes or the Enhancement Notes represented by the Custodian Global Notes prior to their Sale under the Forward Note Purchase Agreement will only be transferable in accordance with the terms of the Custody Agreement and the Forward Note Purchase Agreement.

Principal and interest on the Global Notes (other than the Custodian Global Notes) will be payable against presentation of that Global Note at the specified office of the Principal Paying Agent or any other Paying Agents or by payment direct to a Noteholder Nominated Account by the MoD. A record of each payment made on a Global Note, distinguishing between any payment of principal and payment of interest, will be endorsed on that Global Note by or on behalf of the Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

#### Notices and copies of documents

Any notice to Noteholders in respect of the Notes represented by Global Notes shall be deemed to have been duly given if (i) sent to Euroclear and/or Clearstream, Luxembourg, as the case may be, and shall be deemed to have been given on the date on which such notice was so sent and (ii) (so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) filed with the Company Announcements Office of the Irish Stock Exchange.

After the Closing Date, copies of the Master Transaction Deed, Payment Trust Deed, Issuer Entitlement Sale Agreement, MoD Direct Agreement, extracts of the CISD (permitted to be made available for inspection in compliance with United Kingdom national security requirements), Custody Agreement, Payment Trustee Cash Management Agreement, Payment Trustee Corporate Services Agreement, Payment Trustee Bank Account Agreement, Issuer Deed of Charge, Note Trust Deed, Agency Agreement, Issuer Cash Management Agreement, Issuer Corporate Services Agreement and Issuer Bank Account Agreement will be obtainable during normal business hours at the specified offices of the Principal Paying Agent, being at the date hereof at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified offices of the Irish Paying Agent, being at the date hereof at 1 North Wall Quay, Dublin 1, Ireland.

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**Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each hold securities for their accountholders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective accountholders may settle trades with each other.

Accountholders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

An Accountholder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective accountholders, and have no record of or relationship with persons holding through their respective accountholders.

**THE NOTEHOLDER MoD TERMINATION PAYMENT WHEN PAYABLE AS A LUMP SUM WILL, IN ALL CASES, BE MADE OUTSIDE THE CLEARING SYSTEMS TO A NOMINATED NOTEHOLDER ACCOUNT. THE NOTEHOLDERS UNDERTAKE TO DIRECTLY COLLECT FROM TIME TO TIME INFORMATION RECEIVED FROM THE ISSUER OR ITS AGENT IN RELATION TO THE MoD TERMINATION PAYMENTS AND TO DISSEMINATE ALL SUCH INFORMATION TO ANY SUBSEQUENT INVESTORS/NOTEHOLDERS. THE CLEARING SYSTEMS WILL NOT INCUR ANY LIABILITY FOR ANY DAMAGES OR LOSSES OF ANY NOTEHOLDER IN THE EVENT THAT THIS PROCESS IS NOT FOLLOWED BY THE RELEVANT PARTIES.**

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## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Note Trust Deed. The terms and conditions set out below will apply to the Notes in global form and definitive form (if issued).*

The £● Issuer Floating Rate Secured Notes due 2020 (the **Issuer Notes**), the £● Forward Purchase Issuer Floating Rate Secured Notes due 2020 (the **Forward Purchase Issuer Notes**), the £● Forward Purchase Enhancement Floating Rate Secured Notes due 2021 (the **Enhancement Notes** and, together with the Issuer Notes, the Forward Purchase Issuer Notes and, upon their issue, Further Notes, Replacement Notes and New Notes (each as defined below), the **Notes**) in each case of Satellite Financing PLC (the **Issuer**) are constituted by a trust deed (the **Note Trust Deed**) dated ● 2005 (the **Closing Date**) and made between the Issuer and Citicorp Trustee Company Limited (in such capacity, the **Note Trustee**) as trustee for the Noteholders (as defined below).

In these Conditions, a **tranche** of Notes will mean any of the Issuer Notes, the Forward Purchase Issuer Notes or Enhancement Notes and any other tranche of Notes issued pursuant to **Conditions 16.2 (Further Notes, Replacement Notes and New Notes — Replacement Notes)** and **16.3 (Further Notes, Replacement Notes and New Notes — New Notes)** and tranches will be construed accordingly. The Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes rank *pari passu* amongst themselves.

In these terms and conditions (these **Conditions**) the Forward Purchase Issuer Notes and the Enhancement Notes are together referred to as the **Forward Purchase Notes**.

The expressions “Issuer Notes”, “Forward Purchase Issuer Notes” and “Enhancement Notes” shall, in these Conditions, unless the context otherwise requires, include any Further Notes (as defined below) issued pursuant to **Condition 16.1 (Further Notes, Replacement Notes and New Notes — Further Notes)** and forming a single series with the Issuer Notes, the Forward Purchase Issuer Notes or the Enhancement Notes (as applicable).

The security for the Notes (the **Issuer Security**) is constituted by a deed of charge and assignment (the **Issuer Deed of Charge** which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited (in such capacity, the **Issuer Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Closing Date and made between the Issuer, Citibank International plc as Irish paying agent (the **Irish Paying Agent**), Citibank, N.A., London Branch as principal paying agent (the **Principal Paying Agent** and, together with the Irish Paying Agent and such additional or other paying agents, if any, and their successors appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**) Citibank, N.A., London Branch as agent bank and calculation agent (the **Agent Bank** which expression includes its successors or any other agent bank and, together with the Paying Agents, the **Agents**) and the Note Trustee, provision is made for the payment of principal, premium (if any) and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Issuer Deed of Charge and the master definitions and construction schedule (the **Master Definitions and Construction Schedule**) set out as a schedule to the Master Transaction Deed.

Copies of the Master Transaction Deed, Payment Trust Deed, Issuer Entitlement Sale Agreement, MoD Direct Agreement, extracts of the CISD (permitted to be made available for inspection in compliance with United Kingdom national security requirements), Custody Agreement, Payment Trustee Cash Management Agreement, Payment Trustee Corporate Services Agreement, Payment Trustee Bank Account Agreement, Issuer Deed of Charge, Note Trust Deed, Agency Agreement, Issuer Cash Management Agreement, Issuer Corporate Services Agreement and Issuer Bank Account Agreement will be available, from the Closing Date, for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

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Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 1. FORM, DENOMINATION AND TITLE

- 1.1 The Issuer Notes will initially be represented by one temporary global note in bearer form, without coupons or talons attached (the **Issuer Temporary Global Note**). The Issuer Temporary Global Note will be deposited on the Closing Date with a Common Depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the **Issuer Permanent Global Note**) in bearer form, without coupons or talons attached, from and including the date which is 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership. On the exchange of each Issuer Temporary Global Note for the corresponding Permanent Global Note, such Permanent Global Note will remain deposited with the Common Depositary.

The Forward Purchase Issuer Notes will initially be represented by one temporary global note, in bearer form, without talons or coupons attached (the **Forward Purchase Issuer Temporary Global Note**). On or about the Closing Date, the Forward Purchase Issuer Temporary Global Note will be deposited with the Note Custodian. The Forward Purchase Issuer Temporary Global Note will be exchangeable for interests in a corresponding permanent global note (the **Forward Purchase Permanent Global Note**) in bearer form without coupons or talons attached, from and including the date which is 40 days after the Closing Date upon certification of non-US beneficial ownership.

The Enhancement Notes will initially be represented by two permanent global notes in bearer form, without talons or coupons attached (each an **Enhancement Global Note**). On or about the Closing Date, one Enhancement Global Note will be deposited with the Common Depositary (the **Enhancement Common Depositary Global Note**) and the other Enhancement Global Note will be deposited with the Note Custodian (the **Enhancement Custodian Global Note**). The Enhancement Notes will not be issued in temporary form.

The Enhancement Common Depositary Note and the Issuer Global Notes are together the **Common Depositary Global Notes**. The Forward Purchase Issuer Temporary Global Note, and the Enhancement Custodian Note are together the **Custodian Global Notes**.

Upon deposit of the Issuer Temporary Global Note, and the Enhancement Common Depositary Global Note (together with the Issuer Permanent Global Note, the Forward Purchase Issuer Temporary Global Note, Forward Purchase Issuer Permanent Global Note and the Enhancement Custodian Global Note, the **Global Notes**), Euroclear or Clearstream, Luxembourg will credit, by means of book entries, each subscriber of the Forward Purchase Issuer Notes represented by the Issuer Temporary Global Note with the principal amount of nil and each subscriber of the Enhancement Notes represented by the Enhancement Common Depositary Global Note with the principal amount of nil

Upon deposit of the Forward Purchase Issuer Temporary Global Note and the Enhancement Custodian Note with the Custodian on the Closing Date, the Forward Purchase Issuer Temporary Global Note will have a Principal Amount Outstanding of nil and the Enhancement Custodian Note will have a Principal Amount Outstanding of nil.

The Notes will each be in the denomination of £100,000.

Interests in a Global Note (other than those represented by the Forward Purchase Custodian Global Notes) will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as the case may be. The Forward Purchase Notes represented by the Forward Purchase Custodian Global Notes prior to their Sale under the Forward Note Purchase Agreement will be transferable only in accordance with the terms of the Custody Agreement and the Forward Note Purchase Agreement.

- 1.2 Save in certain limited circumstances detailed below, Notes in definitive form will not be issued. If, while any of the Notes are represented by a Global Note, (i) either Clearstream, Luxembourg

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or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Note Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Notes of the relevant tranches in definitive form (**Definitive Notes**) in exchange for such Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and Issuer Security Trustee require to take account of the issue of Definitive Notes.

- 1.3 Definitive Notes (which, if issued, will be in the denomination of £100,000 each) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.
- 1.4 **Noteholders** means each person (other than Clearstream, Luxembourg, Euroclear or the Issuer) who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular Principal Amount Outstanding (as defined in **Condition 6.6 (Redemption — Principal Amount Outstanding)**) of the Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of the Notes standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Note Trustee, the Issuer Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Notes for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Note Trustee, the Issuer Security Trustee and all other persons, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and for which purpose Noteholders means the bearer of the relevant Global Note and related expressions shall be construed accordingly.
- 1.5 For the purpose of these Conditions:
- (a) **Issuer Noteholders** means Noteholders in respect of the Issuer Notes;
- (b) **Forward Purchase Issuer Noteholders** means the Noteholders in respect of the Forward Purchase Issuer Notes after the Sale of such Notes; and
- (b) **Enhancement Noteholders** means Noteholders in respect of the Enhancement Notes.
- 1.6 The Enhancement Notes and the Forward Purchase Issuer Notes are also subject to the provisions of the Custody Agreement and the Forward Note Purchase Agreement. The Forward Purchase Notes will be purchased by and held for the account of the Issuer following issue and may not be sold or otherwise disposed of in whole or in part by the Issuer, except in accordance with the provisions of the Forward Note Purchase Agreement (for so long as such agreement is in effect).
- 1.7 Forward Purchase Notes shall, pending Sale or disposal by the Issuer, carry the same rights and be subject in all respects to the same Conditions as the Issuer Notes except that the Forward Purchase Notes will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Noteholders or of considering the interests of the Noteholders, will not have the benefits of the Issuer Security detailed in **Condition 2.3 (Status and Relationship between the Notes and Issuer Security — Issuer Security)** for the purposes of **Condition 14 (Notice to Noteholders)** or for payments of interest (other than the Fungible Amount) and principal on such Notes in accordance with the Conditions, but will have the benefit of any Entrenched Rights (as defined below in **Condition 2.3(b) (Status and Relationship between the Notes and Issuer Security — Issuer Security)**).
- 1.8 Forward Purchase Notes which have been Sold shall carry the same rights as Issuer Notes (in the case of Forward Purchase Issuer Notes) or Enhancement Notes (in the case of Enhancement Notes).

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## 2. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND ISSUER SECURITY

### 2.1 Status and relationship between the Notes

- (a) The Notes constitute direct, secured and unconditional obligations of the Issuer. The Notes rank *pari passu* without preference or priority amongst themselves.
- (b) In the event of an issue of Further Notes (as defined in **Condition 16.1 (Further Notes, Replacement Notes and New Notes — Further Notes)**), Replacement Notes (as defined in **Condition 16.2 (Further Notes, Replacement Notes and New Notes — Replacement Notes)**) or New Notes (as defined in **Condition 16.3 (Further Notes, Replacement Notes and New Notes — New Notes)**), the provisions of these Conditions, the Note Trust Deed, the Issuer Deed of Charge and the other Transaction Documents, including (in the case of Replacement Notes or New Notes) those concerning:
  - (i) the basis on which the Note Trustee and the Issuer Security Trustee will be required to exercise their respective rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee or the Issuer Security Trustee, there is a conflict between the interests of any tranche of the Noteholders and the holders of such Replacement Notes or New Notes);
  - (ii) the circumstances in which the Note Trustee and the Issuer Security Trustee will become bound to take action, as referred to in **Condition 9 (Issuer Events of Default)**;
  - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
  - (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security,

will be modified in such manner as the Note Trustee or, as the case may be, the Issuer Security Trustee considers necessary to reflect the issue of such Further Notes, Replacement Notes or, as the case may be, New Notes and any new Transaction Document entered into in connection with such Further Notes, Replacement Notes or, as the case may be, New Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each tranche of the Notes.

If New Notes or Replacement Notes are issued, the Issuer will immediately advise the Irish Stock Exchange accordingly, procure the publication of a notice of the issue in accordance with **Condition 14 (Notice to Noteholders)**, file a new Prospectus in respect of the issue of the New Notes with the Irish Stock Exchange and make such Prospectus and any related agreements available in Dublin at the specified office of the Irish Paying Agent.

### 2.2 Priority of Payments

The priority of payments to be made by the Issuer, both prior to and following enforcement of the Issuer Security and following the service of a Note Acceleration Notice will be as set out in clauses 5.2 (Priority of payment — prior to enforcement and acceleration), 5.3 (Priority of Payments — upon enforcement but prior to acceleration) and 6.2 (Payment of Proceeds of Enforcement after service of a Note Acceleration Notice or after the Noteholder MoD Termination Payment is paid or becomes payable as a lump sum) of the Issuer Deed of Charge.

### 2.3 Issuer Security

- (a) The Issuer Security is granted to the Issuer Security Trustee, on trust for the Noteholders and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Issuer Deed of Charge.
- (b) The Noteholders will share in the benefit of the Issuer Security, upon and subject to the terms and conditions of the Issuer Deed of Charge. The Issuer Deed of Charge details certain rights (**Entrenched Rights**) for the benefit of the Noteholders in respect of the transaction and the Project.



### 3. COVENANTS

Save with the prior written consent of the Issuer Security Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) Negative pledge: create or permit to subsist any encumbrance (unless arising by operation of law) or other Security Interest whatsoever over any of its assets or undertaking;
- (b) Restrictions on activities: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises;
- (c) Disposal of assets: transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein;
- (d) Dividends or distributions: pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (e) Financial Indebtedness: incur any Financial Indebtedness or give any guarantee in respect of any Indebtedness or of any other obligation of any person;
- (f) Merger: consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (g) No modification or waiver: permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (h) Bank accounts: have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Issuer Security Trustee on terms acceptable to it;
- (i) VAT: apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or
- (j) Surrender of group relief: offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988.

### 4. INTEREST

#### 4.1 Interest Accrual

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with **Condition 5 (Payments)**, payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Note Trust Deed.

#### 4.2 Note Payment Dates

The Issuer Notes bear interest on their Principal Amounts Outstanding from (and including) the Closing Date. Interest is payable monthly in arrear on the last Business Day of each calendar month (each a **Note Payment Date**) in respect of the Interest Period (as defined below) ending immediately prior to such Note Payment Date. The first interest payment shall be due on the Note Payment Date falling in January 2006.





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The Forward Purchase Issuer Notes will bear interest on their respective Principal Amounts Outstanding from (and including) the Note Payment Date immediately preceding the relevant Sale Date, or the Sale Date, if such date is a Note Payment Date. Interest is payable monthly in arrear on each Note Payment Date in respect of the Interest Period (as defined below) ended immediately prior thereto.

The Enhancement Notes will bear interest on their respective Principal Amounts Outstanding from (and including) the Note Payment Date immediately preceding the relevant Sale Date or the Sale Date, if such date is a Note Payment Date, payable monthly in arrear on each Note Payment Date in respect of the Interest Period (as defined below) ended immediately prior thereto provided that the Forward Purchase Notes shall be sold at Note Value plus, where such Forward Purchase Notes are sold other than on the first day of an Interest Period, an amount (the **Fungible Amount**) equal to the interest which would have accrued on such Forward Purchase Notes since (and including) the first day of such Interest Period if such Forward Purchase Notes had been sold on the first day of the Interest Period.

The period from (and including) the Closing Date to (but excluding) the first Note Payment Date and each successive period from (and including) a Note Payment Date to (but excluding) the next succeeding Note Payment Date is called an **Interest Period**.

Payments of interest on the Notes are subject to deferral in accordance with **Condition 15 (Deferral of Interest and Principal)**.

### 4.3 Rate of Interest

The rate of interest payable from time to time in respect of the Notes (each a **Rate of Interest**) will be determined on the basis of the following provisions:

- (a) On each Interest Determination Date (as defined below), the Agent Bank will determine the Screen Rate (as defined below) at approximately 11.00 a.m. (London time) on that Interest Determination Date. If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined below) to provide the Agent Bank with the rate at which deposits in Sterling are offered by it to prime banks in the London interbank market for one month, or in the case of the Interest Determination Date falling on the Closing Date, for one and the two months, at approximately 11.00 a.m. (London time) on the Interest relevant Interest Determination Date and for the relevant Representative Amount (as defined below).
- (b) The Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin (as defined below) applicable to the Notes or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates, plus the applicable Margin.
- (c) If fewer than two rates are provided as requested by the Agent Bank, the Rate of Interest for that Interest Period will be the arithmetic mean of the rates quoted by major banks in London selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the first day of such Interest Period for loans in Sterling to leading European banks for a period of one month, or in the case of the first Interest Determination Date falling on the Closing Date the arithmetic mean of the linear interpolation of the rates of one and two months, commencing on the first day of such Interest Period and for the relevant Representative Amount, plus the applicable Margin. If the relevant Rate of Interest cannot be determined in accordance with the foregoing provisions, each Rate of Interest shall be that as determined on the immediately preceding Interest Determination Date or in the case of the first Interest Determination Date, as determined by the Agent Bank.
- (d) For the avoidance of doubt, prior to their Sale under the terms of the Forward Note Purchase Agreement, interest is not payable on or in respect of the Forward Purchase Notes provided that following Sale of a Forward Purchase Note, interest shall accrue from (and including) the start of the relevant Interest Period during which it is Sold.
- (e) In these Conditions (except where otherwise defined), the expression:
  - i. **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both London and Dublin;

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- ii. **Interest Determination Date** means the first day of the Interest Period for which the rate will apply;
  - iii. **Margin** means ● per cent. per annum, in relation to the Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes;
  - iv. **Reference Banks** means the four major banks engaged in the London interbank market selected by the Agent Bank provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
  - v. **Representative Amount** means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time; and
  - vi. **Screen Rate** means:
    - (i) in respect of the Interest Determination Date falling on the Closing Date, the linear interpolation of the rate for one month deposits in Sterling and the rate for two month deposits in Sterling; and
    - (ii) in respect of each other Interest Determination Date the rate for one month deposits in Sterling,
    - (iii) in each case which appears on the Telerate Page 3750 (or such replacement page on that service which displays the information).

#### 4.4 Interest Period following Termination Date

Where an Interest Determination Date occurs in the period from (and including) the Calculation Date to (but excluding) the Compensation Payment Date (each as defined in the MoD Direct Agreement), the Rate of Interest applicable to the Interest Period which begins on that Interest Determination Date shall be the Rate of Interest applicable in the immediately preceding Interest Period.

#### 4.5 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the respective Sterling amounts (the **Interest Amounts**) payable in respect of interest on the Principal Amount Outstanding of the Notes for the relevant Interest Period in the case of Issuer Notes in the case of Forward Purchase Issuer Notes or Enhancement Notes. The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the relevant Interest Period divided by 365 and rounding the resulting figure downwards to the nearest penny.

#### 4.6 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period Note and the relevant Note Payment Date to be notified to the Issuer, the Note Trustee and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with **Condition 14 (Notice to Noteholders)** as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and relevant Note Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period (as relevant).

#### 4.7 Determination by the Note Trustee

The Note Trustee shall, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 4.5) and the determinations shall be deemed to be determinations by the Agent Bank and the Note Trustee shall publish such determination in accordance with Condition 4.6 and such publications shall be deemed to be publications by the Agent Bank.

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#### 4.8 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reference Banks (or any of them), the Agent Bank or the Note Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Note Trustee, the Agent Bank, the Paying Agents and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Agent Bank or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 4.

#### 4.9 Agent Bank

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint the London office of another major bank engaged in the London interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

### 5. PAYMENTS

#### 5.1 Payments in respect of Notes

Subject to payment of the Noteholder MoD Termination Payment directly to Noteholders in accordance with the MoD Direct Agreement and the Issuer Deed of Charge and/or payment of the relevant proportion of the Noteholder MoD Termination Payment to be paid to the order of the Issuer Security Trustee to be held on trust for Noteholders who have not notified a Nominated Noteholder Account in accordance with **Condition 6.3 (Redemption — Mandatory Redemption on receipt of MoD Termination Payment)**, payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** for such purpose, subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. A record of each payment of principal, premium (if any) or interest made in respect of a Global Note including any payments made directly to a Noteholder by the MoD in accordance with the MoD Direct Agreement will be made on the relevant Global Note by or on behalf of the Principal Paying Agent or such other Paying Agent as aforesaid and such record shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of Clearstream, Luxembourg or of Euroclear as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note or by the payment by the MoD of amounts directly to a Noteholder in accordance with the MoD Direct Agreement.

Each Noteholder is responsible for ensuring that its Nominated Noteholder Account details are correct and provided to the MoD in order to ensure prompt and correct payment of the MoD Termination Amount.

#### 5.2 Method of Payment

With the exception of payment of the Noteholder MoD Termination Payment, which may be made directly to Noteholders or, if the Noteholders have not notified a Nominated Noteholder Account to the order of the Issuer Security Trustee in each case in accordance with **Condition 6.3 (Redemption — Mandatory Redemption on receipt of MoD Termination Payment)**, the MoD Direct Agreement and the Issuer Deed of Charge, payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on a bank in London or Dublin.

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### 5.3 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

### 5.4 Payment only on a Presentation Date

A holder shall be entitled to present a Note for payment only on a Presentation Date and shall not, except as provided in **Condition 4 (Interest)**, be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to **Condition 8 (Prescription)**):

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

In this Condition 5.4, Business Day means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

### 5.5 Initial Paying Agents

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

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city, which so long as the Notes are traded on the regulated market of the Irish Stock Exchange shall be Dublin; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with **Condition 14 (Notice to Noteholders)**.

## 6. REDEMPTION

### 6.1 Redemption at maturity and cancellation of Forward Purchase Notes

Unless previously redeemed in full and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Note Payment Date falling in February 2020 in respect of the Issuer Notes and the Forward Purchase Issuer Notes and May 2021 in respect of the Enhancement Notes. Any Forward Purchase Issuer Notes which have not been Sold prior to the relevant Forward Purchase Note Long Stop Date will be cancelled.

## 6.2 Mandatory Redemption

Each Note (other than a Forward Purchase Note prior to Sale thereof by the Issuer) shall, subject to Conditions 6.4, 6.5 and **15.2 (Deferral of Interest and Principal — Principal)**, be repaid in monthly instalments on the Note Payment Dates and in the amounts (each, an **Amortisation Amount**) set out below:

<u>Note Payment Date falling in:</u>	<u>Issuer Note and Sold Forward Purchase Issuer Note Amortisation Amount (£/note)</u>	<u>Sold Enhancement Notes Amortisation Amount (£/note)</u>
July 2009 .....	N/A	N/A
August 2009 .....	N/A	N/A
September 2009 .....	N/A	N/A
October 2009 .....	●	N/A
November 2009 .....	●	N/A
December 2009 .....	●	N/A
January 2010 .....	●	N/A
February 2010 .....	●	N/A
March 2010 .....	●	N/A
April 2010 .....	●	N/A
May 2010 .....	●	N/A
June 2010 .....	●	N/A
July 2010 .....	●	N/A
August 2010 .....	●	N/A
September 2010 .....	●	N/A
October 2010 .....	●	N/A
November 2010 .....	●	N/A
December 2010 .....	●	N/A
January 2011 .....	●	N/A
February 2011 .....	●	N/A
March 2011 .....	●	N/A
April 2011 .....	●	N/A
May 2011 .....	●	N/A
June 2011 .....	●	N/A
July 2011 .....	●	N/A
August 2011 .....	●	N/A
September 2011 .....	●	N/A
October 2011 .....	●	N/A
November 2011 .....	●	N/A
December 2011 .....	●	N/A
January 2012 .....	●	N/A
February 2012 .....	●	N/A
March 2012 .....	●	N/A
April 2012 .....	●	N/A
May 2012 .....	●	N/A
June 2012 .....	●	N/A
July 2012 .....	●	N/A
August 2012 .....	●	N/A
September 2012 .....	●	N/A
October 2012 .....	●	N/A
November 2012 .....	●	N/A
December 2012 .....	●	N/A
January 2013 .....	●	N/A
February 2013 .....	●	N/A
March 2013 .....	●	N/A
April 2013 .....	●	N/A
May 2013 .....	●	N/A
June 2013 .....	●	N/A
July 2013 .....	●	N/A
August 2013 .....	●	N/A
September 2013 .....	●	N/A

<u>Note Payment Date falling in:</u>	<u>Issuer Note and Sold Forward Purchase Issuer Note Amortisation Amount (£/note)</u>	<u>Sold Enhancement Notes Amortisation Amount (£/note)</u>
October 2013.....	●	N/A
November 2013.....	●	N/A
December 2013.....	●	N/A
January 2014.....	●	N/A
February 2014.....	●	N/A
March 2014.....	●	N/A
April 2014.....	●	N/A
May 2014.....	●	N/A
June 2014.....	●	N/A
July 2014.....	●	N/A
August 2014.....	●	N/A
September 2014.....	●	N/A
October 2014.....	●	N/A
November 2014.....	●	N/A
December 2014.....	●	N/A
January 2015.....	●	N/A
February 2015.....	●	N/A
March 2015.....	●	N/A
April 2015.....	●	N/A
May 2015.....	●	N/A
June 2015.....	●	N/A
July 2015.....	●	N/A
August 2015.....	●	N/A
September 2015.....	●	N/A
October 2015.....	●	N/A
November 2015.....	●	N/A
December 2015.....	●	N/A
January 2016.....	●	N/A
February 2016.....	●	N/A
March 2016.....	●	N/A
April 2016.....	●	N/A
May 2016.....	●	N/A
June 2016.....	●	N/A
July 2016.....	●	N/A
August 2016.....	●	N/A
September 2016.....	●	N/A
October 2016.....	●	N/A
November 2016.....	●	N/A
December 2016.....	●	N/A
January 2017.....	●	N/A
February 2017.....	●	N/A
March 2017.....	●	N/A
April 2017.....	●	N/A
May 2017.....	●	N/A
June 2017.....	●	N/A
July 2017.....	●	N/A
August 2017.....	●	N/A
September 2017.....	●	N/A
October 2017.....	●	N/A
November 2017.....	●	N/A
December 2017.....	●	N/A
January 2018.....	●	N/A
February 2018.....	●	N/A
March 2018.....	●	N/A
April 2018.....	●	N/A
May 2018.....	●	N/A
June 2018.....	●	N/A
July 2018.....	●	N/A

<u>Note Payment Date falling in:</u>	<u>Issuer Note and Sold Forward Purchase Issuer Note Amortisation Amount (£/note)</u>	<u>Sold Enhancement Notes Amortisation Amount (£/note)</u>
August 2018.....	●	N/A
September 2018.....	●	N/A
October 2018.....	●	N/A
November 2018.....	●	N/A
December 2018.....	●	N/A
January 2019.....	●	N/A
February 2019.....	●	N/A
March 2019.....	●	N/A
April 2019.....	●	N/A
May 2019.....	●	N/A
June 2019.....	●	N/A
July 2019.....	●	N/A
August 2019.....	●	N/A
September 2019.....	●	N/A
October 2019.....	●	N/A
November 2019.....	●	N/A
December 2019.....	●	N/A
January 2020.....	0	●
February 2020.....	0	●
March 2020.....	N/A	●
April 2020.....	N/A	●
May 2020.....	N/A	●
June 2020.....	N/A	●
July 2020.....	N/A	●
August 2020.....	N/A	●
September 2020.....	N/A	●
October 2020.....	N/A	●
November 2020.....	N/A	●
December 2020.....	N/A	●
January 2021.....	N/A	●
February 2021.....	N/A	●
March 2021.....	N/A	●
April 2021.....	N/A	0
May 2021.....	N/A	0

### 6.3 Mandatory Redemption on Receipt of MoD Termination Payment

Upon either:

- (a) service by the Issuer Security Trustee of an Updated Issuer Financing Outstandings Notice where no Instalment Notice has been issued by the MoD on or prior to the Calculation Date; or
- (b) service or deemed service by the MoD of a Redemption Notice,

the Issuer will be required to give notice to Noteholders pursuant to **Condition 14 (Notice to Noteholders)** of redemption of the Notes in full, such redemption to take place (in the circumstances described in (a) above) on the Compensation Payment Date or (in the circumstances described in (b) above) the Note Payment Date immediately following the date of such notice. The notice will state that such payment will not be made through the Clearing Systems and that a Noteholder must notify the Issuer Security Trustee of a Nominated Noteholder Account, or the Issuer Security Trustee (or any other person to the Issuer Security Trustee's order) will hold the amount of such entitlement on trust for such Noteholder. Upon receipt of the Noteholder MoD Termination Payment by the Issuer (or the Issuer Security Trustee on its behalf) or payment of the relevant portion of the Noteholder MoD Termination Payment directly to Noteholders by payment to their respective Nominated Noteholder Accounts, the order of the Issuer Security Trustee (where such Noteholders have not nominated a Nominated Noteholder Account) on the Compensation Payment Date, the Issuer will be required to redeem all of the Notes at an amount equal to their respective Principal Amounts Outstanding (rounding the figure to the nearest penny with half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the Notes up to but excluding the Compensation Payment Date and (in the case of payment of the MoD Termination

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Amount as a result of termination of the CISD in accordance with Clause 85 (Termination on Authority Default) or Clause 93 (Voluntary Termination by the Authority) of the CISD) the Call Premium Amount (as defined below). Upon such redemption of the Notes in full any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will then be cancelled by or on behalf of the Issuer.

For the avoidance of doubt, receipt of the relevant portion of the Noteholder MoD Termination Payment directly by Noteholders by way of payment to their respective Nominated Noteholder Account or to the order of the Issuer Security Trustee (where such Noteholders have not nominated a Nominated Noteholder Account) will be deemed to the extent of the principal amount so paid to constitute a redemption of the Notes of the extent of such payment pursuant to this Condition 6.3.

In addition, for the avoidance of doubt, the MoD has no obligation to pay any amount in respect of any debt instrument or any other obligation of the Issuer other than the Issuer Notes and those Forward Purchase Notes which have been Sold pursuant to the terms of the Forward Note Purchase Agreement.

#### 6.4 Optional Redemption

- (a) On giving not more than 20 nor fewer than 10 days' notice to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee and provided that (A) on or prior to the Note Payment Date on which such notice expires, no Note Acceleration Notice has been served and (B) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal, premium (if any) and interest due in respect of such Notes on the relevant Note Payment Date and to discharge all other amounts required to be paid by it on the relevant Note Payment Date in priority to the Notes, the Issuer may (i) redeem on any Note Payment Date, the whole or part of each Note which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer) (and, in the case of any such partial redemption, such partial redemption must be of at least £1,000,000 in aggregate Principal Amount Outstanding of such Notes and must be such that the Principal Amount Outstanding of each such Note to be redeemed is not a fraction of a penny); and/or (ii) cancel any Forward Purchase Notes which have not been Sold to the Forward Note Purchasers under the terms of the Forward Note Purchase Agreement.
- (b) Subject as provided below, the Issuer shall, on the exercise of its option to redeem pursuant to Condition 6.4(a), redeem the relevant Notes on a *pari passu* basis *pro rata* according to the respective amounts thereof, provided that the Issuer may redeem Notes pursuant to Condition 6.4(a) in a different order if Replacement Notes (as defined in **Condition 16.2 (Further Notes, Replacement Notes and New Notes — Replacement Notes)**) are to be issued in replacement for the relevant Notes so redeemed.
- (c) Any Note redeemed pursuant to Condition 6.4(a) will be redeemed at an amount equal to the Principal Amount Outstanding of such Note (rounding the figure to the nearest penny with half a penny being rounded upwards) together with accrued and unpaid interest on the Principal Amount Outstanding of such Note (up to but excluding the date of redemption) and the Call Premium Amount.

**Call Premium Amount** means, in the case of each Note to be redeemed under Condition 6.4(a), the amount calculated by multiplying the Principal Amount Outstanding of such Notes to be so redeemed and the percentage specified for the relevant period in the table below:

<u>Period</u>	<u>Percentage</u>
the Closing Date to 31 March 2008 .....	0.50%
1 April 2008 to 31 March 2009 .....	0.40%
1 April 2009 to 31 March 2010 .....	0.30%
1 April 2010 to 31 March 2011 .....	0.20%
1 April 2011 to 31 March 2012 .....	0.10%
1 April 2012 and thereafter .....	0%

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For the avoidance of doubt, in the calculation of the Principal Amount Outstanding for the purposes of this definition of Call Premium Amount, it will be assumed that all payments by the Issuer of interest and principal to the Noteholders are made when due in accordance with these Conditions. For the purposes of these Conditions, such Call Premium Amount shall be deemed to be interest.

- (d) In the case of partial redemption under Condition 6.4(c) the Principal Amount Outstanding of any Note redeemed pursuant to Condition 6.4(a) (excluding the Amortisation Amount (if any) due in respect of such Note on the date of redemption pursuant to Condition 6.4(a)) shall be applied to reduce the remaining Amortisation Amounts in respect of such Note, on a *pro rata* basis; and the reduced Amortisation Amounts shall, if necessary, be rounded upwards or downwards to the nearest penny, at the discretion of the Issuer, but so that the sum of the reduced Amortisation Amounts, as so rounded, is equal to the Principal Amount Outstanding of the relevant Note following its redemption pursuant to Condition 6.4(a).

## 6.5 Optional Redemption for taxation or other reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Note Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any tranche of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such tranche) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein;
- (b) by reason of a change in law, which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to purchase the Initial Issuer Entitlement, any Further Issuer Entitlement and/or have an interest in the Payment Trust; or
- (c) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Note Payment Date, the Payment Trustee or the MoD would be required to deduct or withhold from any payment of principal, interest or other sum due and payable pursuant to the Payment Trust Deed or any Project Document any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein,

then the Issuer shall, if the same would avoid the effect of the relevant event described in sub-paragraph (a), (b) or (c) above, appoint a Paying Agent in another jurisdiction with the prior written approval of the Note Trustee or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes provided that the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a), (b) or (c) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Note Payment Date and having given not more than 60 nor fewer than 30 days' notice (or, in the case of an event described in sub-paragraph (b) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee and having certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Note Payment Date and to discharge all other amounts required to be paid by it on the relevant Note Payment Date, redeem all, but not some only, of the Notes at their respective Principal Amounts Outstanding together with accrued but unpaid interest up to but excluding the date of redemption. Upon such redemption in full any Forward Purchase Notes which have not been Sold under the terms of the Forward Note Purchase Agreement will be cancelled by the Issuer.

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## 6.6 Principal Amount Outstanding

The **Principal Amount Outstanding** of a Note (other than the Forward Purchase Notes prior to their Sale under the Forward Note Purchase Agreement, the Principal Amount Outstanding of which is deemed to be nil save for the purposes of determining the interest payable on such Note on the first Note Payment Date following its Sale Date and where the Forward Purchase Notes are treated as outstanding in accordance with **Condition 1.7 (Form, Denomination and Title)**) on any date shall be its original principal amount of £100,000 less the aggregate amount of all Amortisation Amounts or Deemed Amortisation Amounts and principal payments in respect of such Note which have become due and payable since the Closing Date except if and to the extent that any such payment has been improperly withheld or refused or default has otherwise been made in the payment thereof.

## 6.7 Notice of redemption

Any such notice as is referred to in Condition 6.4(a) and Condition 6.5 above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above.

## 6.8 No purchase by the Issuer or the Payment Trustee

None of the Issuer, the Payment Trustee, EADS, Paradigm, ServiceCo, Astrium (or any of their respective affiliates) will be permitted to purchase any of the Notes (other than, in the case of the Issuer, the Forward Purchase Issuer Notes and the Enhancement Notes which are to be purchased by it on the Closing Date).

## 6.9 Cancellation

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

## 6.10 Mandatory Redemption or Cancellation

- (a) On any Note Payment Date, each Forward Purchase Note not Sold as at that date shall be deemed to be redeemed by an amount equal to the Amortisation Amount which would have been paid on that Note on such Note Payment Date had it been Sold prior to such Note Payment Date.
- (b) On redemption in part of the Notes which are then outstanding (other than any Forward Purchase Notes held by or on behalf of the Issuer) in accordance with Condition 6.4, each Forward Purchase Note not Sold as at the date of such redemption shall be deemed to be redeemed in an amount equal to its Deemed Amortisation Amount.
- (c) For the avoidance of doubt, on redemption in full of the Notes in accordance with this Condition 6, the Forward Purchase Notes not Sold as at the date of such redemption shall be cancelled in full.

## 7. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment on the Notes after the withholding or deduction has been made and the Issuer shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction save to the extent that the MoD has made a payment to the Issuer or to the order of the Issuer Security Trustee which is attributable to such withholding or deduction (which it is obliged to do in respect of any withholding or deduction applicable to the Noteholder MoD Termination Payment, save that no such amounts are payable where such amounts would be payable as a result of the recipient of the relevant portion of the Noteholder MoD Termination Payment not being a UK Person).

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## 8. PRESCRIPTION

Claims in respect of principal and interest and entitlements in the Noteholder MoD Termination Payment on the Notes will be prescribed after 10 years (in the case of principal and entitlements in the Noteholder MoD Termination Payment) and five years (in the case of any other amount representing interest) from the Relevant Date in respect of the relevant payment.

In this Condition 8, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the relevant Noteholders in accordance with **Condition 14 (Notice to Noteholders)**.

## 9. ISSUER EVENTS OF DEFAULT

The Note Trustee at its absolute discretion may, and if so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of each tranche of Notes shall, (subject, in each case, to being indemnified or secured to its satisfaction) (but, in the case of the happening of any of the events described in sub-paragraph (b), only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice (a **Note Acceleration Notice**) to the Issuer that all tranches of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Note Trust Deed and that all Forward Purchase Notes held by the Issuer are cancelled, upon the occurrence of any of the following events (each, an **Issuer Event of Default**):

- (a) non-payment of principal, premium or interest due in respect of the Notes where such non-payment continues for six months from the date of termination of the CISD; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by an Extraordinary Resolution of the holders of each tranche of Notes; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by an Extraordinary Resolution of the Noteholders of each tranche, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii), in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or

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- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

Upon the service of a Note Acceleration Notice by the Note Trustee all Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Note Trust Deed. The Issuer Security will become enforceable upon the occurrence of an Issuer Event of Default.

## 10. ENFORCEMENT

Each of the Note Trustee and the Issuer Security Trustee may, at any time, at its discretion and without notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Note Trust Deed (including these Conditions) or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and at any time after the occurrence of an Issuer Event of Default, the Issuer Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Issuer Security, but neither of them shall be bound to take any such proceedings or steps unless:

- (a) in the case of the Issuer Security Trustee it shall have been so directed by the Note Trustee or, where the Notes have been redeemed in full, by all the remaining Issuer Secured Creditors, or in the case of the Note Trustee it shall have been so directed by an Extraordinary Resolution of the holders of each tranche of Notes, or so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Notes of each tranche; and
- (b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Note Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

## 11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

11.1 The Note Trust Deed and the Issuer Deed of Charge contain provisions for convening separate meetings of the holders of each tranche of Notes to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

11.2 An Extraordinary Resolution passed at any meeting of the holders of any tranche of Notes shall be binding on all such tranche of Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a Basic Terms Modification (as defined in Condition 11.7) will not take effect unless:

- (a) the Note Trustee or, as the case may be, the Issuer Security Trustee has received the written consent in each case of a majority:
- (i) (as calculated by their commitment to purchase Forward Purchase Issuer Notes) of the Forward Note Purchasers to a Basic Terms Modification to the Forward Purchase Issuer Notes; or
- (ii) (as calculated by their commitment to purchase Enhancement Notes) of the Forward Note Purchasers to a Basic Terms Modification to the Enhancement Notes;
- (b) it shall have been approved in writing by the Forward Note Purchasers pursuant to the Forward Note Purchase Agreement; and
- (c) the holders of each tranche of Notes have passed an Extraordinary Resolution sanctioning such Basic Terms Modification.

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- 11.3 An Extraordinary Resolution (other than in relation to a Basic Terms Modification and subject to **Condition 9 (Issuer Events of Default)**) passed at any meeting of the Issuer Noteholders shall not be effective for any purpose unless either the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Enhancement Noteholders and the Forward Purchase Issuer Noteholders or it is sanctioned by an Extraordinary Resolution of each of the Enhancement Noteholders and the Forward Purchase Issuer Noteholders but subject also to Condition 11.12 below.
- 11.4 An Extraordinary Resolution (other than in relation to a Basic Terms Modification and subject to **Condition 9 (Issuer Events of Default)**) passed at any meeting of the Forward Purchase Issuer Noteholders shall not be effective for any purpose unless either the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Issuer Noteholders and the Enhancement Noteholders or is sanctioned by an Extraordinary Resolution of each of the Issuer Noteholders and the Enhancement Noteholders but subject also to Condition 11.12 below.
- 11.5 An Extraordinary Resolution (other than in relation to a Basic Terms Modification and subject to **Condition 9 (Issuer Events of Default)**) passed at any meeting of the Enhancement Noteholders shall not be effective for any purpose unless either the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Issuer Noteholders and the Forward Purchase Issuer Noteholders or it is sanctioned by an Extraordinary Resolution of each of the Issuer Noteholders and the Forward Purchase Issuer Noteholders, but subject also to **Condition 11.11** below.
- 11.6 Subject as provided in Condition 11.7, the quorum at any meeting of Noteholders of any tranche for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such tranche of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant tranche, whatever the aggregate Principal Amount Outstanding of the Notes of such tranche held or represented by it or them.
- 11.7 The quorum at any meeting of Noteholders of any tranche for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or any modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment of such Notes or altering the quorum or majority required in relation to any such modification all as more particularly described in the Trust Deed (each such modification, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such tranche.
- 11.8 The Note Trustee or, as the case may be, the Issuer Security Trustee may agree, without the consent of the Noteholders:
- (a) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is not materially prejudicial to the interests of the Noteholders; or
  - (b) to any modification which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is to correct a manifest error or is of a formal, minor or technical nature.
- 11.9 The Note Trustee may also, without the consent of the Noteholders, determine that an Issuer Event of Default shall not, or shall not subject to specified conditions, be treated as such, if, in the opinion of the Note Trustee, such determination is not materially prejudicial to the interests of the Noteholders.
- 11.10 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Issuer Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with **Condition 14 (Notice to Noteholders)**.

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- 11.11 In connection with any such substitution referred to in **Condition 6.5 (Redemption — Optional redemption for taxation or other reasons)**, the Note Trustee and the Issuer Security Trustee may also agree, without the consent of the Noteholders, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, be materially prejudicial to the interests of the Noteholders.
- 11.12 Where, in connection with the exercise or performance by either of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Note Trustee or the Issuer Security Trustee is required to have regard to the interests of the Noteholders of any tranche, it shall have regard to the general interests of the Noteholders of such tranche as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Issuer Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Issuer Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

## 12. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE

The Note Trust Deed and the Issuer Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Issuer Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Issuer Security Trustee, enforcing the Issuer Security unless indemnified or secured to their satisfaction.

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

Neither the Note Trustee nor the Issuer Security Trustee will be required to disclose (unless and to the extent ordered by a court of competent jurisdiction) to any Noteholder or any other person any information (including without limitation information of a confidential, financial or price sensitive nature) made available to it or any other person in connection with the Notes or the Transaction Documents and no Noteholder or any other person shall be entitled to take any action to obtain from the Note Trustee or the Issuer Security Trustee any such information.

## 13. REPLACEMENT OF GLOBAL NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Irish Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

## 14. NOTICE TO NOTEHOLDERS

Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to Clearstream, Luxembourg and Euroclear whilst the Notes are in global form and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are listed on the Irish

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Stock Exchange and the rules of that exchange so require) filed with the Company Announcements Office of the Irish Stock Exchange.

For so long as the Notes are listed on the Irish Stock Exchange, the Issuer shall give a copy of each notice in accordance with this Condition 14 to the Irish Stock Exchange.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## **15. DEFERRAL OF INTEREST AND PRINCIPAL**

### **15.1 Interest**

Interest due on the Notes may be deferred for a period of up to six months, but only to the extent that there are insufficient funds in the Issuer Transaction Account and the Issuer Reserve Account on the relevant Note Payment Date (having made all payments in priority to the payment of interest under the relevant Issuer Priority of Payments) to make such payment.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest (including interest on unpaid interest) paid on the Notes on the relevant Note Payment Date in accordance with this Condition 15.1 falls short of the aggregate amount of interest (including interest on unpaid interest) payable (but for the provisions of this **Condition 15.1**) on the Notes on that date pursuant to **Condition 4 (Interest)**. Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Notes and shall be payable together with such accrued interest on the following Note Payment Date, subject to the provisions of the preceding paragraph.

### **15.2 Principal**

Principal and all other amounts due on the Notes may be deferred for a period of up to six months, but only to the extent that there are insufficient funds in the Issuer Transaction Account and the Issuer Reserve Account on the relevant Note Payment Date (having made all payments in priority to the payment of principal under the relevant Issuer Priority of Payments) to make such payment.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on the Notes on the relevant Note Payment Date in accordance with this Condition 15.2 falls short of the aggregate amount of principal payable (but for the provisions of this Condition 15.2) in respect of the Notes on that date pursuant to **Condition 6.2 (Redemption — Mandatory Redemption)**. Such shortfall shall accrue interest at the same rate as that payable in respect of the Notes and shall be payable together with such accrued interest on the following Note Payment Date, subject to the provisions of Condition 15.1 (in the case of such accrued interest) or the preceding paragraph (in the case of such shortfall of principal).

### **15.3 General**

Any amount of principal or interest in respect of the Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 15 or any other Condition, together with accrued interest thereon, shall in any event become payable on the Note Payment Date falling in December 2019 (in respect of the Issuer Notes and Forward Purchase Issuer Notes) and March 2021 (in respect of the Enhancement Notes) or on such earlier date as the Notes become immediately due and repayable under **Condition 9 (Issuer Events of Default)**.

### **15.4 Notification**

As soon as practicable after becoming aware that any part of a payment of interest or principal on the Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 15, the Issuer will give notice thereof to the Noteholders (and for so long as the Notes are listed on the Irish Stock Exchange, with a copy to the Irish Stock Exchange) in accordance with **Condition 14 (Notice to Noteholders)**.

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## 16. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES

### 16.1 Further Notes

The Issuer will have the right, without the consent of the Noteholders but subject always to the provisions of these Conditions of the Notes and the Note Trust Deed, to raise further funds from time to time and on any date by the creation and issue of further Notes of the same tranche and series as any of the Issuer Notes, the Forward Purchase Issuer Notes or the Enhancement Notes (**Further Notes**) in bearer form, carrying the same terms and conditions in all respects as such tranche of Notes (save as to the issue date, the first Note Payment Date, and the amortisation schedule), and so that the same shall be consolidated and form a single series and rank *pari passu* with such tranche of Notes.

Unless otherwise approved by the Noteholders, the issue of Further Notes will be subject to the following conditions precedent being fulfilled:

- (a) the Minimum MoD Termination Payment having increased by an amount equivalent to the sum of (i) the principal amount of Further Notes being issued and (ii) any other amounts required by the Issuer as a result of issuing the Further Notes; and
- (b) such increase in the Minimum MoD Termination Payment constituting a Further Issuer Entitlement sold by Paradigm to the Issuer.

### 16.2 Replacement Notes

- (a) Subject to the terms of the Forward Note Purchase Agreement, the Issuer may, without the consent of the Noteholders, issue one or more tranches of replacement notes (**Replacement Notes**) to replace one or more tranches of the Notes, which shall, subject to Condition 16.2(b), have the same amortisation schedule, payment priority and security ranking as the tranche of Notes being replaced and shall carry the same terms and conditions as the tranche of Notes which it replaces, provided that the tranche or tranches of Notes to be replaced are redeemed in full in accordance with **Condition 6.4 (Redemption — Optional Redemption)**.
- (b) The rate of interest applicable to such Replacement Notes which, if not the same as, must be lower than, the rate of interest applicable to the tranche of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the tranche of Notes which it replaces and provided that, for the purposes of this Condition 16.2(b), where the Replacement Notes or the tranche of Notes being replaced have the benefit of a Financial Guarantee, the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the tranche of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the tranche of Notes being replaced.

### 16.3 New Notes

The Issuer will be at liberty, without the consent of the Noteholders but subject always to the provisions of the Conditions of the Notes and the Note Trust Deed, to raise further funds from time to time and on any date by the creation and issue of new notes (the **New Notes**) in bearer form which may rank *pari passu* and rateably with the other tranches of Notes, and which do not form a single series or tranche with the Notes then outstanding.

Unless otherwise approved by the Noteholders, the issue of New Notes will be subject to the following conditions precedent being fulfilled:

- (a) the Minimum MoD Termination Payment having increased by an aggregate Note Value equivalent to the sum of (i) the principal amount of New Notes being issued and (ii) any other amounts required by the Issuer as a result of issuing the New Notes; and
- (b) such increase in the Minimum MoD Termination Payment constituting a Further Issuer Entitlement sold by Paradigm to the Issuer.



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#### **16.4 Supplemental trust deeds and security**

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Transaction Documents may be amended, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any tranche or tranches of the Notes, but subject always to the provisions of the Conditions of the Notes and the Note Trust Deed.

#### **17. GOVERNING LAW**

The Note Trust Deed, the Global Notes and these Conditions are governed by, and shall be construed in accordance with, English law.

#### **18. RIGHTS OF THIRD PARTIES**

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

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**AGENT BANK  
AND PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**IRISH PAYING AGENT**

**Citibank International plc**

1 North Wall Quay  
Dublin 1  
Ireland

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## MATERIAL UNITED KINGDOM TAX CONSEQUENCES

*The following is a summary of the Issuer's understanding of certain relevant aspects of current law and practice in the United Kingdom and is limited to a general consideration of the United Kingdom tax position of investors who are the absolute beneficial owners of the Notes. The summary does not purport to be a complete analysis of all tax considerations of the purchase, ownership and disposition of the Notes and so should be treated with appropriate caution. Some parts of the summary do not apply to certain classes of taxpayer (such as dealers or persons connected with the Issuer). Prospective Noteholders who may be resident or otherwise subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### Interest on the Notes

#### **Payment of Interest by the Issuer on the Notes**

Payments of interest on the Notes may be made without deduction for, or withholding on account of, United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the "Act"). The Irish Stock Exchange is a recognised stock exchange. Under a United Kingdom HM Revenue & Customs interpretation, the Notes will satisfy this requirement if they are listed by the competent authority in Ireland and are admitted to trading by the Irish Stock Exchange Limited. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) at the time payment is made that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest or that the person to whom the payment is made belongs to one of the other classes of exempt bodies or persons set out in section 349B of the Act, provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that any such exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue & Customs can issue a notice to the Issuer to pay interest to a Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders who are individuals may wish to note that HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the HM Revenue & Customs with the tax authorities of other jurisdictions.

#### **Further United Kingdom Income Tax Issues**

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to United Kingdom income tax by direct assessment even where paid without withholding or deduction.

However, interest with a United Kingdom source will not be charged to United Kingdom tax by direct assessment or, if tax has been withheld or deducted, to further United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder, if that Noteholder is not a company, carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable or, if that Noteholder is a company, carries on a trade in the United Kingdom through a permanent establishment in connection with which interest is received or to which the Notes are attributable. There are exemptions for interest received

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by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

### ***EU Directive on the Taxation of Savings Income***

Under European Council Directive 2003/48/EC on the taxation of savings income, since 1 July 2005 Member States have been required to provide to the tax authorities of another Member State, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the Issuer, the Paying Agents or any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Note is outstanding the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such Directive.

### ***United Kingdom Corporation Tax payers***

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

### ***Other United Kingdom Tax payers***

#### ***Taxation of chargeable gains***

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

### ***Accrued income scheme***

On a disposal of Issuer Notes by a Noteholder who is not subject to United Kingdom corporation tax, any interest which has accrued since the last Note Payment Date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Issuer Notes are attributable. Where the accrued income scheme applies on a disposal of the Issuer Notes in this way, the purchaser of the Issuer Notes will be treated as entitled to a credit under the accrued income scheme in an amount equal to the interest accrued since the last Note Payment Date to set against any actual interest received by the purchaser in respect of the Issuer Notes.

The Forward Purchase Notes may constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme as it applies to variable rate securities on a disposal of Forward Purchase Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Forward Purchase Notes are attributable the Noteholder may be charged to income tax on an amount which is just and reasonable in the circumstances. The purchaser of such Forward Purchase Notes will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Forward Purchase Notes (which may therefore be taxable in full).

### ***Stamp Duty and Stamp Duty Reserve Tax (SDRT)***

No United Kingdom stamp duty or SDRT is payable on the issue or a transfer of the Notes.

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**SUBSCRIPTION AND SALE**

Citigroup Global Markets Limited (**CGML**) and Goldman Sachs International (**GSI**) (together the **Underwriters**) have, along with Dexia Banque Internationale à Luxembourg and [●] (the **Co-Lead Managers**) under the Subscription Agreement, agreed with the Issuer, EADS, Paradigm and ServiceCo to subscribe the Issuer Notes at the issue price of 100 per cent.

The Issuer will also pay, *inter alia*, the following commissions to CGML and GSI in their capacity as lead managers:

- (a) a management commission of [●] per cent. of the aggregate principal amount of the Issuer Notes;
- (b) a management commission of [●] per cent. of the aggregate principal amount of the Forward Purchase Issuer Notes; and
- (c) a management commission of [●] per cent. of the aggregate principal amount of the Enhancement Notes;

Pursuant to the Subscription Agreement the Issuer will agree to repurchase the Forward Purchase Issuer Notes and the Enhancement Notes on the Closing Date (to be held by the Note Custodian pending Sale) and pursuant to the Forward Note Purchase Agreement the Forward Note Purchasers will agree to purchase such Notes from the Issuer in the circumstances and as more particularly described in the section "*Summary of Transaction Documents — Finance Documents — Forward Note Purchase Agreement*" above.

Pursuant to the Forward Note Purchase Agreement, the Issuer will pay to the Forward Note Purchasers an amount monthly in arrear on each Note Payment Date equal to:

- (a) [●] per cent. per annum in respect of the principal amount of the Forward Purchase Issuer Notes not Sold to the Forward Note Purchasers on or before that Note Payment Date; and
- (b) [●] per cent. per annum in respect of the principal amount of the Enhancement Notes not Sold to the Forward Notes Purchasers on or before that Note Payment Date.

in each case *pro rata* for such month in respect of the Forward Purchase Notes Sold to the Forward Note Purchasers since the previous Note Payment Date.

The obligations of the Underwriters under the Subscription Agreement and the Forward Note Purchasers under the Forward Note Purchase Agreement are subject to a number of conditions. The Subscription Agreement may be terminated by the Underwriters in certain circumstances prior to the issue of the Notes by the Issuer. The Issuer has agreed to indemnify or procure the indemnification of the Underwriters against certain liabilities in connection with the issue of the Notes.

Save as described above, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

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- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
  - (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and for purposes of this paragraph the term **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### United Kingdom

Each Underwriter has 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Notes in, from or otherwise involving the United Kingdom.

### United States

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

Each Underwriter has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section “*Subscription and Sale*”, the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

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

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act other than that provided by Section 4(3) of the Securities Act.

### Ireland

Each Underwriter has represented and agreed that:

- (a) in respect of a local offer (within the meaning of section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland) of Notes in Ireland, it has complied and will comply with section 49 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland;

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- (b) it has only issued or passed on, and will only issue or pass on, in Ireland or elsewhere, any document received by it in connection with the issue of Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
  - (c) it has complied and will comply with all applicable provisions of the Investment Intermediaries Act, 1995 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of an Underwriter acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 92/22/EC of 10th May, 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Act, 1995 of Ireland (as amended) and, in the case of an Underwriter acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20th March, 2000 (as amended or extended), it has complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act, 1989 of Ireland (as amended).

### General

Other than the approval by the Financial Regulator in Ireland of this Prospectus as a Prospectus in accordance with the requirements of the Prospectus Directive and implementing measures in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Underwriters have undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

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**GENERAL INFORMATION**

1. The issue of the Issuer Notes, the Forward Purchase Issuer Notes and the Enhancement Notes has been authorised by a resolution of the board of directors of the Issuer passed on 12 December 2005.
2. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. The listing of the Notes is expected to be granted on or about 15 December 2005. Copies of this Prospectus, which constitutes the prospectus in connection with the application for the Notes to be admitted to the Official List of the Irish Stock Exchange, will be available from the registered office of the Issuer and the specified office of each of the Paying Agents.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and the ISIN for the Notes is as follows:

	<u>Common Codes</u>	<u>ISIN</u>
Issuer Notes and Forward Purchase Issuer Notes . . . . .	<u>023819180</u>	<u>XS0238191802</u>
Enhancement Notes . . . . .	<u>023819406</u>	<u>XS0238194061</u>

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

The Note Custodian for the Forward Purchase Notes is Citibank, N.A., London Branch. The address of the Note Custodian is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

4. No statutory or non-statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer have been prepared.
5. Neither the Issuer nor Holdings will publish interim accounts. The Issuer and Holdings will publish and produce annual audited consolidated financial statements, which accounts will be available, free of charge, from the specified office of the Irish Paying Agent. Paradigm will publish annual financial statements, which will be available, free of charge, from the specified office of the Irish Paying Agent.
6. Since their respective dates of incorporation, there has been no significant change in the financial or trading position of the Issuer or Holdings.
7. The Issuer is not involved in any governmental, legal or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position or profitability, nor is the Issuer aware that any such proceedings are pending or threatened. Holdings is not involved in any legal or arbitration proceedings which may have, or have had, since 14 October 2005 (being the date of incorporation of Holdings) a significant effect on its financial position or profitability, nor, so far as it is aware, are any such proceedings pending or threatened.
8. Save as disclosed in this Prospectus, since 14 October 2005 (being the date of incorporation of the Issuer), the Issuer has not commenced operations and no financial statements of the Issuer have been made up as of the date of this Prospectus, and there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer. Save as disclosed in this Prospectus, since 31 December 2004 there has been no material adverse change in the financial or trading position of Paradigm or EADS.
9. Save as disclosed in this Prospectus, the Issuer does not have outstanding loan capital, borrowings, indebtedness or enhancement liabilities, nor has the Issuer created any mortgage or charge or given any guarantee.
10. The Notes, Coupons and Talons (if any) will contain the following legend: "Any United States person (as defined in the Internal Revenue Code) who holds these obligations will be subject to



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- limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”.
11. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in its ordinary course of business other than the Subscription Agreement(s).
  12. The Note Trust Deed and the Issuer Deed of Charge will provide that the Note Trustee and the Issuer Security Trustee, respectively, may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Note Trust Deed and the Issuer Deed of Charge, respectively, whether or not any such report or other information, or engagement letter or other document entered into by the Note Trustee or the Issuer Security Trustee (as the case may be) and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.
  13. Copies of the following documents may be inspected free of charge in printed or electronic form during normal business hours on any Business Day (excluding public holidays) at the specified offices of the Irish Paying Agent and the Issuer for the life of this Prospectus:
    - (a)
      - (i) the Memorandum of Association and Articles of Association of the Issuer, and the Articles of Association of Holdings;
      - (ii) the balance sheets of the Issuer and Holdings as at 12 December 2005;
      - (iii) the consent referred to in paragraph 15 below;
      - (iv) the Subscription Agreement; and
      - (v) the Forward Note Purchase Agreement; and
    - (b) after the Closing Date, copies of the following documents:
      - (i) Master Transaction Deed;
      - (ii) Payment Trust Deed;
      - (iii) Issuer Entitlement Sale Agreement;
      - (iv) MoD Direct Agreement;
      - (v) extracts of the CISD (permitted to be made available for inspection in compliance with United Kingdom national security requirements);
      - (vi) Custody Agreement;
      - (vii) Payment Trustee Cash Management Agreement;
      - (viii) Payment Trustee Corporate Services Agreement;
      - (ix) Payment Trustee Bank Account Agreement;
      - (x) Issuer Deed of Charge;
      - (xi) Note Trust Deed;
      - (xii) Agency Agreement;
      - (xiii) Issuer Cash Management Agreement;
      - (xiv) Issuer Corporate Services Agreement; and
      - (xv) Issuer Bank Account Agreement.
  14. Copies of the most recent annual audited non-consolidated financial statements of the Issuer may be obtained free of charge from the specified offices of the Irish Paying Agent as soon as they are publicly available.
  15. The Auditors of Paradigm are KPMG LLP, chartered accountants and registered auditors, whose address is at Canada Square, London E14 5AG. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales. The Auditors have prepared an accountant’s report on Paradigm, which has been reproduced in this Prospectus on page 124. The auditors of Paradigm have no material interest in Paradigm.

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KPMG LLP has given and not withdrawn its consent to the issue of this Prospectus and the inclusion herein of its accountant's report and reference to its name in the form and content in which it is included or incorporated, and has authorised the contents of that part of this Prospectus.

Paradigm confirms that the accountant's report reproduced in this Prospectus on page 124 has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by KPMG LLP, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. The Auditors of the Issuer are KPMG LLP, chartered accountants and registered auditors, whose address is at 1 Canada Square, London E14 5AG. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.
17. The Issuer does not intend to provide any post-issuance information in relation to the Notes other than as detailed in **Condition 15.4 (Deferral of Interest and Principal — Notification)**.
18. None of the websites referred to in this Prospectus form part of the Prospectus or part of any other documents relating to the listing of the Notes.

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**ACCOUNTS**

**ACCOUNTS OF PARADIGM SECURE COMMUNICATIONS LIMITED**

**PARADIGM SECURE COMMUNICATIONS  
LIMITED**

**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

Registered number 4562657

31 December 2004

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### Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

The Company's principal activity is the operation of a 15 year Private Finance Initiative contract for the Defence Procurement Agency. No change in the Company's activities is anticipated in the future.

### Business review

The results for the year are set out in the profit and loss account on page 128.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the period were as follows:

	<u>Appointed</u>	<u>Resigned</u>
Eric Beranger . . . . .		
Malcolm Peto . . . . .		
Laurent Martinez . . . . .		22 June 2004
Vincent Jacob . . . . .	22 June 2004	
James Beazley . . . . .	22 June 2004	

None of the directors who held office at the end of the financial year had any interests to disclose, in the shares of the company, or the Parent.

### Political and charitable contributions

The Company made no political contributions during the period.

The Company made donations to charity, totalling £2,000 (2003: £nil)

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the formal appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

James Beazley  
Director

21 Holborn Viaduct  
London, EC1A 2FG  
24<sup>th</sup> June 2005

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**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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**KPMG**

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

**Report of the independent auditors to the members of Paradigm Secure Communications Limited**

We have audited the financial statements on pages 128 to 136.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 125, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, by the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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**KPMG LLP**

*Chartered Accountants  
Registered Auditor*

**Profit and loss account  
for the 12 month period ended 31 December 2004**

	<u>Note</u>	<u>2004</u> £000	<u>2003</u> £000
<b>Turnover</b> .....	2	<b>54,347</b>	8,296
Cost of sales .....		<b>(68,148)</b>	(17,019)
<b>Gross loss</b> .....		<b>(13,801)</b>	(8,723)
Administrative expenses .....		<b>(3,804)</b>	(2,067)
<b>Operating loss</b> .....		<b>(17,605)</b>	(10,790)
Other interest receivable and similar income .....	6	<b>474</b>	191
Interest payable and similar charges .....	7	<b>(4,117)</b>	(724)
<b>Loss on ordinary activities before taxation</b> .....	2,3	<b>(21,248)</b>	(11,323)
Tax on loss on ordinary activities .....	8	<b>6,330</b>	3,358
<b>Retained loss for the period</b> .....	15	<b>(14,918)</b>	(7,965)

The results above are all derived from continuing operations. There are no recognised gains and losses for the period other than those recorded in the profit and loss account.

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**Balance sheet**  
**at 31 December 2004**

	<u>Note</u>	<u>2004</u> £000	<u>2004</u> £000	<u>2003</u> £000	<u>2003</u> £000
<b>Fixed assets</b>					
Tangible assets .....	9		471,315		221,987
<b>Current assets</b>					
Debtors (including £9,688,000 (2003: £3,358,000) due after more than one year) ...	10	48,401		27,028	
Cash at bank and in hand .....		8,127		42,973	
		56,528		70,001	
<b>Creditors: amounts falling due within one year .....</b>	11	<b>(47,074)</b>		(44,009)	
<b>Net current assets .....</b>			<b>9,454</b>		25,992
<b>Total assets less current liabilities .....</b>			<b>480,769</b>		247,979
<b>Creditors: amounts falling due after more than one year .....</b>	12		<b>(503,651)</b>		(255,943)
<b>Net liabilities .....</b>			<b>(22,882)</b>		(7,964)
<b>Capital and reserves</b>					
Called up share capital .....	14		1		1
Profit and loss account .....	15		<b>(22,883)</b>		(7,965)
<b>Equity shareholders' funds .....</b>			<b>(22,882)</b>		(7,964)

These financial statements were approved by the board of directors on 24th June 2005 and were signed on its behalf by:

James Beazley  
*Director*

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**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2004**

	<u>2004</u> £000	<u>2003</u> £000
<b>Loss for the financial period</b> .....	<b>(14,918)</b>	(7,965)
New share capital subscribed .....	—	1
<b>Net reduction in shareholders' funds</b> .....	<b>(14,918)</b>	(7,964)
Opening shareholders' funds .....	<b>(7,964)</b>	—
<b>Closing shareholders' funds</b> .....	<b>(22,882)</b>	(7,964)

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**Notes**

*(forming part of the financial statements)*

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except as noted below.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The shareholders funds for the period ended 31 December 2004 show a deficit of £22,882,000. This is a result of the early phase in the Company's 15 year concession period. The Company has a secured bank facility that will enable it to continue trading for the foreseeable future (see note 12). The Company is not in breach of its covenant terms. The directors have reviewed the forecast and believe that the financial position will strengthen in the future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of EADS NV, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of EADS NV, within which this Company is included, can be obtained from the address given in note 17.

***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery . . . . .	over the period of the concession
Fixtures, fittings, tools, and equipment . . . . .	3 to 10 years

Tangible fixed assets comprise satellite and ground infrastructure assets in the course of construction relating to the PFI project covered by the concession agreement between the Company and the Defence Procurement Agency. Tangible fixed assets are stated at original costs less accumulated depreciation. In the case of assets constructed by the Company, related works and administrative overheads, commissioning costs and borrowing costs as per FRS 15 are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date. Depreciation on such assets commences when the assets are commissioned.

Cost includes directly attributable finance costs.

***Taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

***Turnover***

Turnover represents receipts of PFI charges income, recognised on an accruals basis, and is stated net of VAT.

The Company enters into certain long-term contracts and accounts for them in accordance with SSAP 9. The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for

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**Notes (Continued)**

such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses on payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Other turnover represents amounts invoiced, excluding VAT.

**Post-retirement benefits**

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement benefits, accounts for the scheme as if it was a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**2 Analysis of turnover and loss on ordinary activities before taxation**

All turnover and loss on ordinary activities before taxation is derived from the Company's principal activity and originates in the United Kingdom.

**3 Loss on ordinary activities before taxation**

	<u>2004</u> £000	<u>2003</u> £000
<b>Loss on ordinary activities before taxation is stated after charging</b>		
Auditors' remuneration:		
Audit services .....	16	24
Taxation .....	37	6
Other services — fees paid to the auditor and its associates .....	37	
Depreciation and other amounts written off tangible fixed assets: .....	2,139	267

**4 Remuneration of directors**

	<u>2004</u> £000	<u>2003</u> £000
Directors' emoluments .....	342	24
Pension contributions .....	49	6
	391	30

Eric Beranger and Vincent Jacob received no remuneration for their services as directors to Paradigm Secure Communications Limited.

**5 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	<u>Number of employees 2004</u>	<u>Number of employees 2003</u>
Project management .....	13	16
Marketing and business development .....	8	7
General and administrative .....	13	7
	34	30

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**Notes (Continued)**

The aggregate payroll costs of these persons were as follows:

	<u>2004</u> £000	<u>2003</u> £000
Wages and salaries .....	2,051	713
Social security costs .....	247	45
Other pension costs .....	429	75
	<b>2,727</b>	<b>833</b>

The Company is a member of the EADS Astrium Pension Scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The total deficit of the scheme is presently unknown, since the scheme has recently been reorganised as part of a larger group reorganisation and the transfer into the scheme of additional members from other schemes.

A full actuarial valuation will be carried out by a qualified independent actuary. The contribution for the period was £429,000. It has been agreed that this level of contribution will continue until the actuarial valuation.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**6 Other interest receivable and similar income**

	<u>2004</u> £000	<u>2003</u> £000
Bank interest receivable .....	423	191
Other .....	51	
	<b>474</b>	191

**7 Interest payable and similar charges**

	<u>2004</u> £000	<u>2003</u> £000
On bank loans and overdrafts .....	23,488	3,050
Interest payable on parent company loan .....	5,462	563
	<b>28,950</b>	3,613
Less finance costs capitalised (see note 9) .....	<b>(24,833)</b>	(2,889)
	<b>4,117</b>	724

**8 Taxation**

	<u>2004</u> £000	<u>2003</u> £000
<i>UK corporation tax</i>		
Current tax for the period .....	—	—
Total current tax .....	—	—
Deferred tax (see note 13) .....	6,330	3,358
Tax on profit on ordinary activities .....	<b>6,330</b>	3,358

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**Notes (Continued)**

**Factors affecting the tax charge for the current period**

The current tax credit for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	<u>2004</u> £000	<u>2003</u> £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax .....	<b>(21,248)</b>	(11,323)
Current tax at 30% .....	<b>6,373</b>	3,396
<i>Effects of</i>		
Capitalised interest .....	<b>7,451</b>	866
Capitalised pre-contract costs .....	<b>(36)</b>	3,145
Loan note interest .....	<b>(1,639)</b>	(168)
Capital allowances for period in excess of depreciation .....	<b>16,616</b>	2,855
Other .....	<b>(14)</b>	(159)
Losses carried forward .....	<b>(28,751)</b>	(9,935)
Total current tax charge (see above) .....	<b>—</b>	<b>—</b>

**9 Tangible fixed assets**

	<u>Plant and machinery</u> £000	<u>Fixtures, fittings, tools and equipment</u> £000	<u>Payments on account and assets in course of construction</u> £000	<u>Total</u> £000
<b>Cost</b>				
At beginning of period .....	7,970	18	214,266	222,254
Additions .....	11,766	117	241,694	253,577
Disposal .....	—	—	(2,110)	(2,110)
<b>At end of period</b> .....	<b>19,736</b>	<b>135</b>	<b>453,850</b>	<b>473,721</b>
<b>Depreciation</b>				
At beginning of period .....	(91)	—	(176)	(267)
Charge for period .....	(1,025)	(9)	(1,105)	(2,139)
<b>At end of period</b> .....	<b>(1,116)</b>	<b>(9)</b>	<b>(1,281)</b>	<b>(2,406)</b>
<b>Net book value</b>				
<b>At 31 December 2004</b> .....	<b>18,620</b>	<b>126</b>	<b>452,569</b>	<b>471,315</b>
At start of period .....	7,879	18	214,090	221,987

Included in the cost of tangible fixed assets is £27,722,000 (2003: £2,889,000) in respect of capitalised finance costs.

**10 Debtors**

	<u>2004</u> £000	<u>2003</u> £000
Trade debtors .....	<b>8,632</b>	6,260
Other debtors .....	<b>294</b>	1
Prepayments and accrued income .....	<b>404</b>	558
Taxation .....	<b>10,687</b>	7,094
Amounts owing from group undertakings .....	<b>28,384</b>	13,115
	<b>48,401</b>	27,028

Taxation debtors include £9,688,000 (2003: £3,358,000) of deferred tax due after more than one year.

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**Notes (Continued)**

**11 Creditors: amounts falling due within one year**

	<u>2004</u> £000	<u>2003</u> £000
Trade creditors .....	321	3,608
Amounts owed to group undertakings .....	41,739	37,227
Taxation and social security .....	63	56
Accruals and deferred income .....	4,950	3,117
Other creditors .....	1	1
	<b>47,074</b>	44,009

**12 Creditors: amounts falling due after more than one year**

	<u>2004</u> £000	<u>2003</u> £000
Bank loans .....	408,815	220,175
Loan notes owed to group undertakings .....	119,076	60,985
	<b>527,891</b>	281,160
Less unamortized debt issue costs .....	(24,240)	(25,217)
	<b>503,651</b>	255,943

Included within amounts owed to group undertakings are £119,076,001 (2003: £60,985,000) of loan notes and accrued interest.

£56,525,501 (2003: £30,492,501) is in respect of Class A secured loan notes 2058 issued to EADS Space BV. Interest will accrue on the loan notes at 12% per annum. Accrued interest will be paid as soon as it is permitted under the Company's credit agreements. Except in the case of an event of default the loan notes shall be repayable in 2058. Interest accrued is £6,025,000, and has been added to the principal.

£56,525,500 (2003: £30,492,500) is in respect of Class B unsecured loan notes 2058 issued to Paradigm Secure Communications (Holdings) Limited. To the extent that the Company has profits and the cash to pay such interest and is permitted to do so under its credit agreements, interest will accrue on the loan notes at 12% per annum. Except in the case of an event of default they shall be repayable in 2058. No interest accrued on the Class B loan notes in the period.

**Analysis of bank loans**

The bank loans, which are denominated in Sterling, carry an interest rate of 0.9% above LIBOR. They are part of a £986 million credit facility that runs to 2015. They are secured through a combination of debentures and parent guarantees. The amount falls due in five years or more.

	<u>2004</u> £000	<u>2003</u> £000
Less than a year		
Between one and five years .....	89,792	27,601
Over 5 years .....	319,023	192,574
	<b>408,815</b>	220,175

**13 Deferred taxation**

The elements of deferred taxation are as follows:

	<u>2004</u> £000	<u>2003</u> £000
Difference between accumulated depreciation and amortisation and capital allowances .....	(16,628)	(12)
Other timing differences .....	(12,394)	(676)
Trading losses carried forward .....	38,710	4046
	<b>9,688</b>	3,358

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**Notes (Continued)**

The deferred tax asset is recorded in the accounts as the directors believe that it will be fully recoverable.

**14 Called up share capital**

	<u>2004</u> £000	<u>2003</u> £000
<b>Authorised</b>		
Equity: 1,000 Ordinary shares of £1 each.....	1	1
<b>Allotted, called up and fully paid</b>		
Equity: 1,000 Ordinary shares of £1 each.....	1	1

**15 Reserves**

	<u>Profit and loss account</u> £000
At beginning of period .....	(7,965)
Retained loss for the period .....	(14,918)
At end of period.....	(22,883)

**16 Related party disclosures**

As the Company is a wholly owned subsidiary of EADS NV, it has taken advantage of the exemption in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of EADS NV, are available from Investor Relations, 37 Boulevard Montmorency, 75781 Paris Cedex 16, France.

**17 Ultimate parent undertaking and parent undertaking of larger group**

The Company's immediate parent undertaking is Paradigm Secure Communications (Holdings) Limited. The smallest and largest group in which the results of the Company are consolidated is EADS NV, its ultimate parent undertaking. The financial statements of EADS NV can be obtained from Investor Relations, 37 Boulevard Montmorency, 75781 Paris Cedex 16, France.

**18 Post balance sheet events**

Since the end of the period the Company has issued £15,012,989 of Secured Loan Notes (A Notes) 2058 to EADS Space BV and £15,012,989 of Unsecured Loan Notes (B Notes) to Paradigm Secure Communications (Holdings) Limited.

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**GLOSSARY**

**General Definitions**

**"5C Payload AIT Completion"** means the completion of the assembly, integration and testing of the communications repeater and antenna equipment for the third Skynet 5 satellite to be launched;

**"5C Satellite AIT Completion"** means the completion of the assembly, integration and testing for the payload of the third Skynet 5 satellite to be launched together with the platform for that satellite which will result in that payload and platform forming a complete and tested spacecraft;

**"5C SCOF Completion"** means the delivery by Astrium and acceptance by Paradigm of the satellite control and operations facility (SCOF) required to operate the third Skynet 5 satellite to be launched;

**"Accountholder"** means each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note;

**"Affiliate"** means, as to any person, a person who directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, the first person;

**"Agency Agreement"** means the agency agreement dated the Closing Date between the Issuer, the Principal Paying Agent, the Irish Paying Agent, the Agent Bank, the Issuer Security Trustee and the Note Trustee;

**"Agent Bank"** has the meaning given to it on page 93 of this Prospectus;

**"Aggregate Purchase Price"** means, in respect of the purchase by the Issuer of any Issuer Entitlement, an amount equal to (a) in the case of the sale of the Initial Issuer Entitlement, £[●] and (b) in the case of the sale of any Further Issuer Entitlement, the proceeds of the Sale of the Forward Purchase Issuer Notes and the Enhancement Notes Sold on such Sale Date;

**"Aggregate Relevant Principal Amount"** means, as at any date, in respect of any Minimum Issuer Financing Compensation Notice, the sum of:

- (a) the Relevant Principal Amount as at the date of the Minimum Issuer Financing Compensation Notice; and
- (b) any Relevant Principal Amount (in addition to the amount referred to in paragraph (a) above) which is stated in terms of the Minimum Issuer Financing Compensation Notice to apply as at the Sale Date in relation to which the Aggregate Relevant Principal Amount is calculated;

**"Amortisation Amount"** means on any Note Payment Date, in respect of an Issuer Note, a Sold Forward Purchase Issuer Note or a Sold Enhancement Note, the relevant amounts set out in Condition 6.2 (**Mandatory Redemption**);

**"Assets"** means all assets required by Paradigm and/or its Sub-Contractors and/or their officers, employees and agents to perform any of the obligations of Paradigm under the CISD including those required to deliver the Services under the CISD;

**"Assigned Hedging Arrangements"** means the Hedging Arrangements, certain rights under which have been assigned by Paradigm to the Payment Trustee in accordance with the Payment Trust Deed;

**"Astrium"** means EADS Astrium Limited;

**"Authority Arrangements"** means arrangements between Paradigm and the MoD relating to delivery of services directly or indirectly to NATO using the System;

**"Authority Default"** has the meaning given to MoD Default on page 65 of this Prospectus;

**"Basic Terms Modification"** means a modification of the date of maturity of any Notes or any modification to the Conditions which would have the effect of postponing any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment of such Notes or altering the quorum or majority required in relation to any such modification (all as more particularly described in the Note Trust Deed);



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“**Beneficiaries**” means Paradigm and the Issuer as beneficiaries under the Payment Trust;

“**Business Day**” means a day (other than Saturday or Sunday) on which banks are open for general business in both London and Dublin;

“**Cabinet**” has the meaning given to it on page 78 of this Prospectus;

“**Calculation Period**” means the period from (and including) a Distribution Date to (but excluding) the immediately following Distribution Date;

“**Calculation Date**” means the date falling 15 Business Days after the date of termination or deemed termination of the CISD;

“**Call Premium Amount**” means the amount so designated payable under Condition 6.4 (Mandatory Redemption on Receipt of MoD Termination Payment) in respect of an optional redemption of the Notes;

“**Call Reports**” has the meaning given to it on page 79 of this Prospectus;

“**CDS**” means the Chief of the Defence Staff;

“**Central Availability Deductions**” means deductions that are applied to certain elements of the core revenue streams and are linked to events particular to the capabilities assured to be available to the MoD;

“**Central Availability Tariff**” means the tariff level so designated and described in “*Service Payments*”;

“**CGML**” means Citigroup Global Markets Limited;

“**Change in Law**” means either a Qualifying Change in Law or a General Change in Law;

“**Chargor**” means the Issuer and any other person who provides security under a Security Document;

“**CISD**” means the Contract for Implementation and Service Delivery dated 24 October 2003 (as amended and restated from time to time, including on or around the Closing Date);

“**CISD Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in England;

“**CISD Milestone**” has the meaning given to it on page 16 of this Prospectus;

“**CISD Period**” means the period commencing on the effective date of the CISD and expiring on the earlier of (i) the date upon which the CISD shall terminate in accordance with its terms or at Law or (ii) the Expiry Date;

“**CISD Service Specification**” means the service specification set out in the CISD;

“**Citibank**” has the meaning given to it on page 79 of this Prospectus;

“**Citigroup**” means the company more particularly described on page 79 of this Prospectus;

“**Claims**” means any claim, demand, proceedings or liability;

“**Clearing System**” means:

(a) Clearstream, Luxembourg; and/or

(b) Euroclear;

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme;

“**Closing Date**” means 15 December 2005;

“**Co-Lead Managers**” has the meaning given to it on page 118;

“**Collocated Equipment**” means certain items designated as such in accordance with the terms of the CISD, but excluding any item which has been replaced, returned to the MoD or disposed of in accordance with the CISD;

“**Commitment Fees**” has the meaning given to it on page 56 of this Prospectus;

“**Committee**” means the Basel Committee on Banking Supervision;

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“**Common Depository**” means Citibank, N.A., London Branch acting as the common depository for Clearstream, Luxembourg and Euroclear and any of its successors or permitted assignees;

“**Compensated Hedging Arrangements**” has the meaning given on page 61 of this Prospectus;

“**Compensation Events**” has the meaning given to it on page 36 of this Prospectus;

“**Compensation Payment Date**” means the date falling 30 Business Days after the date of termination or deemed termination of the CISD;

“**Company Insurance Proceeds Account No 1**” has the meaning given to it on page 71 of this Prospectus;

“**Comptroller**” has the meaning given to it on page 79 of this Prospectus;

“**Conditions**” means, in relation to the Notes, the terms and conditions applicable to the Notes in the form set out in Schedule 3 to the Note Trust Deed and, in relation to any Further Notes, the terms and conditions applicable thereto in the form set out or referred to in the supplemental note trust deed relating thereto, as any of the same may from time to time be altered in accordance with the provisions of the Note Trust Deed and any reference in the Note Trust Deed to a particular numbered Condition shall be construed in relation to any Further Notes as a reference to the provision (if any) in the Conditions thereof which corresponds to that particular Condition in the Notes;

“**Confirmation**” means a letter agreement confirming the terms of a swap transaction entered into pursuant to a Paradigm Master Agreement;

“**Construction Tranche**” means the £● term loan facility made available by EADS as lender to Paradigm, as borrower pursuant to the Construction Tranche Loan Agreement;

“**Construction Tranche Direct Agreement**” means the agreement so designated dated on or around the Closing Date between, among others, Paradigm, the MoD and the Paradigm Security Trustee;

“**Construction Tranche Loan Agreement**” means the loan agreement entered into on or around the Closing Date between Paradigm and the Construction Tranche Lender;

“**Continuation Period**” means the period during which the MoD requires Paradigm to continue its obligations under the CISD including without limitation following a Prolonged Force Majeure;

“**Contractual Partnership**” has the meaning given to it on page 87 of this Prospectus;

“**Control**” means the ability of one person to control the affairs of another person. Without prejudice to the generality of this principle, one person (the controller) shall have “control” over another (the controlled person):

- (a) if the controller has the power directly or indirectly to direct the management and policies of the controlled person, whether such power is derived through contract, the right to control the majority of the voting share capital of a person, the right to appoint a majority of the board of directors of that person or otherwise; or
- (b) if the controlled person is a company of which the controller owns not less than fifty per cent. (50%) of the ordinary share capital and the controller is able to direct or prevent the taking of material decisions of the controlled person; or
- (c) in relation to a limited partnership, if the general partner of that limited partnership is a controlled person of the controller within the scope of paragraph (a) or (b) above;

“**Co-operation Agreement**” means the agreement dated 24 October 2003 between Paradigm, Service Co and EADS (as the same may be amended and restated from time to time including on or about the Closing Date);

“**Council**” means the European Council of Economics and Finance Ministers;

“**Coupon**” means each bearer interest coupon in or substantially in the form set out in Part B of Schedule 2 to the Note Trust Deed, appertaining to the Definitive Notes and includes, where applicable, the Talons appertaining thereto and any replacement for any Coupons or Talons issued pursuant to Condition 13 (Replacement of Global Notes);

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“**Crisis Notification**” means notification by the MoD to Paradigm in accordance with the CISD that crisis conditions exist which require Paradigm to provide Services under the CISD or utilise the System including, without limitation, in a manner not contemplated by the CISD;

“**Crown**” means the MoD, and all Ministers of the Crown, the armed forces of the United Kingdom (comprising the Royal Navy, the Army and the Royal Air Force), departments within H.M. Government, Crown agencies and authorities and includes any emanation of the Crown;

“**Custody Agreement**” means the custody agreement between the Note Custodian and the Issuer, which will be entered into on the Closing Date, in respect of the provision of custody services in relation to the Forward Purchase Notes;

“**Deductions**” means any of the deductions (and/or credits) specified in the CISD and calculated in accordance with the CISD;

“**Deemed Amortisation Amount**” means the aggregate amount of the original principal amount of the Forward Purchase Note which has been deemed to be redeemed prior to its Sale in accordance with Condition 6.10 (**Redemption — Mandatory Redemption or Cancellation**) being (a) the Amortisation Amounts which would have been paid on the Forward Purchase Note prior to the Sale Date in accordance with Condition 6.2 (**Redemption — Mandatory Redemption**) had that Note been Sold on the Closing Date and (b) the principal amount of the Forward Purchase Note deemed to be redeemed upon an optional redemption in part of the Notes (other than the Forward Purchase Notes not yet Sold) in accordance with Condition 6.4 (**Redemption — Optional Redemption**);

“**Defaulting Purchaser**” means a Forward Note Purchaser who has failed to purchase any amount of Forward Purchase Notes in accordance with the Forward Note Purchase Agreement within 5 Business Days of the relevant Sale Date;

“**Deferral Period**” means the period of up to six months following termination of the CISD during which payments of principal and interest on the Notes may be deferred to the extent that there are insufficient funds in the Issuer Reserve Account to pay any Payment Shortfall;

“**Deferred Purchase Price**” or “**DPP**” means that part of the Aggregate Purchase Price in respect of the sale of an Issuer Entitlement (the **Relevant Issuer Entitlement**) that is payable by the Issuer (to the extent that there are funds available for such payment in accordance with the relevant Issuer Priority of Payments) on the date of cancellation or redemption in full of the Notes calculated as an amount equal to the aggregate of:

- (a) in respect of the Initial Issuer Entitlement the aggregate of:
  - (i) an amount of £[•] per Issuer Note issued on the Closing Date; and
  - (ii) £250,000; and
- (b) in respect of a Further Issuer Entitlement the aggregate of:
  - (i) an amount of £[•] per Forward Purchase Issuer Note Sold on such Sale Date multiplied by the number of Forward Purchase Issuer Notes Sold on such Sale Date; and
  - (ii) an amount per Enhancement Note Sold on such Sale Date multiplied by the number of Enhancement Notes Sold on such Sale Date calculated as the aggregate of:
    - (A) in respect of principal, £20,000 per Enhancement Note Sold on such Sale Date; and
    - (B) in respect of interest, an amount equal to three months’ interest payable on the Principal Amount Outstanding on the Enhancement Notes, calculated using a rate of interest equal to the aggregate of the fixed rate of interest payable under the Hedging Arrangements entered into in connection with the Sale of the Enhancement Notes plus the Margin;

“**Definitive Enhancement Notes**” means Enhancement Notes in bearer definitive form;

“**Definitive Issuer Notes**” means Issuer Notes in bearer definitive form;

“**Definitive Notes**” means Notes in bearer definitive form;

“**Deliverable Item**” means the items specified as deliverables in the System Prime Contract;

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“**Discriminatory Change in Law**” has the meaning given to it on page 38 of this Prospectus;

“**Disposal**” means any transfer or other disposal of an amount or of an interest in an asset or the creation of any right over an asset in favour of another person, but not the creation of an Encumbrance;

“**Distribution Compliance Period**” means the period during which each Underwriter has agreed that it will not offer, sell or deliver the Notes either (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons;

“**Distribution Date**” means:

- (a) each date falling one (1) Business Day prior to a Note Payment Date; and
- (b) the date of termination of the Payment Trust;

“**EADS**” means European Aeronautic Defence and Space Company EADS N.V.;

“**Eligible Bank**” means an English bank or an English branch of a bank the short-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least A — 1+/F1+/P-1 (or its equivalent) by S&P, Fitch and Moody’s respectively;

“**Encumbrance**” means:

- (a) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust or arrangement for the purpose of providing security or other security interest of any kind in any jurisdiction;
- (b) any blocked account or flawed asset arrangement which has the commercial effect of creating security for Financial Indebtedness;
- (c) any right of set-off in relation to Financial Indebtedness, whether it is created by agreement or by operation of law; and
- (d) any other proprietary interest created or arrangement entered into in relation to Financial Indebtedness which has the commercial effect of creating security for it;

“**Enforcement**” means enforcement of the Issuer Security following an Issuer Event of Default, in accordance with the Issuer Deed of Charge;

“**Enforcement Event**” means any of the following events:

- (a) a Payment Shortfall;
- (b) an Issuer Event of Default;
- (c) the MoD Direct Agreement is not effective, legal, valid, binding or enforceable for any reason;
- (d)
  - (i) an amendment, waiver, suspension or abandonment affecting any compensation on termination or assignment provision of the CISD;
  - (ii) an agreement to amend, suspend or abandon any provision of or waive any right under the CISD which, in each case, would affect any compensation on termination or assignment provision of the CISD,
 

if the effect of such amendment, waiver, suspension or abandonment would be to adversely affect the interests of the Noteholders;
- (e) the MoD repudiates the MoD Direct Agreement or the CISD; or
- (f) the MoD transfers its rights and obligations (or any part of them) under the MoD Direct Agreement other than in accordance with the MoD Direct Agreement;

“**Enhancement Common Depositary Global Note**” means the permanent Global Note in respect of the Enhancement Notes deposited with the Common Depositary on the Closing Date;

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**“Enhancement Custodian Global Note”** means the permanent Global Note in respect of the Enhancement Notes deposited with the Note Custodian on the Closing Date;

**“Enhancement Noteholders”** means the several persons who are for the time being holders of the Enhancement Notes (being, if and to the extent that the Enhancement Notes are represented by Definitive Enhancement Notes, the bearers thereof and, if and to the extent that the Enhancement Notes are represented by the Forward Purchase Global Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Enhancement Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Enhancement Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer, the Note Trustee and the Issuer Security Trustee, solely in the bearer of the Forward Purchase Global Notes in accordance with and subject to their respective terms and the terms of the Note Trust Deed)) and the words **“holder”** and **“holders of Enhancement Notes”** shall (where appropriate) be construed accordingly;

**“Enhancement Notes Sale Amount”** means the aggregate Note Value of Enhancement Notes to be Sold on a Sale Date, as set out in a further Issuer Entitlement Sale Notice;

**“Enhancement Notes”** means the Forward Purchase Enhancement Floating Rate Notes due 2021 being Notes (other than the Forward Purchase Issuer Notes) that may be issued and Sold under the Forward Note Purchase Agreement;

**“Enhancement Notes Hedging Arrangements”** means any hedging arrangements (comprising a Master Agreement and schedule thereto and any relevant confirmations) from time to time entered into by Paradigm after the Closing Date in connection with the Sale of Enhancement Notes as identified by the MoD in paragraph 4 of a Minimum Issuer Financing Compensation Notice;

**“Entrenched Rights”** has the meaning given to it on on page 96 of this Prospectus;

**“Environmental Liability”** means any losses, Liabilities, costs, damages, fines, charges, penalties, royalties or expenses resulting from or in connection with the presence at, in, on or under any site, or the escape from any site, of any natural or artificial substance (whether alone or in combination or in reaction with any other substance) capable of causing harm to man or any other living organism supported by all or any of the media of land, air and water and man or any other living organisms or systems supported by any such media, in quantities which have triggered or are likely to trigger an action by a regulatory body or a legally enforceable requirement from a third party action for preventing, limiting, removing, remedying, cleaning up, abating, containing or ameliorating the presence or effect of such substance at, on, in, under or introduced to or originating from a site, but excluding any such substance which was introduced prior to the effective date of the CISD;

**“Euro”**, **“euro”** and **“€”** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended;

**“Euroclear”** means Euroclear Bank S.A./N.V. as operator of the Euroclear System;

**“Exchange Date”** means the date which is 40 days after the Closing Date;

**“Existing Financiers”** means ABN AMRO Bank N.V., Allied Irish Bank plc, Australia and New Zealand Banking Group Limited, Banco Bilbo Viscera Argentaria SEA., Barclays Bank PLC, Bearish Hypo- und Vereinsbank AG, London Branch, Bayerische Landesbank, acting through its London Branch, BNP Paribas, London Branch, Canadian Imperial Bank of Commerce, London Branch, CDC Finance — CDC Ixis, Citibank, N.A., Commerzbank Aktiengesellschaft, London Branch, Commonwealth Bank of Australia, Cr dit Agricole Indosuez, Cr dit Industriel et Commercial, Dresdner Bank AG London Branch, Export Development Canada, Fortis Bank N.V./S.A., HSBC Bank plc, ING Bank N.V., London Branch, KBC Bank N.V. (London Branch), Landesbank Baden W rttemberg, London Branch, Landesbank Hessen-Th ringen Girozentrale, London Branch, Mizuho Corporate Bank, Ltd, Natexis Banques Populaires SA,

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NIB Capital Bank NV, Norddeutsche Landesbank Girozentrale, London Branch, Société Générale, London Branch, The Bank of Tokyo-Mitsubishi, Ltd., The Governor and Company of the Bank of Ireland, The Governor and Company of the Bank of Scotland, The Royal Bank Of Scotland plc and WestLB AG, London Branch;

“**Existing Financing**” means the syndicated term loan facilities entered into between Paradigm and the Existing Financiers on 24 October 2003 (as amended) to fund the performance of Paradigm’s obligations in relation to the Project;

“**Expiry Date**” means 29 February 2020 and, where the construction of Skynet 5D is required in terms of the CISD, 31 May 2021 (in each case as may be extended by certain circumstances in accordance with the CISD);

“**Extraordinary Resolution**” has the meaning given to it in the Note Trust Deed;

“**Failure to Pay**” means the event referred to in paragraph (a) of the definition of Swap Enforcement Event;

“**Final Maturity Date**” means, in the case of the Issuer Notes and the Forward Purchase Issuer Notes, the Note Payment Date falling in February 2020, and in the case of the Enhancement Notes, the Note Payment Date falling in May 2021;

“**Finance Documents**” means:

- (a) the Payment Trust Deed;
- (b) the Issuer Entitlement Sale Agreement;
- (c) the Security Documents;
- (d) the Payment Trustee Cash Management Agreement;
- (e) the Payment Trustee Bank Account Agreement;
- (f) the Forward Note Purchase Agreement;
- (g) the Custody Agreement;
- (h) the Note Trust Deed;
- (i) the Agency Agreement;
- (j) the Issuer Bank Account Agreement;
- (k) the Issuer Cash Management Agreement;
- (l) the Notes;
- (m) the agreements relating to the Hedging Arrangements including any documentation relating to the assignment of the benefit thereof to the Payment Trustee; and
- (n) any other agreements designated as such by Paradigm and the Issuer Security Trustee;

“**Financial Guarantee**” has the meaning given to it in **Condition 16.2 (Further Notes, Replacement Notes and New Notes — Replacement Notes)**;

“**Financial Indebtedness**” means, without double counting, Indebtedness for or in respect of:

- (a) money borrowed or debt raised;
- (b) debit balances at banks;
- (c) any bond, note, commercial paper, loan stock or similar debt instrument;
- (d) documentary or acceptance credit facilities, bill discounting or factoring facilities;
- (e) receivables sold or discounted (other than any receivables to the extent that they are sold on a non-recourse basis);
- (f) guarantees, notes or standby letters of credit issued in connection with the performance of contracts;
- (g) deferred payments for assets or services acquired (but not ordinary trade credit);

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- (h) finance leases, operating leases, conditional sales contracts and hire purchase contracts;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, note, standby or documentary letter of credit or any other instrument issued by a bank or a financial institution;
- (j) any derivatives transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value of such transaction or, if applicable, in accordance with the terms of any master agreement in respect thereof, the net marked to market value of all transactions under such master agreement shall be taken into account);
- (k) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of borrowing; and
- (l) guarantees of Indebtedness of any person falling within any of paragraphs (a) to (j) (inclusive) above;

**“Financial Regulator in Ireland”** means the Irish Financial Services Regulatory Authority;

**“First Issuer Financing Outstandings Notice”** means a notice substantially in the form of Schedule 2 to the MoD Direct Agreement setting out amounts due, *inter alia*, by the Issuer to the Noteholders on redemption of the Notes;

**“Fitch”** means Fitch Ratings Ltd. or its successors;

**“Force Majeure Events”** has the meaning given to it on page 37 of this Prospectus;

**“Forward Note Purchase Agreement”** means the forward note purchase agreement dated on or about the Closing Date among the Forward Note Purchasers, EADS, Paradigm, the Issuer Security Trustee and the Issuer;

**“Forward Note Purchaser”** means any person who is from time to time a party to the Forward Note Purchase Agreement as a Forward Note Purchaser;

**“Forward Note Purchaser Event”** means that a Forward Note Purchaser:

- (a) ceases or threatens to cease carrying on of its business;
- (b) is unable to pay its debts as and when they fall due;
- (c) repudiates (in whole or in part) any Transaction Document to which it is party; or
- (d) fails to comply in any material respect with any of its obligations under the Transaction Documents;

**“Forward Purchase Custodian Global Notes”** means the Forward Purchase Global Notes deposited on the Closing Date with the Note Custodian in respect of each of the Forward Purchase Issuer Notes and the Enhancement Notes;

**“Forward Purchase Global Note”** means each of the two permanent global notes in bearer form, without coupons or talons attached representing the Enhancement Notes, and the Forward Purchase Issuer Temporary Global Note and the Forward Purchase Issuer Permanent Global Note;

**“Forward Purchase Interest Period”** means each period from and including each Sale Date to but excluding the next Note Payment Date;

**“Forward Purchase Issuer Notes”** means the £[●] Forward Purchase Issuer Floating Rate Notes due 2020 that are Sold under the Forward Note Purchase Agreement and references to the Forward Purchase Issuer Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

**“Forward Purchase Issuer Permanent Global Note”** means the bearer global note without coupons or talons attached representing the Forward Purchaser Issuer Notes;

**“Forward Purchase Issuer Temporary Global Note”** means the bearer global note without coupons or talons attached which is deposited with the Note Custodian and initially represents

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the Forward Purchase Issuer Notes prior to its exchange for a Forward Purchaser Issuer Permanent Global Note;

**“Forward Purchase Note Long Stop Date”** means:

- (a) in relation to the Forward Purchase Issuer Notes, 30 June 2010; and
- (b) in relation to the Enhancement Notes, where Paradigm’s obligation to achieve FSOS:
  - (i) has been triggered, 31 March 2013; and
  - (ii) has not been triggered, 31 March 2010;

**“Forward Purchase Global Note”** means each of the two permanent global notes in bearer form, without coupons or talons attached, representing the Enhancement Notes and the Forward Purchase Issuer Temporary Global Note and the Forward Purchase Issuer Permanent Global Note;

**“Forward Purchase Notes”** means the Forward Purchase Issuer Notes and the Enhancement Notes;

**“Forward Purchase Price”** means, in respect of each Sale of Forward Purchase Notes an amount equal to the relevant Note Value plus an amount equal to the interest which would have accrued since the immediately preceding Note Payment Date if the Note had been Sold on the immediately preceding Note Payment Date;

**“FOS”** means Full Operational Service;

**“Fourth Satellite Operational Service”** has the meaning given to it on page 34 of this Prospectus;

**“FPIN Sale Amount”** means the aggregate Note Value of Forward Purchase Issuer Notes to be Sold on a Sale Date as set out in a Further Issuer Entitlement Sale Notice;

**“Framework”** means *Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework*, published on 26 June 2004 by the Basel Committee on Banking Supervision;

**“French State”** has the meaning given to it on page 87 of this Prospectus;

**“FSOS”** has the meaning given to it on page 34 of this Prospectus;

**“FSOS”** has the meaning given to it on page 34 of this Prospectus;

**“Full Operational Service”** has the meaning given to it on page 34 of this Prospectus;

**“Funding Call Notice”** means a notice issued under the Co-operation Agreement;

**“Fungible Amount”** has the meaning given to it on page 98 of this Prospectus;

**“Further Issuer Entitlement”** means a further beneficial interest in the Trust Property sold and assigned, or to be sold and assigned, by Paradigm to the Issuer on a Sale Date in accordance with the Issuer Entitlement Sale Agreement in an amount equal to that specified in the related Further Issuer Entitlement Sale Notice (such amount being no greater than an increase in the Minimum MoD Termination Payment);

**“Further Issuer Entitlement DPP”** means the Deferred Purchase Price calculated in respect of the sale of a Further Issuer Entitlement;

**“Further Issuer Entitlement IPP”** means the Initial Purchase Price calculated in respect of the sale of a Further Issuer Entitlement;

**“Further Issuer Entitlement Sale Notice”** means a notice given by Paradigm to the Issuer in accordance with the Issuer Entitlement Sale Agreement indicating that Paradigm wishes to sell a Further Issuer Entitlement;

**“Further Notes”** has the meaning given to it on page 31 of this Prospectus;

**“General Change in Law”** means a change in law other than a Discriminatory Change in Law or a Specific Change in Law;

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“**Global Notes**” means the Issuer Temporary Global Note, the Issuer Permanent Global Note and the Forward Purchase Global Notes;

“**Ground Segment**” means all parts of the System other than the satellites (including the Skynet 5 satellites);

“**GSI**” means Goldman Sachs International;

“**H.M. Government**” means the government of the United Kingdom of Great Britain and Northern Ireland;

“**Hedging Arrangements**” means:

- (a) each Paradigm Master Agreement;
- (b) each Confirmation; and
- (c) any documents relating to the Enhancement Notes Hedging Arrangements;

“**Holdings**” means Satellite Financing (Holdings) Limited a private company incorporated in England and Wales with limited liability under registered number 5593544;

“**Indebtedness**” means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

“**Initial Financial Close**” means 24 October 2003;

“**Initial Issuer Entitlement**” means that part of the Trust Property to be sold and assigned by Paradigm to the Issuer on the Closing Date in accordance with the Issuer Entitlement Sale Agreement;

“**Initial Issuer Entitlement DPP**” means the Deferred Purchase Price calculated in respect of the sale of the Initial Issuer Entitlement;

“**Initial Issuer Entitlement IPP**” means the Initial Purchase Price calculated in respect of the sale of the Initial Issuer Entitlement;

“**Initial Operational Service**” has the meaning given to it on page 33 of this Prospectus;

“**Initial Operational Service Initial Operating Capability**” has the meaning given to it on page 33 of this Prospectus;

“**Initial Paradigm Entitlement**” means an amount equal to the aggregate amount of Trust Property on the Closing Date less (i) the Initial Issuer Entitlement and (ii) the amounts payable under paragraphs (a) to (e) of the Payment Trust Priority of Payments;

“**Initial Purchase Price**” or “**IPP**” means that part of the Aggregate Purchase Price in respect of the sale of any Issuer Entitlement that is payable by the Issuer on the date of the sale of the relevant Issuer Entitlement calculated as an amount equal to the Aggregate Purchase Price for such Issuer Entitlement less the Deferred Purchase Price for such Issuer Entitlement;

“**Initial Trust Property**” has the meaning given to it on page 18 of this Prospectus;

“**INOS**” means Intermediate Operational Service;

“**Insolvency Act**” has the meaning given to it on page 9 of this Prospectus;

“**Insolvency Event**” means in respect of the relevant company, partnership, entity or individual any of the following:

- (a) an order being made or a resolution being passed for the administration, winding up, bankruptcy or dissolution of the party concerned (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);
- (b) if a voluntary arrangement under section 1 of the Insolvency Act 1986 is made in respect of the party concerned (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);

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- (c) if the party concerned makes any arrangement or composition with its creditors generally (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);
- (d) if any distress, execution, sequestration or other process is levied or enforced or sued out or upon or against the whole or any material part of the assets of the party concerned and the same is not discharged within 15 (fifteen) CISD Business Days; or
- (e) (save where such circumstances arise as a result of the exercise of permitted step-in rights) if an encumbrancer takes possession or an administrative or other receiver or manager is appointed over the whole or any material part of the assets of the party concerned and is not removed or discharged within 15 (fifteen) CISD Business Days in any such case;

“**Instalment Notice**” means a notice issued by the MoD in accordance with the MoD Direct Agreement stating that it wishes to pay the Noteholder MoD Termination Payment in instalments;

“**Insurance Proceeds Account**” has the meaning given to it on page 71 of this Prospectus;

“**Interest Amounts**” has the meaning given to it on page 99 of this Prospectus;

“**Interest Determination Date**” has the meaning given to it on page 99 of this Prospectus;

“**Interest Period**” means the period from (and including) the Closing Date to (but excluding) the first Note Payment Date and each successive period from and including a Note Payment Date to (but excluding) the next following Note Payment Date;

“**Intermediate Operational Service**” has the meaning given to it on page 34 of this Prospectus;

“**IOS**” means Initial Operational Service;

“**IOS IOC**” means Initial Operational Service Initial Operating Capability;

“**Irish Paying Agent**” means Citibank International plc (registered number 904627), a private limited liability company incorporated under the laws of Ireland whose registered office is at 1 North Wall Quay, Dublin 1, Ireland (or any successor Irish Paying Agent under the Agency Agreement);

“**Irish Stock Exchange**” means the Irish Stock Exchange Limited;

“**Issuer**” means Satellite Financing PLC, a public company incorporated in England and Wales with limited liability under registered number 5593543 or any successor thereto under the Note Trust Deed;

“**Issuer Account Bank**” means Citibank N.A., London Branch in its capacity as Issuer account bank pursuant to the terms of the Issuer Bank Account Agreement or such other person or persons from time to time appointed as Issuer account bank pursuant to the terms of the Issuer Bank Account Agreement;

“**Issuer Accounts**” means the Issuer Transaction Account, the Issuer Reserve Account, the Issuer Insurance Accounts, the Issuer Share Capital Account and any replacement for any such account or any other bank account of the Issuer from time to time as permitted under the Issuer Deed of Charge;

“**Issuer AC Financing Amount**” means (without taking into account any amount more than once) the aggregate of:

- (a) all amounts of principal outstanding on the Notes as at the Termination Date, up to a maximum of the amount shown in the latest Minimum Issuer Financing Compensation Notice;
- (b) all amounts of accrued but unpaid interest under the Notes as at the date of payment by MoD of the Noteholder MoD Termination Payment;

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- (c) all amounts of principal and interest under the Notes which fall due between the Termination Date and the date of payment by MoD of the Noteholder MoD Termination Payment;
- (d) any Call Premium Amount; and
- (e) all costs and expenses and other amounts payable by the Issuer under the Transaction Documents;

**“Issuer Bank Account Agreement”** means the bank account agreement dated on or prior to the Closing Date between the Issuer, the Issuer Security Trustee, the Issuer Cash Manager and the Issuer Account Bank;

**“Issuer Cash Management Agreement”** means the cash management agreement dated on or about the Closing Date between the Issuer, the Issuer Security Trustee and the Issuer Cash Manager;

**“Issuer Cash Manager”** means Citibank N.A., London Branch in its capacity as Issuer cash manager to the Issuer pursuant to the Issuer Cash Management Agreement or such other person or persons from time to time appointed as Issuer cash manager pursuant to the terms of the Issuer Cash Management Agreement;

**“Issuer Corporate Services Agreement”** means the corporate services agreement dated on or about the Closing Date between the Issuer Corporate Services Provider, the Issuer, Holdings and the Issuer Security Trustee;

**“Issuer Corporate Services Provider”** means Structured Finance Management Limited in its capacity as corporate services provider to the Issuer and Holdings pursuant to the terms of the Issuer Corporate Services Agreement or such other person or persons from time to time appointed as Issuer corporate services provider pursuant to the terms of the Issuer Corporate Services Agreement;

**“Issuer Deed of Charge”** means the deed of charge and assignment dated on or about the Closing Date between the Issuer and the Issuer Security Trustee (on behalf of the Issuer Secured Creditors);

**“Issuer Entitlement”** means each of the Initial Issuer Entitlement and any Further Issuer Entitlement, representing the Issuer’s beneficial interest in the Trust Property;

**“Issuer Entitlement Amount”** means an amount equal to:

- (a) (where no Note Acceleration Notice has been issued and the CISD has not been terminated) the aggregate of:
  - (i) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (g) of the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Pre-Acceleration Priority of Payments (as appropriate) (each as described in the Issuer Deed of Charge) payable on the next Note Payment Date; and
  - (ii) (where a Multiple Invoice Notice has been issued by the Payment Trustee Cash Manager) an amount equal to the Multiple Invoice Amount; and
- (b) (where a Note Acceleration Notice has been issued and/or the CISD has been terminated) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (d) of the Issuer Post-Acceleration Priority of Payments (as described in the Issuer Deed of Charge),

less (in each case) the aggregate of:

- (i) the amount standing to the credit of the Issuer Transaction Account;
- (ii) any Loss of Revenue Insurance Monthly Amount (to the extent not transferred to the Issuer Transaction Account); and
- (iii) the Issuer Reserve Account Excess Amount (to the extent not transferred to the Issuer Transaction Account);

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**“Issuer Entitlement Sale Agreement”** means the agreement entered into on or before the Closing Date between Paradigm, EADS, the Issuer, the Payment Trustee and the Issuer Security Trustee which governs the sale and assignment to the Issuer of the Initial Issuer Entitlement and each Further Issuer Entitlement;

**“Issuer Event of Default”** has the meaning given in **Condition 9 (Issuer Events of Default)**;

**“Issuer Insurance Accounts”** means:

- (a) the Issuer Insurance No 1 Account; and
- (b) the Issuer Insurance No 2 Account;

**“Issuer Insurance No 1 Account”** has the meaning given it on page 71 of this Prospectus;

**“Issuer Insurance No 2 Account”** has the meaning given it on page 71 of this Prospectus;

**“Issuer Noteholders”** means the several persons who are for the time being holders of the Issuer Notes (being, if and to the extent that the Issuer Notes are represented by Definitive Issuer Notes, the bearers thereof and, if and to the extent that the Issuer Notes are represented by Global Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Issuer Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Issuer Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer, the Note Trustee and the Issuer Security Trustee, solely in the bearer of the Global Notes in accordance with and subject to their respective terms and the terms of the Note Trust Deed)) and the words **“holder”** and **“holders of Issuer Notes”** shall (where appropriate) be construed accordingly;

**“Issuer Notes”** means the £● Issuer Floating Rate Secured Notes due 2020 and any Further Issuer Notes and references to the Issuer Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

**“Issuer Permanent Global Note”** means a permanent bearer global note without coupons or talons attached, representing the Issuer Notes and those Forward Purchase Issuer Notes which have been sold after exchange from an Issuer Temporary Global Note;

**“Issuer Post-Acceleration Priority of Payments”** has the meaning given to it on page 52 of this Prospectus and as set out in the Issuer Deed of Charge;

**“Issuer Post-Enforcement Pre-Acceleration Priority of Payments”** has the meaning given to it on page 52 of this Prospectus and as set out in the Issuer Deed of Charge;

**“Issuer Pre-Enforcement Priority of Payments”** has the meaning given to it on page 51 of this Prospectus and as set out in the Issuer Deed of Charge;

**“Issuer Priority of Payments”** means each of the Issuer Pre-Enforcement Priority of Payments, the Issuer Post-Enforcement Pre-Acceleration Priority of Payments and the Issuer Post-Acceleration Priority of Payments;

**“Issuer Reserve Account”** means the Sterling-denominated account in the name of the Issuer and maintained with the Issuer Account Bank or an Eligible Bank which replaces the Issuer Account Bank;

**“Issuer Reserve Account Required Balance”** means the amount described as such on page 23 of this Prospectus;

**“Issuer Reserve Account Excess Amount”** means at any time, any amount standing to the credit of the Issuer Reserve Account in excess of the Issuer Reserve Account Required Balance;

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**“Issuer Reserve Account Required Top-Up Amount”** means, on any Note Payment Date, an amount (to the extent greater than zero) equal to:

- (a) the Issuer Reserve Account Required Balance; less
- (b) the amount standing to the credit of the Issuer Reserve Account,

provided always that the Issuer Reserve Account Required Top-Up Amount shall not exceed an amount equal to the Liquidity Required Balance where the **Liquidity Required Balance** is at any time equal to (i) the Issuer Reserve Account Required Balance less (ii) the Minimum Reserve Balance;

**“Issuer Secured Creditors”** means the Noteholders, the Issuer Security Trustee, any Receiver appointed by the Issuer Security Trustee under the Issuer Deed of Charge, the Note Trustee, the Agent Bank, the Principal Paying Agent, the Irish Paying Agent, the Issuer Cash Manager, the Issuer Account Bank, the Issuer Corporate Services Provider, the Note Custodian, Paradigm (to the extent that it is entitled to amounts in respect of the Deferred Purchase Price) and the MoD;

**“Issuer Secured Obligations”** means all present and future obligations (whether actual or contingent and whether owed jointly or severally or in any capacity whatsoever) of the Issuer to any of the Issuer Secured Creditors under the Transaction Documents except for any obligation which, if it were so included, would result in the Issuer Deed of Charge contravening any law;

**“Issuer Security”** has the meaning given to it on page 50 of this Prospectus;

**“Issuer Security Trustee”** means Citicorp Trustee Company Limited and includes any person for the time being appointed as Issuer Security Trustee under the Issuer Deed of Charge;

**“Issuer Share”** means, on the Closing Date, the Initial Issuer Entitlement, and thereafter on any Distribution Date, the percentage calculated as set out on page 21 of this Prospectus representing the Issuer’s share of the beneficial interest in the Trust Property determined in accordance with the Payment Trust Deed;

**“Issuer Share Capital Account”** means the Sterling-denominated bank account in the name of the Issuer and maintained with the Issuer Account Bank or an Eligible Bank which replaces the Issuer Account Bank;

**“Issuer Temporary Global Note”** means the bearer global note without coupons or talons attached which initially represents the Issuer Notes prior to its exchange for the Issuer Permanent Global Note;

**“Issuer Transaction Account”** means the Sterling-denominated bank account in the name of the Issuer and maintained with the Issuer Account Bank or an Eligible Bank which replaces the Issuer Account Bank;

**“Issuer Transaction Documents”** means any Transaction Document to which the Issuer is party;

**“June 2005 10-Q”** has the meaning given to it on page 79 of this Prospectus;

**“Late Delivery Fee”** means an amount calculated by multiplying the Late Delivery Rate of Interest by the Note Value of Forward Purchase Issuer Notes and/or Enhancement Notes which the relevant Forward Note Purchaser has purchased on the date so calculated, divided by 365 and multiplied by the number of days from (and including) the proposed Sale Date to (and excluding) the actual Sale Date;

**“Late Delivery Rate of Interest”** means an annual rate of interest equivalent to the aggregate of:

- (a) the prevailing Rate of Interest; and
- (b) two per cent.;

**“Law”** means any applicable law, statute, proclamation, by-law, directive, decision, regulation, rule, order, notice, decision or rule of court or delegated or subordinated legislation, including

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legislation of the European Union having the force of law in England and Wales without further enactment and including the Treaty of Rome;

“**Lead Manager**” means any of Citigroup Global Markets Limited and Goldman Sachs International, and the “**Lead Managers**” shall mean both of them;

“**Leases**” means the leases Paradigm has with the MoD (as landlord) in relation to the Ground Segment sites at RAF Oakhanger, Colerne and Corsham for the entire duration of the CISD Period as the same may be amended or re-executed during the CISD Period;

“**Liability**” means any present or future liability (actual or contingent), together with

- (a) any permitted novation, deferral or extension of that liability;
- (b) any further advance which may be made under any agreement expressed to be supplemental to any document in respect of that liability, together with all related interest, fees and costs;
- (c) any claim for damages or restitution in the event of rescission of that liability or otherwise;
- (d) any claim flowing from any recovery by a payment or discharge in respect of that liability on the grounds of preference or otherwise; and
- (e) any amount (such as post-insolvency interest) which would be included in any of the above but for its discharge, non-provability, unenforceability or non-allowability in any insolvency or other proceedings;

“**Loss of Revenue Insurance Monthly Amount**” means an amount calculated by the Issuer Cash Manager (in consultation with Paradigm) as representing the proportion of the amount (if any) standing to the credit of the Issuer Insurance Accounts which is applicable to revenue:

- (a) lost by Paradigm in the relevant Calculation Period as a result of the relevant insured event; and
- (b) in respect of which proceeds of any anticipated loss of revenue insurance have been received into the Issuer Insurance Accounts;

“**Maintenance and Support Agreement**” means the maintenance and support agreement dated 24 October 2003 entered into between ServiceCo and Astrium (as amended and restated from time to time including on or around the Closing Date);

“**Majority Noteholders**” means those Noteholders holding in excess of 50 per cent. of the Notes by Principal Amount Outstanding, as determined by the Note Trustee;

“**Margin**” has the meaning given to it on page 99 of this Prospectus;

“**Master Agreement**” means on ISDA Master Agreement (Multicurrency — Cross Border) between Paradigm and a Swap Counterparty;

“**Master Definitions and Construction Schedule**” means the master definitions and construction schedule set out as a schedule to the Master Transaction Deed;

“**Master Transaction Deed**” means the master transaction deed dated on or about the Closing Date between, *inter alios*, the Payment Trustee, the Payment Trustee Cash Manager, the Payment Trustee Corporate Services Provider, the Payment Trustee Account Bank, the Issuer, the Issuer Cash Manager, Holdings, the Note Trustee, the Issuer Security Trustee, the Issuer Account Bank, the Agent Bank, the Principal Paying Agent, the Irish Paying Agent and the Issuer Corporate Services Provider and the Paradigm Security Trustee;

“**Member State**” means a European Union Member State, unless otherwise indicated;

“**Milestone Assurance Case**” means the assurance case prepared and delivered by Paradigm to the MoD in accordance with the requirements of the CISD;

“**Minimum Issuer Financing Compensation Notice**” means a notice in the form of Schedule 1 to the MoD Direct Agreement, detailing, amongst other things the then applicable amount of the Minimum MoD Termination Payment and/or in certain circumstances detailing the

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subsequent increasing amounts of Minimum MoD Termination Payments that will be payable from time to time assuming that a corresponding principal amount of Notes is outstanding;

**“Minimum MoD Termination Payment”** means at any time the lowest MoD Termination Payment which would be payable at that time on termination of the CISD for Paradigm Default;

**“Minimum Reserve Balance”** means an amount equal to the scheduled amortisation of the Notes for the next two Interest Periods plus interest on the Notes in these periods, such interest calculated on the basis of the fixed rate payable under the relevant Assigned Hedging Arrangements plus the Margin;

**“MoD”** means the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland;

**“MoD Default”** has the meaning given to it on page 64 of this Prospectus;

**“MoD Direct Agreement”** means the direct agreement entered into on or around the Closing Date between the MoD, Paradigm, the Paradigm Security Trustee, the Payment Trustee, EADS, the Issuer, the Issuer Security Trustee and the Note Trustee;

**“MoD Termination Payment”** means the termination payment that the MoD will be obliged to pay on termination of the CISD (including in accordance with Schedule AC and the MoD Direct Agreement);

**“Moody’s”** means Moody’s Investors Service Limited or its successors;

**“Multiple Invoice Amount”** means, where a Multiple Invoice Notice has been issued prior to the calculation of the Preliminary Issuer Entitlement Amount or the Issuer Entitlement Amount (as appropriate), an amount equal to the amount required by the Issuer to make payment in full of item (e) in the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Pre-Acceleration Priority of Payments (as appropriate) on the Note Payment Date following the next Note Payment Date, calculated by the Payment Trustee Cash Manager in consultation with the Issuer Cash Manager assuming an interest rate of the Rate of Interest calculated in accordance with **Condition 4 (Interest)** in the Interest Period ending immediately prior to the immediately following Note Payment Date, plus, for the avoidance of doubt, the Margin;

**“Multiple Invoice Notice”** means a notice issued by the Payment Trustee Cash Manager stating that, (save where no amounts were received by the Payment Trustee from the MoD during the immediately preceding Calculation Period in respect of the amounts shown in any Take or Pay Invoice) funds have been received by the Payment Trustee from the MoD during the current Calculation Period in respect of amounts shown in two or more Take or Pay Invoices.

**“NATO”** means the North Atlantic Treaty Organisation;

**“Net Paradigm Entitlement Amount”** means the amount so designated as described on page 45 of this Prospectus;

**“New Notes”** means any Notes of the Issuer which (a) do not form a single series with any of the existing Notes (and, as the context may require, includes any Replacement Notes), (b) which are constituted by a deed supplemental to the Note Trust Deed pursuant to Clause 5 of the Note Trust Deed and (c) are outstanding for the time being or, as the context may require, a specific number thereof and includes the new temporary global Note (or any part thereof) representing the same, the new permanent global Note (or any part thereof) representing the same, and (if issued) the new definitive Notes (or any of them) representing the same;

**“Nominated Noteholder Account”** means a Sterling denominated account with a bank nominated by a Noteholder at such Noteholder’s election for the direct payment by the MoD of its *pro rata* proportion of the Noteholder MoD Termination Payment;

**“Note Acceleration Notice”** means a notice given in writing to the Issuer declaring that all classes of Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Note Trust Deed;

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**“Note Custodian”** means Citibank N.A., London Branch in its capacity as note custodian pursuant to the terms of the Custody Agreement or such other person or persons from time to time appointed as note custodian pursuant to the terms of the Custody Agreement;

**“Noteholders”** means the Issuer Note Noteholders, the Forward Purchase Issuer Noteholders and the Enhancement Noteholders to the extent that the relevant Issuer Notes, Forward Purchase Issuer Notes or Enhancement Notes are outstanding from time to time and includes, where the context so requires, any New Noteholders of any class of New Notes;

**“Noteholder MoD Termination Payment”** means that part of the MoD Termination Payment that the MoD will be obliged to pay to the Issuer Secured Creditors on termination of the CISD;

**“Note Payment Date”** means the last Business Day of each calendar month;

**“Notes”** has the meaning given to it on page 93 of this Prospectus;

**“Note Trust Deed”** means the Note Trust Deed dated on or about the Closing Date between the Issuer and the Note Trustee constituting the Notes together with any deed supplemental thereto;

**“Note Trustee”** means Citicorp Trustee Company Limited acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, or any other person or persons for the time being acting as the Note Trustee or Note Trustees pursuant to the Note Trust Deed;

**“Note Value”** means the original principal amount per Note, less the Deemed Amortisation Amount (if any);

**“Notice of Sale”** means a notice from Paradigm to the MoD substantially in the form attached to the Issuer Entitlement Sale Agreement, giving notice to the MoD of a Sale of Initial Issuer Entitlement or Further Issuer Entitlement as relevant from Paradigm to the Issuer;

**“Paradigm”** means Paradigm Secure Communications Limited;

**“Paradigm Account Bank”** means HSBC Bank PLC whose registered office is at 8 Canada Square, Canary Wharf, London E14 5MQ;

**“Paradigm Deed of Charge”** means the deed of charge granted on or around the Closing Date by Paradigm in favour of the Paradigm Security Trustee (on behalf of the Paradigm Secured Creditors);

**“Paradigm Default”** has the meaning given to it on page 64 of this Prospectus;

**“Paradigm Entitlement Amount”** means, on any Distribution Date, an amount equal to the greater of zero and:

B – Issuer Entitlement Amount (as calculated on such Distribution Date)

where B = the total Payment Trust Receipts in that Calculation Period less any amounts payable under paragraphs (a) to (e) of the Payment Trust Priority of Payments;

**“Paradigm Finance Documents”** means certain other documents to which Paradigm is a party in relation to the Transaction;

**“Paradigm Master Agreement”** means each ISDA Master Agreement (Multicurrency — Cross Border) and schedule dated as of the Closing Date between Paradigm and a Paradigm Swap Counterparty;

**“Paradigm Secured Creditors”** means the persons in whose favour Paradigm has created security under the Paradigm Deed of Charge;

**“Paradigm Security Trustee”** means Citicorp Trustee Company Limited in its capacity as Paradigm security trustee or such other person or persons from time to time appointed as the Paradigm security trustee;

**“Paradigm Share”** means, on the Closing Date, the Initial Paradigm Entitlement, and thereafter on any Distribution Date, the percentage calculated as set out on page 21 of this Prospectus representing Paradigm’s share of the beneficial interest in the Trust Property;

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**“Paradigm Swap Counterparty”** means:

- (a) Citibank, N.A., London Branch; and
- (b) Goldman Sachs Capital Markets, L.P.,

and includes any other permitted counterparty to the Hedging Arrangements;

**“Paradigm Transaction Account”** means the Sterling-denominated bank account in the name of Paradigm and maintained with the Paradigm Account Bank or such other replacement account with the Paradigm Account Bank or an Eligible Bank which replaces the Paradigm Account Bank the details of which are notified by (or on behalf of) Paradigm to the Payment Trustee;

**“Paying Agent”** means the Principal Paying Agent, the Irish Paying Agent and such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement;

**“Payment Shortfall”** has the meaning given to it on page 22 of this Prospectus;

**“Payment Trust”** means the trust declared by the Payment Trustee over the Trust Property in accordance with the terms of the Payment Trust Deed;

**“Payment Trust Deed”** means the payment trust deed entered into on or prior to the Closing Date between the Issuer, Paradigm, and the Payment Trustee;

**“Payment Trustee”** means Paradigm Trustee Limited, (registered number 5595067) as a private limited company incorporated in England and Wales and established to hold the Trust Property pursuant to the terms of the Payment Trust Deed;

**“Payment Trustee Account Bank”** means HSBC Bank plc whose registered office is at 8 Canada Square, Canary Wharf, London E14 5HQ in its capacity as payment trustee account bank pursuant to the terms of the Payment Trustee Bank Account Agreement or such other person or persons from time to time appointed as payment trustee account bank pursuant to the terms of the Payment Trustee Bank Account Agreement;

**“Payment Trustee Accounts”** means the Payment Trustee Transaction Accounts and any replacement for such accounts or any other bank account in the name of the Payment Trustee from time to time as permitted under the Payment Trust Deed;

**“Payment Trustee Bank Account Agreement”** means the agreement entered into on or about the Closing Date between the Payment Trustee Account Bank, the Payment Trustee, the Payment Trustee Cash Manager and the Issuer Security Trustee;

**“Payment Trustee Cash Management Agreement”** means the cash management agreement entered into on or about the Closing Date by and among ServiceCo (as Payment Trustee Cash Manager), the Payment Trustee, the Issuer, Paradigm and the Issuer Security Trustee;

**“Payment Trustee Cash Management Services”** means the cash management services provided by the Payment Trustee Cash Manager in relation to the Payment Trust;

**“Payment Trustee Cash Manager”** means Paradigm Secure Communication Limited in its capacity as payment trustee cash manager pursuant to the Payment Trustee Cash Management Agreement or such other person or persons from time to time appointed as Payment Trustee Cash Manager pursuant to the terms of the Payment Trustee Cash Management Agreement;

**“Payment Trustee Corporate Services Agreement”** means the corporate services agreement entered into on or about the Closing Date by and among the Payment Trustee Corporate Services Provider, the Payment Trustee, the Issuer, Paradigm and the Issuer Security Trustee;

**“Payment Trustee Corporate Services Provider”** means Structured Finance Management Limited or any other person or persons for the time being acting as the payment trustee corporate services provider pursuant to the terms of the Payment Trustee Corporate Services Agreement;

**“Payment Trustee Share Trustee”** means SFM Corporate Services Limited;

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**“Payment Trustee Transaction Account”** means each of the Payment Trustee Transaction Account Sterling, the Payment Trustee Transaction Account Euro and the Payment Trustee Transaction Account Dollar, each in the name of the Payment Trustee and maintained with the Payment Trustee Account Bank or an Eligible Bank which replaces the Payment Trustee Account Bank;

**“Payment Trustee Transaction Account Sterling”** means the Sterling denominated bank account in the name of the Payment Trustee, maintained with the Payment Trustee Account Bank with account number 11613766 or such other replacement account with the Payment Trustee Account Bank or an Eligible Bank which replaces the Payment Trustee Account Bank;

**“Payment Trustee Transaction Account Dollar”** means the Dollar denominated bank account in the name of the Payment Trustee, maintained with the Payment Trustee Account Bank with account number 58967913 or such other replacement account with the Payment Trustee Account Bank or an Eligible Bank which replaces the payment Trustee Account Bank;

**“Payment Trustee Transaction Account Euro”** means the Euro denominated bank account in the name of the Payment Trustee and maintained with the Payment Trustee Account Bank with account number 58967913 or such other replacement account with the Payment Trustee Account or an Eligible Bank which replaces the Payment Trustee Account Bank;

**“Payment Trust Priority of Payments”** means the priority of payments set out on page 46 of this Prospectus and in the Payment Trust Deed;

**“Payment Trust Receipts”** means all revenues which form part of the Trust Property received or deemed to have been received by the Payment Trustee during a Calculation Period;

**“Permitted Investment”** means:

- (a) money market funds rated AAA, or equivalent, by S&P, Moody’s or Fitch and which offer daily liquidity with same day settlement; or
- (b) deposits, certificates of deposit or short-term debt obligations (including commercial paper) which mature prior to or on the same date as the next Note Payment Date provided that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity such instruments is rated “A-1+”, “P-1” or “F-1+” by S&P, Moody’s or Fitch respectively; or
- (c) deposits held at an Eligible Bank,

which in each case is denominated in the currency of the funds used to purchase or make such investment;

**“Preliminary Distribution Date”** means the date falling one Business Day prior to a Relevant Distribution Date;

**“Preliminary Issuer Entitlement Amount”** means an amount equal to:

- (a) (where no Note Acceleration Notice has been issued) the aggregate of:
  - (i) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (g) of the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Pre-Acceleration Priority of Payments (as appropriate) (each as described in the Issuer Deed of Charge) payable on the next Note Payment Date; and
  - (ii) (where a Multiple Invoice Notice has been issued by the Payment Trustee Cash Manager) an amount equal to the Multiple Invoice Amount; and
- (b) (where a Note of Acceleration Notice has been issued) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (d) of the Issuer Post-Acceleration Priority of Payments (as described in the Issuer Deed of Charge),

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**“Payment Trust Priority of Payments”** means the priority of payments set out on page 46 of this Prospectus and in the Payment Trust Deed;

**“Payment Trust Receipts”** means all revenues which form part of the Trust Property received or deemed to have been received by the Payment Trustee during a Calculation Period;

**“Permitted Investment”** means:

- (a) money market funds rated AAA, or equivalent, by S&P, Moody’s or Fitch and which offer daily liquidity with same day settlement; or
- (b) deposits, certificates of deposit or short-term debt obligations (including commercial paper) which mature prior to or on the same date as the next Note Payment Date provided that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity such instruments is rated “A-1+”, “P-1” or “F-1+” by S&P, Moody’s or Fitch respectively; or
- (c) deposits held at an Eligible Bank,

which in each case is denominated in the currency of the funds used to purchase or make such investment;

**“Preliminary Distribution Date”** means the date falling one Business Day prior to a Relevant Distribution Date;

**“Preliminary Issuer Entitlement Amount”** means an amount equal to:

- (a) (where no Note Acceleration Notice has been issued) the aggregate of:
  - (i) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (g) of the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Pre-Acceleration Priority of Payments (as appropriate) (each as described in the Issuer Deed of Charge) payable on the next Note Payment Date; and
  - (ii) (where a Multiple Invoice Notice has been issued by the Payment Trustee Cash Manager) an amount equal to the Multiple Invoice Amount; and
- (b) (where a Note of Acceleration Notice has been issued) the amount required by the Issuer to make payment in full of the aggregate of items (a) to (d) of the Issuer Post-Acceleration Priority of Payments (as described in the Issuer Deed of Charge),

less (in each case) the aggregate of:

- (i) the amount standing in the credit of the Issuer Transaction Account;
- (ii) any Loss of Revenue Insurance Monthly Amount (to the extent not transferred to the Issuer Transaction Account); and
- (iii) the Issuer Reserve Account Excess Amount (to the extent not transferred to the Issuer Transaction Account);

**“Preliminary Paradigm Entitlement Amount”** means, on any Preliminary Distribution Date, an amount equal to:

B — Preliminary Issuer Entitlement Amount (as calculated on the Preliminary Distribution Date)

where “B” is the total Payment Trust Receipts since the beginning of the current Calculation Period less any amounts payable under paragraphs (a) to (e) of the Payment Trust Priority of Payments on the next Relevant Distribution Date;

**“Presentation Date”** has the meaning given to it on page 101 of this Prospectus;

**“Principal Amount Outstanding”** has the meaning given in Condition 6.6 (**Redemption — Principal Amount Outstanding**);

**“Principal Paying Agent”** means Citibank N.A., London Branch or such other person from time to time appointed as the principal paying agent, subject to and in accordance with the terms of the Agency Agreement;

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**“Principal Sub-Contractor”** means

- (a) Astrium; and
- (b) ServiceCo;

**“Prohibited Act”** means:

- (a) offering, giving or agreeing to give any servant of H.M. Government any gift or consideration of any kind as an inducement or reward:
  - (i) for doing or not doing (or having done or not having done) any act in relation to the obtaining or performance of the CISD or any other contract with the Crown;
  - (ii) for showing or not showing favour or disfavour to any person in relation to the CISD or any other contract with the Crown;
- (b) entering into the CISD or any other contract with the Crown in connection with which commission has been paid or has been agreed to be paid by Paradigm or on its behalf, or to its knowledge, unless before the relevant contract is entered into particulars of any such commission and of the terms and conditions of any such contract for the payment thereof have been disclosed in writing to the MoD;
- (c) committing any offence:
  - (i) under the Prevention of Corruption Acts 1889-1916;
  - (ii) under any Law creating offences in respect of fraudulent acts; or
  - (iii) at common law in respect of fraudulent acts in relation to the CISD or any other contract with the Crown; or
- (d) defrauding or attempting to defraud or conspiring to defraud the Crown;

**“Project”** means the design, development, construction, installation, financing, operation and maintenance of the System and provision of the Services to the MoD;

**“Project Documents”** means:

- (i) the CISD,
- (ii) the System Prime Contract,
- (iii) the Service Contract,
- (iv) the Maintenance and Support Agreement, and
- (v) the MoD Direct Agreement;

**“Project Milestones”** has the meaning given to it on page 16 of this Prospectus;

**“Prolonged Force Majeure”** means a Force Majeure Event that continues for 120 CISD Business Days where its consequences have a material effect on Paradigm’s or any Sub-Contractor’s ability to perform its obligations in relation to the Project;

**“Prospectus”** means this document;

**“Prospectus Directive”** means Directive 2003/71/EC and any relevant implementing measures in the Relevant Member State;

**“PUS”** means Permanent Under Secretary;

**“Qualifying Change in Law”** has the meaning given to it on page 38 of the Prospectus;

**“Rate of Interest”** has the meaning given to it on page 98 of this Prospectus;

**“Rating Agency”** means any of Fitch, Moody’s and S&P;

**“Receiver”** means any person or persons appointed (and any additional person or persons appointed or substituted) as administrative receiver, receiver, manager, or receiver and manager of any security under any Security Document or the Paradigm Deed of Charge;

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“**Redemption Notice**” means a notice given by the MoD (or deemed in terms of the MoD Direct Agreement to be given) where the MoD is paying the Noteholder MoD Termination Payment in instalments, stating that it wishes to pay all remaining amounts in a lump sum;

“**Reference Banks**” has the meaning given to it on page 99 of this Prospectus;

“**Regulation**” means any present or future law, regulation, request, requirement or guideline of any authority, which is binding on the relevant party whether or not it has the force of law or which the relevant party is otherwise required to comply with in order to perform its obligations contemplated under the Transaction Documents;

“**Relevant Date**” is defined in Condition 8 (Prescription);

“**Relevant Distribution Date**” means each date falling one (1) Business Day prior to a Note Payment Date;

“**Relevant Enhancement Notes Principal Amount**” means the Principal Amount Outstanding of Enhancement Notes which will from time to time be included in the MoD Termination Payment, as set out in a Minimum Issuer Financing Compensation Notice;

“**Relevant Implementation Date**” means the date on which the Prospectus Directive has been implemented in the Relevant Member State;

“**Relevant Insurances**” means that part of any insurance policy obtained or maintained by Paradigm in relation to the Project which provides coverage for loss of anticipated revenue;

“**Relevant Insurers**” means any underwriter or insurer of any Relevant Insurance which is in force;

“**Relevant Member State**” means, as applicable, each Member State of the European Economic Area that has implemented the Prospectus Directive;

“**Relevant Principal Amount**” means the Principal Amount Outstanding of Issuer Notes and Forward Purchase Issuer Notes (the Principal Amount Outstanding in the case of the Forward Purchase Issuer Notes being calculated as if the Forward Purchase Issuer Notes to be Sold on the relevant Sale Date had been Sold);

“**Relief Events**” has the meaning given to it on page 36 of the Prospectus;

“**Replacement Notes**” means the Notes created or issued without the consent of the Noteholders but subject to the provisions of the Conditions of the Notes by the Issuer to raise further funds;

“**Representations and Warranties**” means, in respect of Paradigm, the representations and warranties set out in Part 1 of Schedule 3 (Representations and Warranties) to the Issuer Entitlement Sale Agreement and, in respect of EADS, the representations and warranties set out in Part 2 of Schedule 3 (Representations and Warranties) to the Issuer Entitlement Sale Agreement;

“**Representative Amount**” has the meaning given to it on page 99 of this Prospectus;

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. or its successors;

“**Sale**” means each sale after the Closing Date of Forward Purchase Notes by the Issuer to the Forward Note Purchasers in accordance with the Forward Note Purchase Agreement and Sold, Sell and other cognate expressions shall be construed accordingly;

“**Sale Date**” means the date of assignment or sale of a Further Issuer Entitlement under the terms of the Issuer Entitlement Sale Agreement and of the corresponding Forward Purchase Notes in accordance with the Forward Note Purchase Agreement in each case as specified in the relevant Further Issuer Entitlement Sale Notice;

“**Schedule AC**” means Schedule AC of the MoD Direct Agreement;

“**Screen Rate**” has the meaning given to it on page 99 of this Prospectus;

“**SEC**” has the meaning given to it on page 79 of this Prospectus;

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“**Secretary of State**” means the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland;

“**Secure Amount**” means an amount not less than the Issuer AC Financing Amount;

“**Secured Notes**” means Notes that are secured;

“**Securities Act**” means the United States Securities Act of 1933, as amended;

“**Security Documents**” means:

- (a) the Issuer Deed of Charge; and
- (b) any other document or instrument (creating or evidencing security) in favour of the Issuer Security Trustee (on behalf of the Issuer Secured Creditors) creating or evidencing security for all or any part of the obligations and liabilities of the Chargors (or any of them) under any of the Transaction Documents whether by way of personal covenant, charge, security interest, mortgage, standard security, pledge or otherwise;

“**Security Interest**” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of creating a preferential interest over any asset;

“**ServiceCo**” means Paradigm Services Limited;

“**ServiceCo Defaults**” has the meaning given to it on page 42 of this Prospectus and “**ServiceCo Default**” will be construed accordingly;

“**Service Contract**” means the service contract entered into on the Initial Financial Close between Paradigm and ServiceCo to operate and maintain the Skynet 4 satellites, the Ground Segment and the Skynet 5 satellites (as amended and restated from time to time including on or around the Closing Date);

“**Service Contract Guarantee**” means the guarantee from EADS in favour of Paradigm in relation to the Service Contract entered into on the Closing Date;

“**Service Credits**” means credits that are applied to usage based Services when these Services are either not delivered or are delivered below their specified levels;

“**Service Limit**” means the limit of £30,000,000 on ServiceCo’s aggregate liability for credits or deductions;

“**Service Payment**” has the meaning given to it on page 17 of this Prospectus;

“**Services**” means those communication and other services to be provided by Paradigm to the MoD pursuant to the CISD as set out in the CISD Service Specification;

“**Service Variation**” means any change to the Services or the introduction of a new service, each such variation to be implemented in accordance with the procedures set out in the CISD;

“**Share Trustee**” means SFM Corporate Services Limited (and any respective successor share trustee);

“**Significant Noteholder**” means a Noteholder holding notes having an original Principal Amount Outstanding of greater than or equal to £90,000,000;

“**Skynet 5A**” has the meaning given to it on page 16 of this Prospectus;

“**Skynet 5B**” has the meaning given to it on page 16 of this Prospectus;

“**Skynet 5C**” has the meaning given to it on page 16 of this Prospectus;

“**Skynet 5D**” has the meaning given to it on page 16 of this Prospectus;

“**Sold**” means a concluded Sale of Forward Purchase Notes by the Issuer to the Forward Note Purchasers under the terms of the Forward Note Purchase Agreement;

“**Sold Enhancement Notes**” means Enhancement Notes which have been Sold;

“**Sold Forward Purchase Issuer Notes**” means Forward Purchase Issuer Notes which have been Sold;

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“**Space Segment**” means the Skynet 4 satellites and the Skynet 5 satellites;

“**Specific Change in Law**” has the meaning given to it on page 38 of the Prospectus;

“**Specified Transferred Assets**” has the meaning given to it on page 43 of the Prospectus;

“**Spot Rate**” has the meaning given to it on page 45 of the Prospectus;

“**Sterling**”, “**sterling**”, “**pounds**”, “**£**” and “**pence**” means the lawful currency of the United Kingdom;

“**Sub-Contractor**” means any sub-contractor of Paradigm or of any of the Principal Sub-Contractors;

“**Subscription Agreement**” means the subscription agreement entered into between, *inter alios*, the Issuer, Paradigm, EADS, and the Underwriters;

“**Subsidiary**” means any company or entity which is directly or indirectly Controlled by another person;

“**Swap Enforcement Event**” means:

- (a) a failure by Paradigm to make, when due, any payment under a Compensated Hedging Arrangement and such failure is not remedied on or before the date falling forty-five (45) Business Days after the date on which notice of such failure is given by the Paradigm Security Trustee to Paradigm, copied to the MoD, the Issuer, the Issuer Security Trustee and each Paradigm Swap Counterparty;
- (b) a Swap Insolvency Event;
- (c) an occurrence of the “Illegality” termination event described in the ISDA Master Agreement (Multicurrency-Cross Border), subject to certain agreed rights of the relevant parties (including the MoD) to remedy or mitigate the effect of such event;
- (d) any event referred to in paragraph (d) of the definition of “Enforcement Event” and for this purpose, the Paradigm Swap Counterparties shall be deemed to be named in paragraph (d) of the definition of “Enforcement Event” in place of the Noteholders; and
- (e) any event referred to in paragraphs (c), (e) and (f) of the definition of “Enforcement Event”;

“**Swap Insolvency Event**” means any of the following:

- (a) an order being made or a resolution being passed for the administration, winding up, bankruptcy or dissolution of Paradigm (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);
- (b) if a voluntary arrangement under section 1 of the Insolvency Act 1986 is made in respect of Paradigm (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);
- (c) if Paradigm concerned makes any arrangement or composition with its creditors generally (except for the purposes of an amalgamation or reconstruction, the terms of which have previously been notified to and approved by the MoD);
- (d) if any distress, execution, sequestration or other process is levied or enforced or sued out or upon or against the whole or any material part of the assets of Paradigm and the same is not discharged within 15 (fifteen) Business Days; or
- (e) if an encumbrancer takes possession or an administrative or other receiver or manager is appointed of the whole or any material part of the assets of Paradigm and is not removed or discharged within 15 (fifteen) Business Days other than in respect of a representative of the Paradigm Security Trustee which has provided a step-in undertaking or entered into a novation of the CISD in accordance with the Construction Tranche Direct Agreement and Clause 11.1(b) of the MoD Direct Agreement;

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“**System**” means the Skynet 4 and Skynet 5 secure military, satellite communications system comprising the assets owned and operated by Paradigm which provide the Services and which provide services to Third Party Customers;

“**System Prime Contract**” means the system prime contract entered into on the Initial Financial Close between Paradigm and Astrium to design, construct, commission, test and deliver in orbit the Skynet 5 satellites (as amended and/or restated from time to time including on or around the Closing Date);

“**System Prime Contract Guarantee**” means the guarantee from EADS in favour of Paradigm, under the System Prime Contract entered into on the Closing Date;

“**System Prime Default**” has the meaning given on page 40 of this Prospectus;

“**System Prime Supplied Assets**” means the assets (excluding the satellites) supplied by Astrium under the System Prime Contract;

“**Take or Pay Amount**” has the meaning given on page 62 of this Prospectus;

“**Take or Pay Deduction**” means the deduction level so described in “*Service Payments*”;

“**Take or Pay Invoice**” means an invoice issued by Paradigm to the MoD setting out a Take or Pay Amount;

“**Take or Pay Tariff**” means the tariff level so described in “*Service Payments*”;

“**Talons**” means talons for further Coupons;

“**Taxes**” means all present and future income and other taxes, levies, assessments, imposts, deductions, duties, fees, charges and withholdings whatsoever together with interest thereon, additions to tax and penalties and surcharges and fines with respect thereto, if any, (in all cases, only where imposed by a governmental, fiscal or other revenue authority) and any payments made on or in respect thereof and **Taxation**, **Tax** and **tax** shall be construed accordingly;

“**Temporary Global Note**” means a temporary bearer global note without receipts and interest coupons attached initially representing the Issuer Notes of each class;

“**Terminals Delivery Date**” has the meaning given to it on page 16 of this Prospectus;

“**Termination Date**” means the date of termination or deemed termination of the CISD;

“**Termination Notice**” means a notice by the MoD or Paradigm terminating the CISD;

“**Third Party Contract**” means any present or future contract between Paradigm and an approved third party under which communications services which use the System and other services are provided to that third party;

“**Third Party Customer**” means any party (other than Paradigm) which is party to a Third Party Contract;

“**Third Satellite Operational Service**” has the meaning given to it on page 34 of this Prospectus;

“**TOS**” means Transitional Operational Service;

“**Transaction**” means each of the transactions in the series of transactions contemplated by the Transaction Documents;

“**Transaction Documents**” means each of the;

- (a) Master Transaction Deed;
- (b) Payment Trust Deed;
- (c) Issuer Entitlement Sale Agreement;
- (d) Forward Note Purchase Agreement;
- (e) MoD Direct Agreement;



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- (f) CISD;
  - (g) System Prime Contract;
  - (h) System Prime Contract Guarantee;
  - (i) Service Contract;
  - (j) Service Contract Guarantee
  - (k) Paradigm Finance Documents;
  - (l) Custody Agreement;
  - (m) Payment Trustee Cash Management Agreement;
  - (n) Payment Trustee Corporate Services Agreement;
  - (o) Payment Trustee Bank Account Agreement;
  - (p) Issuer Deed of Charge;
  - (q) the Notes;
  - (r) Note Trust Deed;
  - (s) Agency Agreement;
  - (t) Issuer Cash Management Agreement;
  - (u) Issuer Corporate Services Agreement; and
  - (v) Issuer Bank Account Agreement,

and any other document agreed between the Issuer Security Trustee, the Issuer, the Paradigm Security Trustee, Paradigm and the Payment Trustee to be a Transaction Document.

“**Transitional Operational Service**” has the meaning given to it on page 33 of this Prospectus;

“**Trust Property**” is defined on page 18 of this Prospectus;

“**TSOS**” has the meaning given on page 16 of this Prospectus;

“**UK Person**” means a body or person falling within any one or more of the following descriptions of bodies or persons:

- (a) a person which is resident in the UK for Tax purposes;
- (b) a company which is incorporated in the UK;
- (c) a person which carries on a trade in the UK through a permanent establishment in the UK;
- (d) a partnership, each member of which is any person referred to in any of paragraphs (a), (b) or (c) above;
- (e) a trust in respect of which each trustee, or, as the case may be, the settler is any person referred to in any of paragraphs (a), (b) or (c) above;
- (f) any trust or body of persons established in the UK for charitable purposes; and
- (g) any fund established and administered in the UK;

“**Underwriters**” means Citigroup Global Markets Limited and Goldman Sachs International;

“**Unfunded Notes**” means any amount of Forward Purchase Notes which a Defaulting Purchaser has failed to purchase in accordance with the Forward Note Purchase Agreement;

“**Updated Issuer Financing Outstandings Notice**” means a notice substantially in the form of Schedule 2 to the MoD Direct Agreement setting out amounts due *inter alia* by the Issuer to the Noteholders on redemption of the Notes; and

“**Voluntary Termination**” means the right of the MoD to terminate the CISD at its discretion (including through no fault of Paradigm).

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35 Great St. Helen's London EC3A 6AP

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**NOTE TRUSTEE**

**Citicorp Trustee Company Limited**

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Canary Wharf, London E14 5LB

**AGENT BANK  
AND PRINCIPAL PAYING AGENT**

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Ireland

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*To the Underwriters, the Co-Lead Managers, the Issuer, the Note Trustee and the Issuer Security Trustee (as to English law)*

**Allen & Overy LLP**

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*To EADS, Paradigm and ServiceCo*

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**McCann FitzGerald Listing Services Limited**

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International Financial Services Centre,  
Dublin 1

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